# Next Edge Biotech and Life Sciences Opportunities Fund

Monthly Commentary as of March 31, 2025

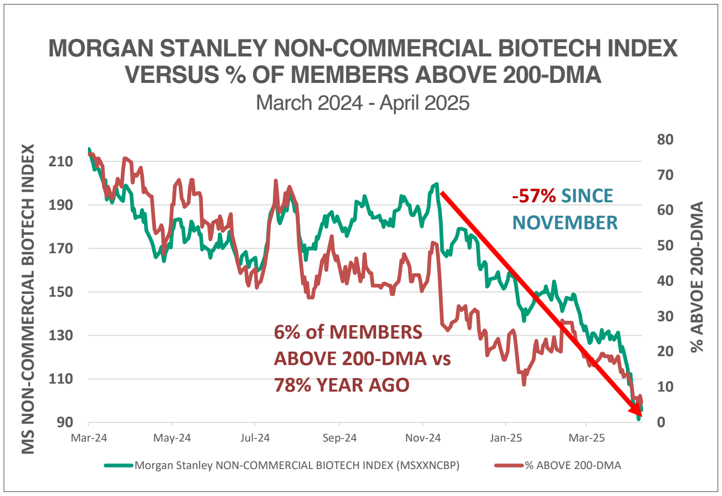
Investing in companies of the future: A unique, well-defined process of investing in biotechnology and life sciences companies.

## FUND COMMENTARY

### Green Shoots in the Abyss of Multiyear Extremes

Since RFK Jr. was announced to head the U.S. Department of Health and Human Services (HHS) in November, biotech, particularly non-commercial biotech, has spiralled down precisely when they were showing signs of reversing up. This decline was amplified by uncertainty surrounding personnel cuts to the U.S. Food and Drug Administration (FDA) by the Department of Government Efficiency (DOGE) potentially impacting the review and approval process, and the removal of innovation friendly Peter Marks, who headed the influential Center for Drug Evaluation and Research (CDER) arm at the FDA.

Given the historically compressed valuations and multiyear extremes in oversold metrics, we will take a deeper quantitative dive into the significance of what this rare confluence of conditions could imply for forward returns and risk/reward in biotech.




Source: Data from Bloomberg Data, Concept: Next Edge Capital, April 10, 2025

Despite a decade of innovation, breakthrough treatments and cures that seemed inconceivable not too long ago, as well as new tools such as Gene Editing, CAR-T, CRISPER and others are dispensing with previously incurable indications. Yet biotech has failed to inspire investors in the way they were enamoured with AI and technology. Investors increasingly undervalue biotech to a degree that is unimaginable to battle-scarred veterans that have been through almost every biotech cycle. This cathartic meltdown is reminiscent of the capitulation as bear markets descend into their final lows.

Small-cap and Mid-Cap (SMID) biotech historically was valued at 3X to 4X Enterprise Value (EV) / Cash. But in this current cycle, such is the pessimism that it has been reset to 1X EV / Cash, down almost 75% off its multi-decade average. Such is the extreme that biotech would have to rally 200% simply to return to its long-term average metric.

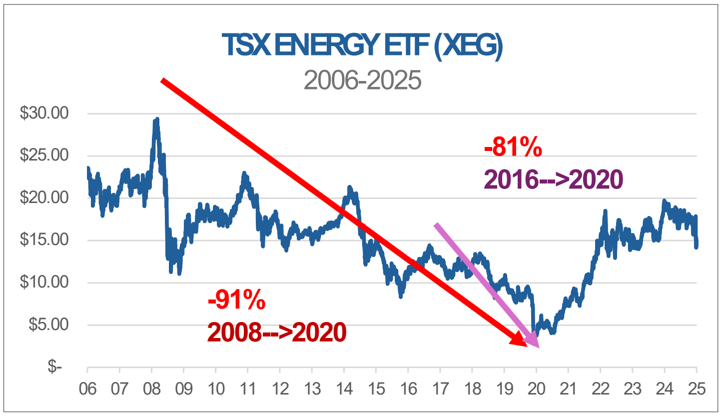
### Lessons from 4-Year Energy and Gold Stock Bears During the 2010s

