

The AtonRâ Healthcare M&A Index is a long-only, USD-based, actively managed total return index.

The Index invests in companies which are to benefit from M&A potential (takeover targets as well predators) in the global Healthcare sector as well as from long-term industry drivers and specific company catalysts.

M&A is the natural response to industry's ongoing challenges (intense competition, pricing pressure, rising costs and complexity of regulatory compliance, slower organic growth and blockbuster drugs going off-patent) and changing market dynamics, as it allows to reignite growth and deliver operating leverage.

The US tax reform notably should give a boost to mega deals as smaller ones are driven by fundamentals and are more immune to the political and tax landscape.

With increased focus on personalized medicine and continued innovations from the Tech world (wearables, next-generation sequencing, etc.), MedTech is to top the M&A list.

## Main Features

|                 |                        |
|-----------------|------------------------|
| Asset Class     | Equity                 |
| Inception Date  | 15-Sep-17              |
| Currency        | USD                    |
| Type of Return  | Total Return           |
| Ticker          | NXSRHEMA               |
| ISIN            | XS1365787826           |
| Issuer          | NATIXIS                |
| Issue Price     | 100.0                  |
| Last Price      | 107.2                  |
| Sharpe Ratio    | 0.20                   |
| Correlation     | 0.79                   |
| Beta            | 1.54                   |
| Reference index | MSCI World Health Care |

## MONTHLY RETURNS (%)

|      | JAN   | FEB   | MAR  | APR  | MAY  | JUN  | JUL  | AUG  | SEP   | OCT    | NOV   | DEC   | ANNUAL |
|------|-------|-------|------|------|------|------|------|------|-------|--------|-------|-------|--------|
| 2019 | 12.8% |       |      |      |      |      |      |      |       |        |       |       | 12.8%  |
| 2018 | 5.1%  | -4.9% | 0.0% | 0.2% | 4.2% | 2.8% | 0.7% | 6.9% | 2.0%  | -12.5% | 3.5%  | -9.1% | -3.0%  |
| 2017 |       |       |      |      |      |      |      |      | -2.4% | 0.6%   | -1.3% | 1.1%  | -2.1%  |

## HIGHS/LOWS

|               | Price | Date      |
|---------------|-------|-----------|
| All Time High | 115.4 | 28-Sep-18 |
| All Time Low  | 87.3  | 25-Dec-18 |



## January 2019 highlights

The AtonRâ Healthcare M&A certificate gained 12.8% in January, outperforming the MSCI World Health Care by 7.7%. Year-to-date, it outperforms its reference index by 7.7% and launch-to-date (September 15, 2017), it underperforms by 0.9%.

Adalimumab, sold by **AbbVie** under the trade name Humira, is a monoclonal antibody used to treat rheumatoid arthritis, psoriatic arthritis, Crohn's disease, ulcerative colitis, chronic psoriasis, juvenile idiopathic arthritis among other indications. Humira is the highest selling drug in the world and represents 60% of AbbVie total revenues.

Since the launch of Humira biosimilars in October 2018 in the European market, biosimilars have reached 75% of Humira's international business with a pricing discounts of between 10% to 80%, depending on geographies. AbbVie management is arguing that people would still choose the branded drug over the biosimilars for quality beyond the price and expects Humira's international sales to decline by 30% in 2019.

For the US market, AbbVie has entered into an agreement this month with a biosimilar company, **Coherus BioSciences**, to postpone the commercialization of its Humira copycat, CHS-1420. The license period for CHS-1420 will begin in December 2023 and Coherus will pay royalties to AbbVie. Unless AbbVie loses patent litigation, Humira in the US is protected until 2023.

AbbVie's Upadacitinib is expected to be launched in 2019; this agent outperformed both placebo and Adalimumab (Humira) in a phase 3 study last year in some of the Humira-approved indications. In the long term, Upadacitinib could replace Humira in full for the same diseases.

However, an acquisition could help AbbVie diversify its product mix and reduce its reliance on the company's blockbuster. There had been some speculations that AbbVie could bid for **Bristol-Myers Squibb**, which announced this month the acquisition of **Celgene Corp** for \$74bn. Although, during the earnings call, AbbVie's CEO stated that the company is not considering a big merger-type deal, the company is not closing the door on smaller deals and rumors point to **BioMarin** and **Alexion** as potential targets in the field of rare diseases.

Moreover, the Bristol-Myers Squibb/ Celgene deal is not closed and higher bids for Celgene are not to be ruled out... AbbVie's president said at the JPMorgan conference that oncology would be a significant driver for the next ten years and that the company is ready to use its strong balance sheet to expand its pipeline through strategic licensing, acquisition and partnering activity.

