

# NEXT EDGE BIO-TECH PLUS FUND

Monthly Report as of July 31<sup>st</sup> 2017

Investing in companies of the future.

A unique, well defined process of investing in North American small and mid-capitalization Biotechnology companies.

## FUND COMMENTARY

After advancing for 10 of the previous 12 months, it was inevitable the Next Edge Bio-Tech Plus Fund (the “Fund”) would experience a disappointing month like July. To invoke Murphy’s Law, what could go wrong, did go wrong. Better to get it all out in one month. July began with one of our positions missing a Phase 2 clinical endpoint and falling -50%. That was followed shortly after by a -47% decline in the value of our largest holding. Significantly, that decline was not due to any fundamental factors, but rather entirely due to filing its S-1 to become freely tradable, providing an exit to punters in the position. We have added to our position in this rapidly growing, innovative company that is transforming access of therapeutics to the brain, pancreas and alleviating Parkinson’s disease. We discussed this position in the June semi-annual commentary.

Adding to matters, our heavyweight position in Intercept Pharmaceutical (ICPT) declined -13% on the last day of July after closing at a 9-month high the day prior, despite reporting stronger growth of its first approved product. There was a death in a Phase 2 trial its Data Safety Monitoring Board (DSMB) did not attribute to its drug. Nevertheless, that did not matter to the market as it extrapolated this risk to its entire drug pipeline. Sell first, figure it out later. Typical for this sector, but also why so many mispricing opportunities arise out of panics such as this versus other sectors.

Finally, as the markets continued to rise, our ever-present downside protection hedges were again a drag on performance, as it has been most months. Throughout my institutional investing career, such fire insurance has proven to be indispensable companion and contributor of positive returns when needed most.

For July, the Fund declined -12.49%<sup>1</sup> for the Class A Units and -12.41%<sup>1</sup> the Class F Units versus a rise of +0.93%<sup>2</sup> for the Benchmark. For the past 12 months, the Fund rose +12.48%<sup>1</sup> for the Class A Units and +11.65%<sup>1</sup> for the Class F Units versus a decline of -0.76%<sup>2</sup> for the Benchmark.

Period Ended	Correlation
July 31 <sup>st</sup> , 2015 to July 31 <sup>st</sup> , 2017	Next Edge Bio-Tech Plus Fund Class A
Next Edge Bio-Tech Fund - Class A	1.00
Nasdaq Biotech Index (NBI)	0.70
TSX Healthcare Index (^TTHC)	0.44
Fund Benchmark <sup>2</sup>	0.68

Source: Next Edge Capital Corp., Bloomberg Data

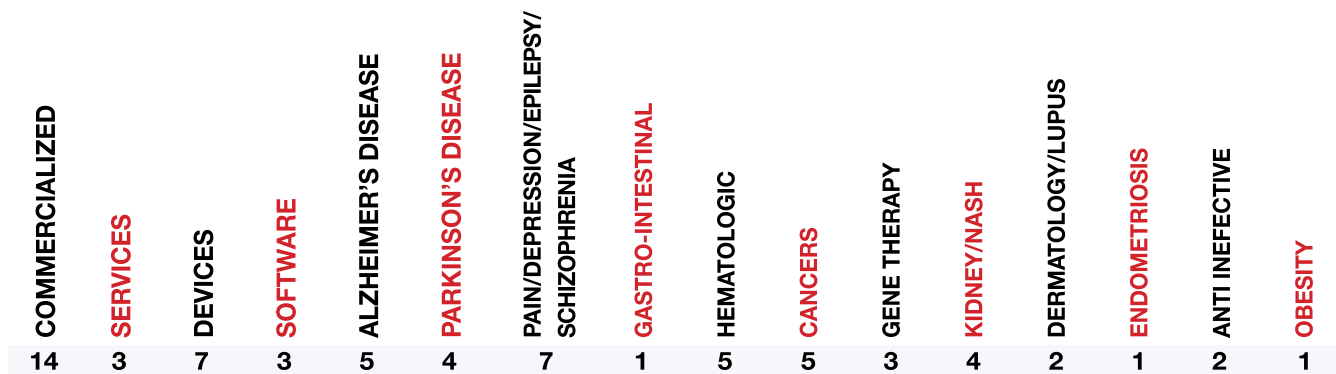


FOR EXISTING INVESTORS AND INVESTMENT PROFESSIONAL USE ONLY. PLEASE SEE ACCOMPANYING IMPORTANT DISCLOSURES. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