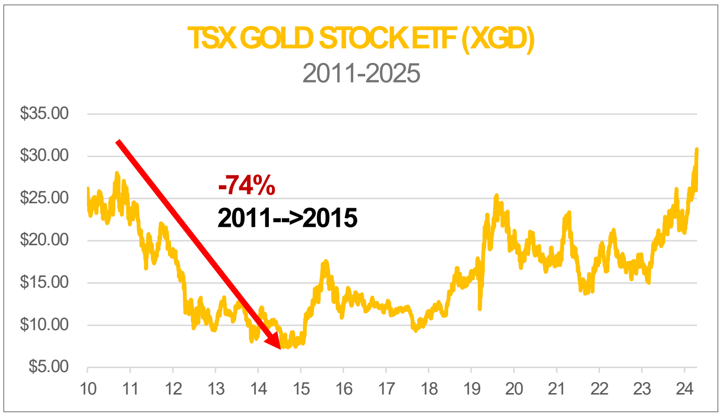
Thanks in part to the significant post-2020 bull market in Energy and Gold equities, the relentless, seemingly unending carnage they endured during 4-year bear markets during the 2010s is now a faint memory. Unfortunately, not so for biotech, which has taken up the baton of futility passed on by Energy and Golds.

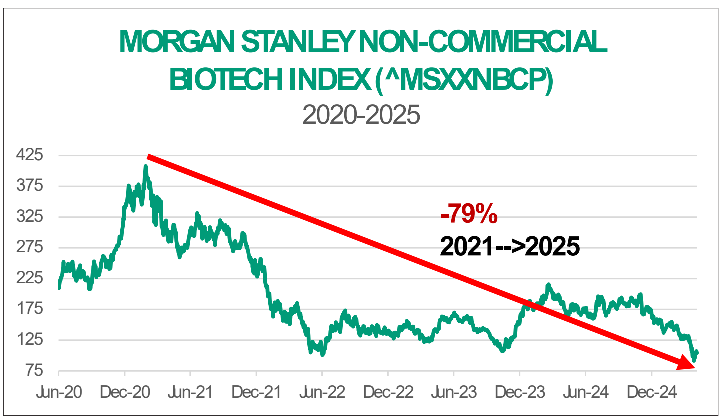
It is hard to imagine that Canadian Energy companies declined -91% over a decade, and -81% between 2016 and 2020, culminating in the apocalyptic crash in spot crude to -$37 per barrel, exactly 5 years ago in April 2020.

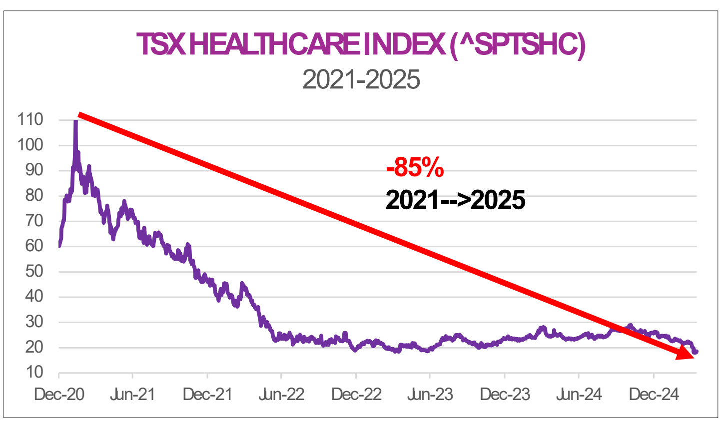
Similarly, during the frenzy and euphoria in gold equities in the summer of 2011 as Silver hit $50 and Gold approached $2,000, no one could imagine that only four years later, those same equities would be down almost -80% and gold neared $1,000.

