

Media Release

Zug, 31 January 2017

HBM Healthcare Investments Quarterly Report 2016

Net asset value per share (NAV) decreased by 4.3 percent to CHF 133.43 during the third quarter of the 2016/2017 financial year owing to price volatility among public companies. The share price advanced by 1.3 percent to CHF 99.00 in the same period.

These figures result in an overall loss of CHF 20 million for the first nine months of the financial year to 31 December 2016, a decline of 0.9 percent in NAV, and a 5.1 percent increase in the share price (including the cash dividend).

Key portfolio developments during the quarter under review

In the portfolio of public companies, **Ophthotech** disappointed with negative phase-III trial results for Fovista®, for the treatment of wet AMD. The financial consequences were nonetheless limited, because HBM Healthcare Investments has been steadily selling around 90 percent of its holding since Ophthotech went public in September 2013. With a realised profit of USD 114 million and an annualised return of over 40 percent, Ophthotech is financially one of the most successful investments that HBM Healthcare Investments has ever made.

Advanced Accelerator Applications is facing a delay of several months in the approval of Lutathera® for the treatment of neuroendocrine tumours (GEP-NETs). The result for the quarter was CHF 33 million lower owing to the ensuing decline of the share price. The US Food and Drug Administration FDA has asked the company to supply additional information, and to consolidate the data from the various studies and submit it in a standardised format. HBM Healthcare Investments is still confident that the drug will be approved this year, rather than as at the end of 2016, as originally expected.

In the portfolio of private companies, **Interventional Spine** reported a success in the sale of its "Expandable Cage" technology to DePuy Synthes (J&J Group). The proceeds from the sale will be returned in full to the company's creditors and shareholders. The deal enabled us to revalue our holding, which we have reduced in the past, by USD 9 million, up to the expected net liquidation proceeds. By contrast, we made valuation adjustments of USD 14 million to our holdings in **Tensys Medical** and **Iconic Therapeutics**.

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During the reporting period, one new investment – totalling USD 8.2 million – was made in San Diego-based private company **Neurelis**. The first tranche of USD 5.5 million of this investment was paid up at the end of December 2016. With NRL-1, Neurelis is developing and testing a formulation that would allow the nasal administration of diazepam to treat epilepsy patients with acute seizures.

Outlook

The equity markets in the healthcare sector got off to a decent start in 2017, which had a positive effect on the NAV of HBM Healthcare Investments. The IPOs at the end of January of ObsEva and AnaptysBio had a further positive impact on the portfolio.

Key approval decisions are expected for a number of the larger companies in the portfolio (Vectura, Advanced Accelerator Applications, Incyte and Neurocrine). If the outcome is positive this will result in a value increase of these holdings. Other companies (Pacira, Genmab, Paratek and Nabriva) will also be publishing clinical phase-III trial data that will affect their valuations.

The uncertainty surrounding discussions about drug prices and healthcare reform in the USA will continue to generate volatility in the equity markets. However, we believe that M&A activity in the healthcare sector will remain lively. The portfolio is well positioned to benefit from this.

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Information on HBM Healthcare Investments Ltd

HBM Healthcare Investments invests in the healthcare sector. The Company holds and manages an international portfolio of promising companies in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. Many of these companies have their lead products already available on the market or at an advanced stage of development. The portfolio companies are closely tracked and actively guided in their strategic direction. This is what makes HBM Healthcare Investments an interesting alternative to investments in big pharma and biotechnology companies. HBM Healthcare Investments has an international shareholder base and is listed on SIX Swiss Exchange (ticker: HBMN).

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