ATONRÂ GLOBAL HEALTHCARE M&A CERTIFICATE

AtonRâ Partners

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.

We believe that with the new US tax code, 2018 M&A activity could be explosive as buying growth has all of a sudden become cheaper due to the new treatment of amortization (fully expensed vs. amortized over many years) within the new tax reform.

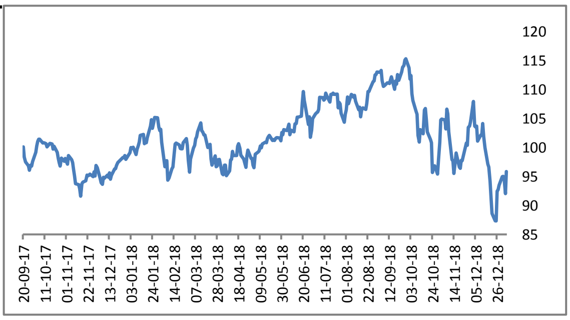
Main Features

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	95.0
Sharpe Ratio	-0.30
Correlation	0.77
Beta	1.51
Reference index	MSCI World Health Care

MONTHLY RETURNS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL
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



December 2018 highlights

The AtonRâ Healthcare M&A certificate fell 9.1% in December, underperforming the MSCI World Health Care by 1%. In 2018, it underperformed its reference index by 5.5% and launch-to-date (September 15, 2017), it underperforms by 7.8%.

With the recent sell-off in the Biotechnology and Healthcare sectors, we expect M&A activity to continue to be very strong going in 2019 as depressed valuations offer an opportunity for those players that were waiting for better entry points to take on the current opportunity.

With a huge consolidation taking place between health insurers and PBMs (pharmacy benefit managers), notably with the deal between health insurer **Aetna** and pharmacy manager **CVS Health** and the takeover of **Express Scripts**, a CVS rival, by insurer **Cigna**, on the back of worries of **Amazon** entering the PBM business, the US healthcare market is set to further consolidate in our view.

We believe that the 2nd derivative from the ongoing tectonic shift in the US healthcare system is to come from Pharmaceuticals and Biotechnology companies. In fact, with customers which are becoming literally mammoths, the only way for Pharmaceutical/Biotechnology companies to stay competitive with such large customers is for them to get bigger and bigger and to get either highly specialized (highest market share in one or several indications) or highly diversified (extracting as many synergies as possible).

Last month, **GlaxoSmithKline** (GSK)has agreed to buy **Tesaro** for $5.1B and with this acquisition, the company is entering the PAPR inhibitors market. GSK will gain access to Zejula which is already approved as a maintenance treatment for patients with ovarian cancer but is also tested in breast and prostate cancers. For GSK, the 110% premium paid for Tesaro is justified by the fact that Zejula might be used in other types of cancer.

Clovis Oncology, a competitor of Tesaro in the PARP inhibitor space which has a product (Rubraca) that was approved earlier this year in the US and Europe, might also be an acquisition target for companies such as Pfizer.

In addition to Tesaro's acquisition, GSK and **Pfizer** announced last month their desire to create a new global consumer JV combining the OTC activities of both companies. GSK would own 68% of this new entity and Pfizer 32% with GSK likely to spin off the OTC activity through an IPO.

The consumer health sector is in fact in the midst of a major consolidation. **Bristol-Myers Squibb** also sold its French consumer business to **Taisho Pharmaceuticals** for $1.6B while **Novartis** and **Merck** left the sector several months ago. **Merck KGaA** completed the $4B sale of its Consumer Health business to **Procter & Gamble** announced in April.

Finally, Novartis made an offer for **CellforCure**, specialized in gene and cell therapies. This acquisition would boost its CAR-T therapy manufacturing capacity as the Group had capacity and manufacturing issues in the past for Kymriah's.

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Top 3 Contributors

Name

TESARO INC
COCHLEAR LTD
ERYTECH PHARMA

Worst 3 Contributors

Name

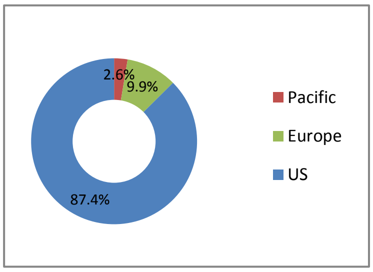
BIOTELEMETRY INC
SAREPTA THERAPEUTICS INC
OMNICELL INC

Top 3 Holdings

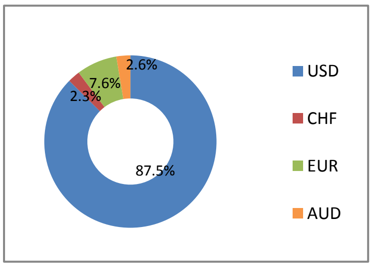
Name

BIOTELEMETRY INC
SAREPTA THERAPEUTICS INC
VERTEX PHARMACEUTICALS INC

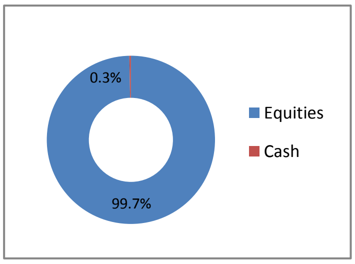
Geographical Breakdown



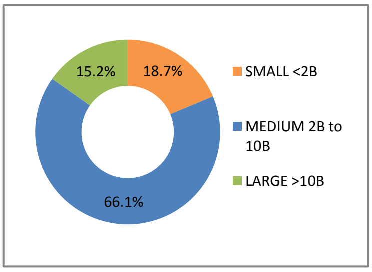
Currency exposure



Asset Allocation



Equity Market Capitalization



Equity Liquidity

1 to 3 days to liquidate*	97%
3 to 5 days to liquidate	0%
More than 5 days to liquidate	3%

*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.

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