Biotech is enduring a similar ordeal since its peak in early 2021. The Morgan Stanley Non-Commercial Biotech Index (^MSXXNBCP) has declined -79%, the TSX Healthcare Index (^SPTSHC) has crashed a calamitous -85%. Since RFK Jr. was named to head HHS, the MSXXNBCP has collapsed -57% over the past four months. To reprise Baron Von Rothchild, *"There is blood in the streets".*




Source: Bloomberg Data, Concept: Next Edge Capital, April 20, 2025

While it seems inconceivable, given the deep pessimistic sentiment surrounding biotech, that its outlook can improve, remember the same could have been said during the COVID crash in Crude Oil in April 2020, when **spot crude went negative and forward crude was less than $8. Every energy company would go bankrupt, right? Instead, Canadian energy companies rallied +600% from that abyss over the next 14 months. Gold stocks soared +150% in 6 months off its 2015 low.** Just Sayin'.

## Biotech Friendly Comments from the New FDA Commissioner

Since RFK Jr was announced as head of HHS in November, investors have been 'sell first, investigate later'. As the dust settled, new FDA Commissioner Dr. Marty Makary gave a pivotal and illuminating interview on April 18. The highlights and insights particularly beneficial to SMID Biotech include:

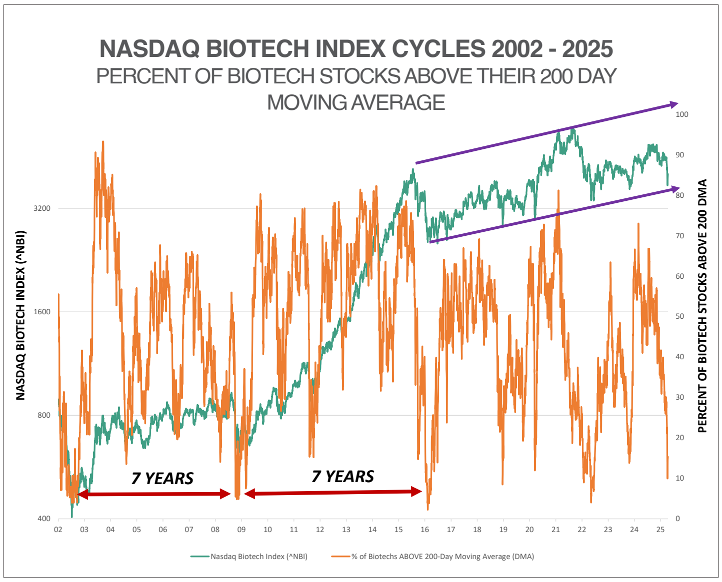
- FDA cuts are being overstated. Over the past two decades, FDA staff has ballooned from 9,000 to 18,000. The 3,500 cuts are targeted at communications, lobbyists/legislative and IT positions, NOT key scientists, reviewers or inspectors.
- Thankfully, Dr. Makary believes there is too much red tape leading to inefficiencies and stretched out time frames for drug approvals, and instead he will focus on the speed of approvals to provide patients with quicker access to lifesaving therapies instead of having to die while waiting over a decade for them to be approved. Hallelujah!
- Potential to do one instead of two Phase 3 trials, then follow up with robust post-market surveillance. This reduces the cost of drug development and the time to market, lowers drug prices and significantly reduces the enormous burden of capital requirements on biotech companies, especially on SMID biotech.
- Reduce the impact of Big Pharma reps in the review process to avoid the impact of conflicts of interest.
- Wants BioPharma to be successful, but with guardrails.
- Mechanism-of-Action (MoA) and scientific plausibility-based approvals for ultra-rare diseases that are incurable, fatal or leading to permanent disability.
- Reduce need for pre-clinical animal testing, which can be better replaced with new technology such as AI, Lab-on-a-Chip and Combinatorial Chemistry, which would work better. This is why the Next Edge Biotech and Life Sciences Opportunities Fund's (the "Fund") Schrodinger (SDGR) holding exploded upward, as it is a pioneer and the leader in Machine Learning techniques in smart drug design. This FDA pivot would be a significant new market.