M&A rumors in the healthcare sector, particularly in hot therapeutic areas such as oncology or gene therapy, have intensified since the end of 2018.

Three major acquisitions took place in the last two months: **GlaxoSmithKline/ Tesaro** for \$5.1bn, **Bristol-Myers Squibb/ Celgene Corp** for \$74bn and **Eli Lilly/ Loxo Oncology** for \$8bn. All these transactions occurred in the oncology space, showing that companies remain eager to invest in this therapeutic area as scientific advances have catalyzed the development of drugs.

The regulator is also more and more cooperative; the FDA approved 16 cancer treatments last year, nearly 30% of all approvals. **Blueprint Medicines**, **Bluebird**, **Clovis Oncology**, or **Exelixis** could be among the next targets... In fact, the number of approvals representing the top 20 companies decreased from approximately 70% during 2010 to 2014 timeframe to 37% in 2018. Such numbers are showing how big pharma prefer to let small companies developing drugs and buying them at a later stage by leveraging their distribution network.

**Top 3 Contributors**

**Name**

SAREPTA THERAPEUTICS INC  
 PUMA BIOTECHNOLOGY INC  
 BIOTELEMETRY INC

**Worst 3 Contributors**

**Name**

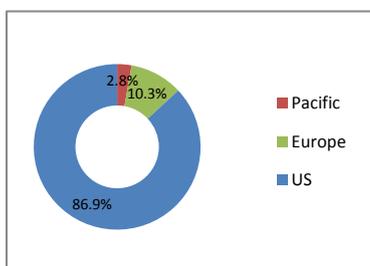
ILLUMINA INC  
 BRISTOL-MYERS SQUIBB CO  
 ACCELERON PHARMA INC

**Top 3 Holdings**

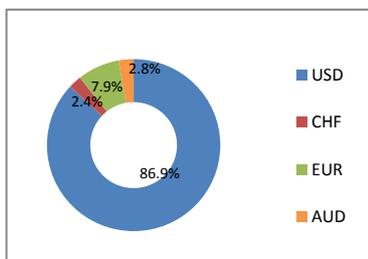
**Name**

BIOTELEMETRY INC  
 INTERCEPT PHARMACEUTICALS IN  
 SAREPTA THERAPEUTICS INC

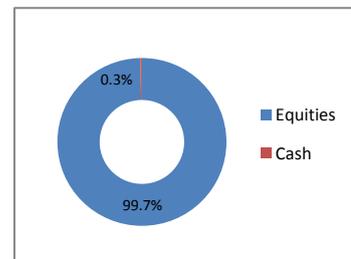
**Geographical Breakdown**



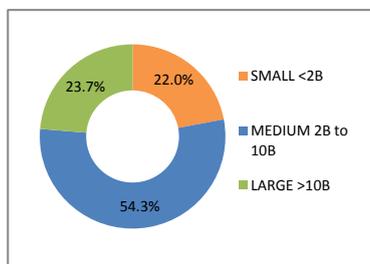
**Currency exposure**



**Asset Allocation**



**Equity Market Capitalization**



**Equity Liquidity**

|                               |     |
|-------------------------------|-----|
| 1 to 3 days to liquidate*     | 96% |
| 3 to 5 days to liquidate      | 0%  |
| More than 5 days to liquidate | 4%  |

\*on average daily trading over the last 3M

**Important Information**

All net estimated returns are based on unaudited, internally prepared assessments and have not been independently verified. The net estimated returns are subject to adjustments as a result of changes or delays in AtonRâ's calculations of the profit and loss of the portfolio. Any such adjustments could have a material impact on the estimated net returns of the AtonRâ Basket. Net returns are reported after deduction of AtonRâ's management and/or performance fees.

**Past performance is not indicative or a guarantee of future results. Investment losses may occur, and investors could lose some or all of their investment.**

Although AtonRâ Partners SA believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this report. The information contained in these publications is sent to you by way of information and cannot be divulged to a third party without the prior consent of AtonRâ Partners. It cannot be considered under any circumstances as an offer to sell, or a solicitation of any offer to buy financial instruments. Any indices cited herein are provided only as examples of general market performance and no index is directly comparable to the past or future performance of the Certificate. It should not be assumed that the Certificate will invest in any specific securities that comprise any index, nor should it be understood to mean that there is a correlation between the Certificate's returns and any index returns. Any material provided to you is intended only for discussion purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any security and should not be relied upon by you in evaluating the merits of investing in any securities.