## A Portfolio Positioned for Growth:

Despite the steep setback this month, I want to remind investors that the Fund's portfolio is positioned for growth through any market conditions due to delivering breakthrough treatments that will make current therapeutics obsolete. Collectively, companies we hold have 26 therapies in late-phase clinical trials that could be commercialized over the next 1 – 3 years. While it is always a volatile ride with biotech, patient investors will be rewarded over the course of the unfolding cycle.

### THERAPEUTIC FOCUS OF FUND HOLDINGS

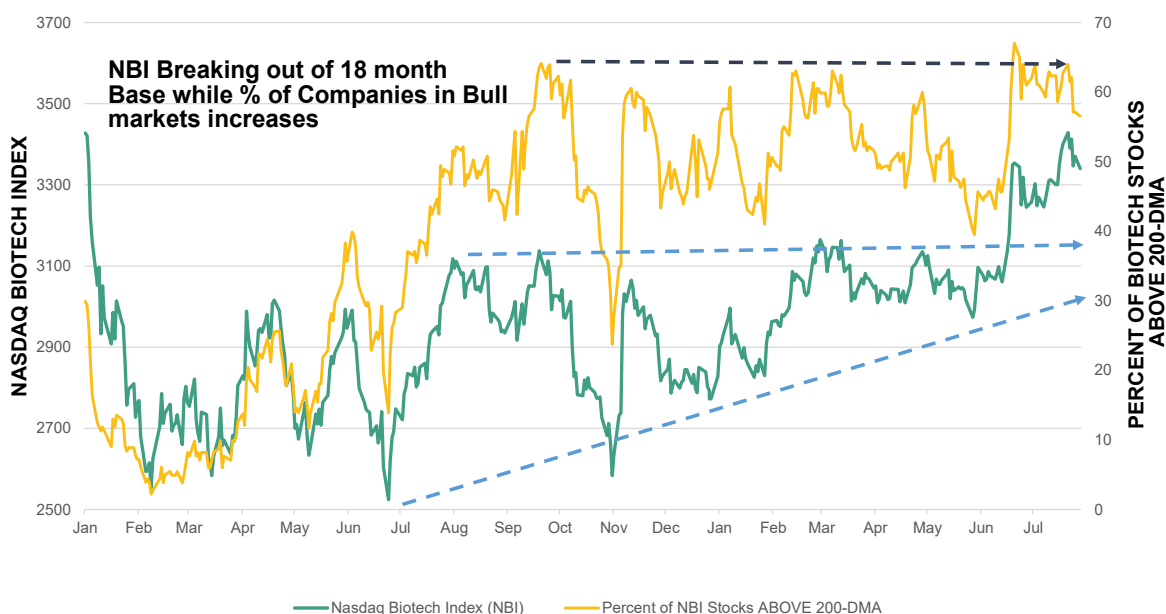


Source: Next Edge Capital as of June 30<sup>th</sup> 2017

The percent of biotech companies in a bull market, as defined by being above their 200-day moving average, pulled back from a high of 67% to 57% at month-end. Typically, that reading will reach 80% to 90% before a pause.