With the sector buffeted into the abyss by negative headlines and uncertainty, this transparency from Commissioner Makary is a Godsend to biotech investors. As such, in late April, we are experiencing our Cell therapy holdings surging off unimaginably cheap valuations.

For those interested in viewing the interview with New FDA Commissioner Dr. Marty Makary in its entirety, please click here.

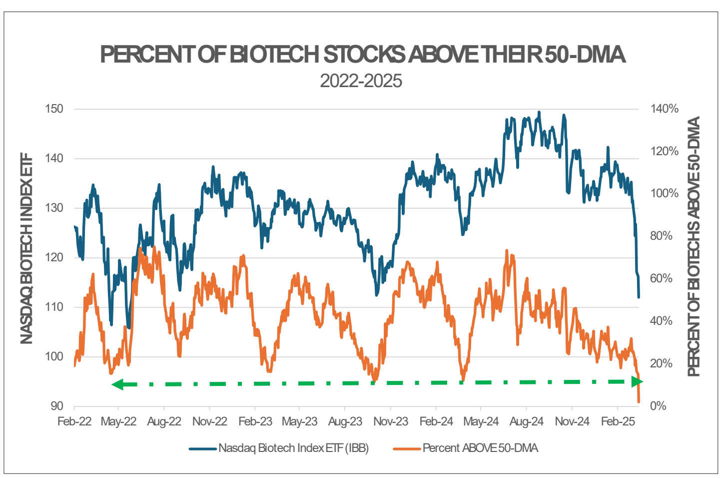
## Quantitative Assessment of the State of Biotech

The percentage of biotech companies above their 200-DMA has now retraced all the way back to the single-digit readings at the major crunch lows of May/June 2022 and November 2023. It indicates that the vast majority of biotech stocks, about 91%, are again trading below their bull market moving average, versus about one-third, a mere six months ago. Prior to this cycle, such deep oversold readings were generally seen seven years apart at bear market bottoms in 2002, 2009 and 2016.



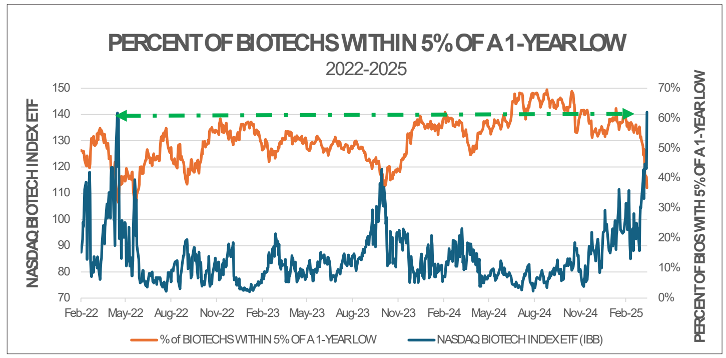

Source: Bloomberg Data; Concept: Next Edge Capital Corp.
as of April 14, 2025

Even more extreme is the percent of biotech companies above their 50-day moving average (DMA), which has sunk to 1%, the lowest reading in 23 years, at the end of a two-year -70% bear market.



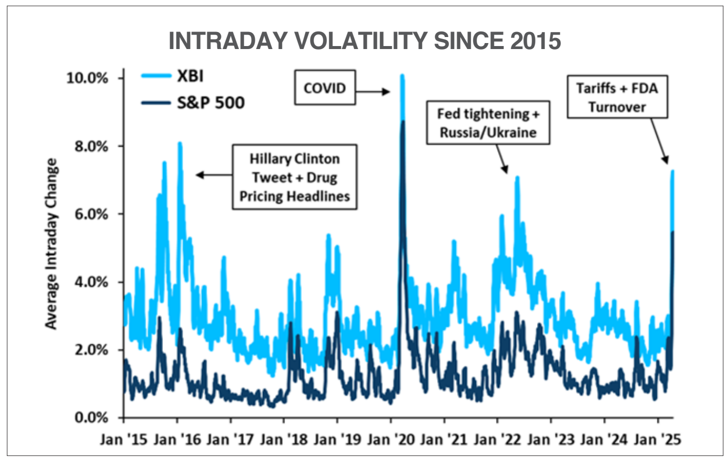

Source: Bloomberg Data; Concept: Next Edge Capital Corp.

The percentage of biotech companies within 5% of a 1-year low surged to 62%, matching the reading in May 2022, at the end of biotech's 16-month minus 66% bear market.




Source: Bloomberg Data; Concept: Next Edge Capital Corp.

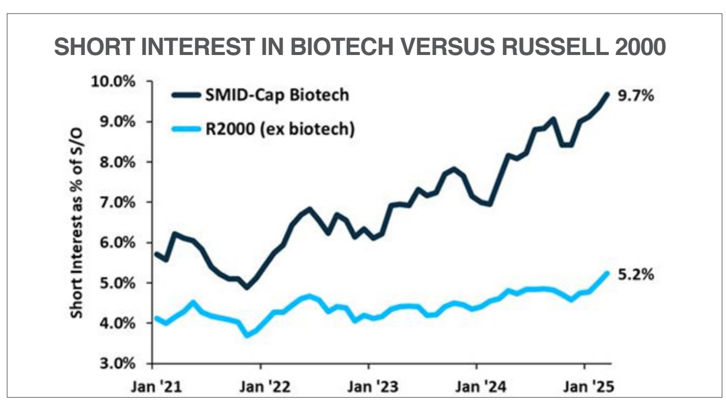
Average intraday volatility for the S&P Biotech Index approached 8%, matching the extreme seen at the bottom of the 2021-2022 -66% biotech decline, and approached the 10% experienced during the throes of the February to March 2020 COVID Crash when the S&P 500 collapsed -36%.




Source: Bloomberg. Intraday change shown as 10-day rolling average of daily high/low/closing prices

The average short interest in SMID biotech companies in Leerink Swann's database has doubled from under 5% in late 2021 to almost 10%. Such is investor's increasing comfort and placed bets that the likely direction of biotech companies remains down.

Incredibly, among the Fund's holdings, 18 sport Short-Interest-as-a-Percent-of-Float over 15%. And of those 18, 10 are over 20% of float short. That is a lot of buying power when sentiment turns.

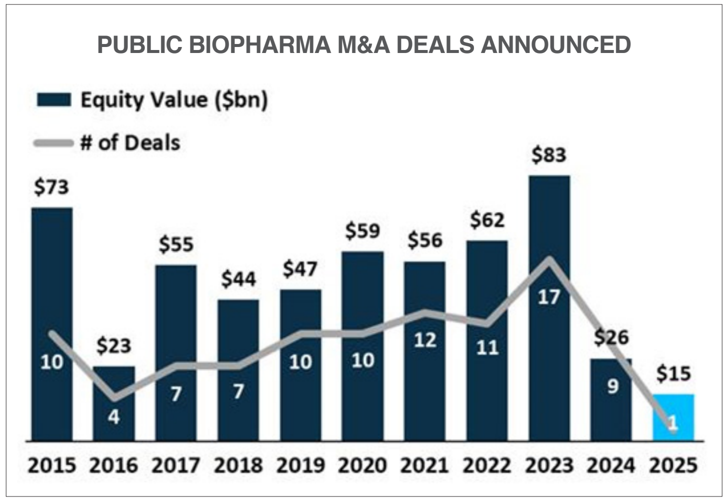



Source: FactSet. SMID-Cap Biotech includes ~500 stocks in Leerink biotech database with market caps $100mm - $20bn

Compounding the negative sentiment, in addition to the new administration throwing grenades of uncertainty into the healthcare sector, is that M&A has been M.I.A.

We have long discussed that Big BioPharma buys their pipeline and innovation by either partnering or outright buying Biotech companies. And there has never been a more compelling case with Big BioPharma facing price controls on their established blockbuster drugs, while also stickhandling the major patent cliff where over $100 billion in their revenues will succumb to loss of exclusivity (LoE) by 2030. So, how will those revenues be replaced quickly?