### NASDAQ BIOTECH INDEX (NBI) 2016-2017

PERCENT OF BIOTECH STOCKS ABOVE 200-DAY MOVING AVERAGE



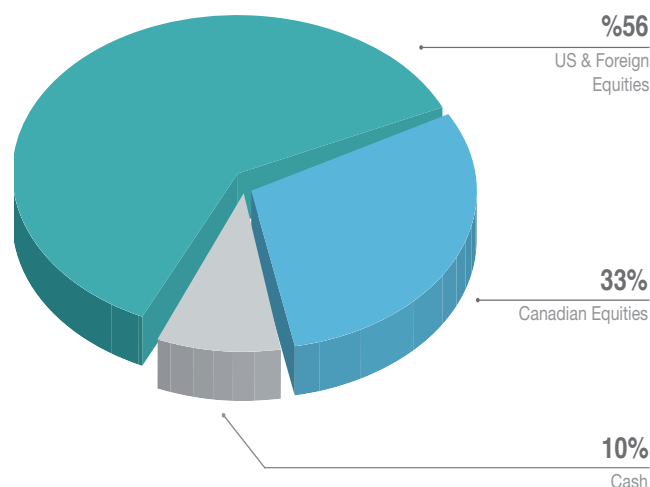
Source: Next Edge Capital Corp., Bloomberg Data as of July 31<sup>st</sup>, 2017



FOR EXISTING INVESTORS AND INVESTMENT PROFESSIONAL USE ONLY. PLEASE SEE ACCOMPANYING IMPORTANT DISCLOSURES. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

## COMPOSITION OF HOLDINGS FOR JULY 31<sup>ST</sup>, 2017

At the end of July, the Fund held US investments amounting to 56% assets, a decline of 2% from 58% due to the sharp decline in selected heavyweight US holdings coupled with another adverse impact of the 4% rally in the Canadian dollar. Three US positions declined greater than -40% and a fourth surrendered its considerable monthly gain on the last day of the month. The value of Canadian holdings rose from 31% to 33% due mainly to the hit to the value of the US component of the Fund. Cash declined 1% to 10% as the irrational value change in some holdings elicited the need to average down on key holdings.



### HISTORICAL PERFORMANCE<sup>1</sup> Class A

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	4.70%	9.94%	2.23%	3.04%	-8.81%	9.44%	-12.49%	--	--	--	--	--	5.90% <sup>3</sup>
2016	-19.36%	-6.35%	2.23%	4.93%	0.73%	-8.01%	14.00%	1.96%	5.06%	-9.56%	2.73%	6.71%	-9.11%
2015	--	--	--	-6.01%*	4.76%	3.25%	0.81%	-2.52%	-6.94%	-1.44%	7.15%	0.57%	-1.25% <sup>3</sup>

### HISTORICAL PERFORMANCE<sup>1</sup> Class A1

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	4.74%	8.05%	2.47%	3.13%	-8.69%	9.56%	-12.39%	--	--	--	--	--	4.82% <sup>3</sup>
2016	-19.27%	-6.24%	2.34%	5.04%	0.78%	-7.92%	14.12%	2.09%	5.00%	-9.31%	2.95%	6.69%	-8.01%
2015	--	1.93%**	0.24%	-4.26%	4.88%	3.58%	1.33%	-2.41%	-6.76%	-1.32%	7.27%	0.69%	4.44% <sup>3</sup>

### HISTORICAL PERFORMANCE<sup>1</sup> Class F

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	4.85%	8.01%	2.24%	3.12%	-8.60%	9.55%	-12.41%	--	--	--	--	--	4.72% <sup>3</sup>
2016	-19.29%	-6.36%	2.40%	5.01%	0.76%	-7.94%	14.09%	2.06%	4.97%	-9.33%	2.92%	6.65%	-8.30%
2015	--	1.93%**	0.22%	-4.29%	4.86%	3.56%	1.31%	-2.43%	-6.79%	-1.35%	7.21%	0.67%	4.15% <sup>3</sup>