So, how has Big Pharma responded? One takeover so far in 2025, and it was the Fund's holding Inari (NARI) in January, the Fund's (including the Fund's predecessor fund – the Next Edge Biotech Plus Fund) 17th investment acquired over the past 9 years. That lack of M&A despite compelling valuations has further soured investors perception. But M&A will pick up, it must pick up if Big BioPharma want to avoid the dreaded purgatory of being "value traps".




Source: Press releases, Leerink databases. Includes acquisitions of public biopharma companies $1bn-$30bn in equity value

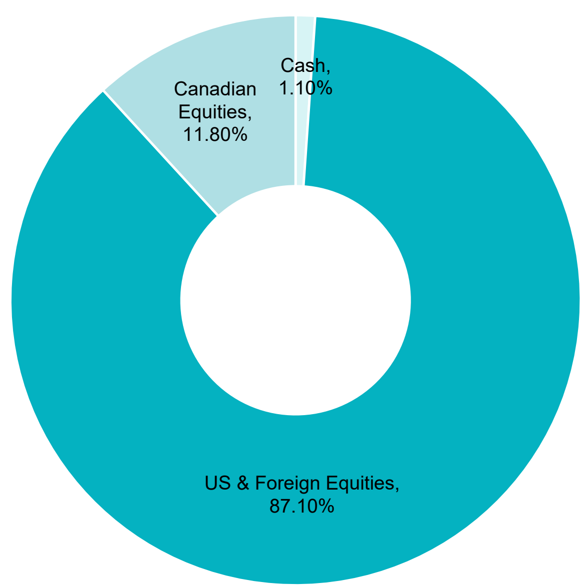
## COMPOSITION OF NEXT EDGE BIOTECH AND LIFE SCIENCES OPPORTUNITIES FUND

After a steep decline in markets and biotech during February, biotech meandered for the first 3 weeks of March before cliff-diving into the end of the month. For March, the Fund's Class A Units declined -12.82% and the Fund's Class F Units were down -12.74%. Over the same period, similar high-beta comparisons such as the Morgan Stanley Non-commercial biotech index (^MSXXNCBP) declined -14.71%, while the Russell Biotech Index (RGUSHSBT) comprised mostly of SMID biotech declined -10.18%. The popular ARK Genomics ETF (ARKG) declined -15.67%.

During March, we drew down Cash from 4.40% to 1.10% to allocate to beaten down core Fund holdings, particularly those that reported de-risking positive clinical or commercial developments, but were received like pearls-to-swine in this unforgiving tape, where great news is squandered on it.

As such, US weight increased from 84.60% to 87.10%, while Canadian holdings rose from 11.00% to 11.80%, due to adding to a recently initiated position in Theratechnologies Inc. (TH) around C$1.80, taking advantage of the -13% decline to raise its weight to approximately 3%. Three years ago, we sold out our TH position in the teens when the new CEO pivoted the company back to heavy R&D spending on an early oncology program, just when profitability was finally in sight. Our raison d'etre for owning TH had changed, so we fortuitously exited before a -90% multiyear decline occurred.

### Composition of Fund Holdings as of March 31, 2025




Source: RBC Investor & Treasury Services Inc., Next Edge Capital Corp.

# FUND PERFORMANCE[1]

## Class A

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2025** | 2.91% | -11.99% | -12.82% | - | - | - | - | - | - | - | - | - | **-21.04%**[2] |
| **2024** | -6.54% | 17.97% | -7.34% | -13.01% | -6.97% | -6.48% | 20.80% | -7.73% | -7.08% | 0.28% | -0.37% | -11.64% | **-29.30%** |
| **2023** | 8.71% | -6.40% | -6.52% | 5.42% | -1.53% | -3.54% | -1.34% | -4.84% | -11.34% | -9.87% | 2.19% | 22.83% | **-10.30%** |