### HISTORICAL PERFORMANCE<sup>1</sup> Class F1

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	4.32%	8.08%	2.50%	3.18%	-8.58%	9.66%	-12.31%	--	--	--	--	--	4.83% <sup>3</sup>
2016	-19.21%	-6.16%	2.43%	5.12%	0.88%	-7.85%	14.21%	2.19%	5.09%	-9.23%	3.01%	6.72%	-7.12%
2015	--	1.97%**	0.34%	-4.18%	4.98%	3.69%	1.43%	-2.31%	-6.66%	-1.22%	7.38%	0.80%	5.52% <sup>3</sup>

### HISTORICAL PERFORMANCE<sup>2</sup> Benchmark

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	2.68%	6.17%	-2.63%	-1.64%	-1.80%	7.97%	0.93%	--	--	--	--	--	12.62% <sup>3</sup>
2016	-18.33%	-5.30%	-3.07%	3.79%	2.03%	-9.03%	8.51%	-2.57%	0.78%	-10.37%	2.81%	-2.62%	-30.94%
2015	--	4.53%**	4.05%	-1.68%	6.76%	0.87%	6.40%	-8.95%	-14.52%	0.70%	9.67%	0.48%	5.84% <sup>3</sup>

1. Next Edge Bio-Tech Plus Fund returns are net of all fees and expenses associated with Class A Units charged from May 1st, 2015. Next Edge Bio-Tech Plus Fund returns are net of all fees and expenses associated with Class A1 Units, Class F Units, and Class F1 Units charged from March 1st, 2015. The historical annualized rates of return for July 31<sup>st</sup>, 2017 for Class A are 1 yr 12.48%, 3 yr – N/A, 5 yr – N/A, 10 yr – N/A; for Class A1 are 1 yr 11.92%, 3 yr – N/A, 5 yr – N/A, 10 yr – N/A; for Class F are 1 yr 11.65%, 3 yr – N/A, 5 yr – N/A, 10 yr – N/A; for Class F1 are 1 yr 12.33%, 3 yr – N/A, 5 yr – N/A, 10 yr – N/A.

2. The Benchmark for the Next Edge Bio-Tech Plus Fund is:

(i) 40% of the percentage gain or loss of the S&P/TSX Capped Health Care Index; plus

(ii) 60% of the percentage gain or loss of the NASDAQ Biotechnology Index

The Benchmark returns are unaudited and subject to final confirmation. The historical annualized rates of return for the Benchmark for July 31<sup>st</sup>, 2017 are 1 yr -0.76%, 3 yr - N/A, 5 yr - N/A, 10 yr - N/A

3. Part Year

\* Part Month start date April 13<sup>th</sup>, 2015 to April 30<sup>th</sup>, 2015

\*\* Part Month start date: February 17<sup>th</sup>, 2015 to Feb 27<sup>th</sup>, 2015.

There are inherent limitations in any comparison between a managed portfolio and a passive index. Each index is unmanaged and does not incur management fees, transaction costs or other expenses associated with a private fund. There are risks inherent in hedge fund investing programs.

Note to Investment Professionals: The information in the Monthly Report is being provided to current investors in the Fund and is being provided to their registered dealers for informational purposes only. This is not a sales literature and cannot be used as such.

The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. Units of the Fund are not 'deposits' within the meaning of the Canada Deposit Insurance Corporation Act (Canada) are not insured under provisions of that Act or any other legislation.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption from the registration requirements of those laws.

The information provided herein is for information purposes only and does not constitute a solicitation, public offering, advice or recommendations to buy or sell interests in the Fund, the Portfolio, Units or any other Next Edge Product. Please refer to the Fund's prospectus for more information on the Fund as any information in this Report is qualified in its entirety by the disclosure therein.

Opinions expressed are those of the author as of the date of their publication, are subject to change and may not reflect the opinion of all members of the Company. Some statements contained in this material concerning goals, strategies, outlook or other non-historical matters may be "forward-looking statements" and are based on current indicators and expectations at the date of their publication. We undertake no obligation to update or revise them. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those implied in the statements.



FOR EXISTING INVESTORS AND INVESTMENT PROFESSIONAL USE ONLY. PLEASE SEE ACCOMPANYING IMPORTANT DISCLOSURES. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.