## Class F

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2025** | 3.01% | -11.91% | -12.74% | - | - | - | - | - | - | - | - | - | **-20.81%**[2] |
| **2024** | -6.44% | 18.08% | -7.26% | -12.92% | -6.88% | -6.40% | 20.92% | -7.65% | -6.99% | 0.38% | -0.28% | -11.53% | **-28.47%** |
| **2023** | 8.81% | -6.76% | -7.18% | 5.52% | -1.43% | -3.44% | -1.24% | -4.75% | -11.25% | -9.78% | 2.29% | 22.94% | **-10.41%** |

## Class A1

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2025** | 2.98% | -11.94% | -12.77% | - | - | - | - | - | - | - | - | - | **-20.89%**[2] |
| **2024** | -6.49% | 18.03% | -7.29% | -12.96% | -6.93% | -6.44% | 20.87% | -7.68% | -7.02% | 0.34% | -0.32% | -11.56% | **-28.82%** |
| **2023** | 12.40% | -8.18% | -7.37% | 5.47% | -1.47% | -3.48% | -1.28% | -4.78% | -11.29% | -9.82% | 2.25% | 22.89% | **-9.41%** |
| **2022** | -10.43% | -1.52% | -2.72% | -15.24% | -5.97% | -0.04% | 5.56% | 2.44% | 1.60% | -2.68% | -2.65% | -10.14% | **-36.06%** |
| **2021** | 21.23% | 0.97% | -4.14% | -4.14% | -6.83% | 4.63% | -8.50% | 5.77% | -2.86% | -4.37% | -8.13% | -5.93% | **-14.80%** |
| **2020** | - | - | - | - | - | - | - | - | - | - | - | 4.39%* | **4.39%**[2] |

## Class F1

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2025** | 3.08% | -11.86% | -12.67% | - | - | - | - | - | - | - | - | - | **-20.65%**[2] |
| **2024** | -6.40% | 18.13% | -7.22% | -12.88% | -6.84% | -6.36% | 20.99% | -7.59% | -6.92% | 0.44% | -0.22% | -11.47% | **-28.00%** |
| **2023** | 12.50% | -8.11% | -7.28% | 5.55% | -1.38% | -3.40% | -1.19% | -4.70% | -11.21% | -9.73% | 2.34% | 22.99% | **-8.42%** |
| **2022** | -10.35% | -1.44% | -2.63% | -15.17% | -5.84% | 0.04% | 5.65% | 2.54% | 1.69% | -2.59% | -2.65% | -9.88% | **-35.27%** |
| **2021** | 20.63% | 1.62% | -4.05% | -4.05% | -6.74% | 4.73% | -8.42% | 5.87% | -2.78% | -4.28% | -8.04% | -5.85% | **-13.89%** |
| **2020** | - | - | - | - | - | - | - | - | - | - | - | 4.44%* | **4.44%**[2] |

## IMPORTANT NOTES

1. Next Edge Biotech and Life Sciences Opportunities Fund returns are net of all fees and expenses associated with Class A1 Units and Class F1 Units charged from December 21, 2020 (trading start date). Next Edge Biotech and Life Sciences Opportunities Fund returns are net of all fees and expenses associated with Class A Units and Class F Units charged from January 3, 2023 (trading start date). Returns for 2025 are unaudited. Therefore, performance statistics containing 2025 figures shown in this material are subject to final confirmation. The historical annualized rates of return for the Next Edge Biotech and Life Sciences Opportunities Fund Class A Units as of March 31, 2025 are 1 yr -45.36%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR -24.60%; for Class F Units are 1 yr -44.71%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR -24.19%; for Class A1 Units are 1 yr -44.97%, 3 yr -27.54%, 5 yr N/A, 10 yr N/A, and CARR -25.13%; for Class F1 Units are 1 yr -44.31%, 3 yr -26.69%, 5 yr N/A, 10 yr N/A, and CARR -24.27%.
2. Part Year
* Part Month start date December 21, 2020 to December 31, 2020.

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Potential investors should note that alternative investments can involve significant risks and the value of an investment may go down as well as up. There is no guarantee of trading performance and past or projected performance is not indicative of future results. Investors should review the Prospectus in its entirety for a complete description of the Fund, its risks, and consult their registered dealers before making an investment.

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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.

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