

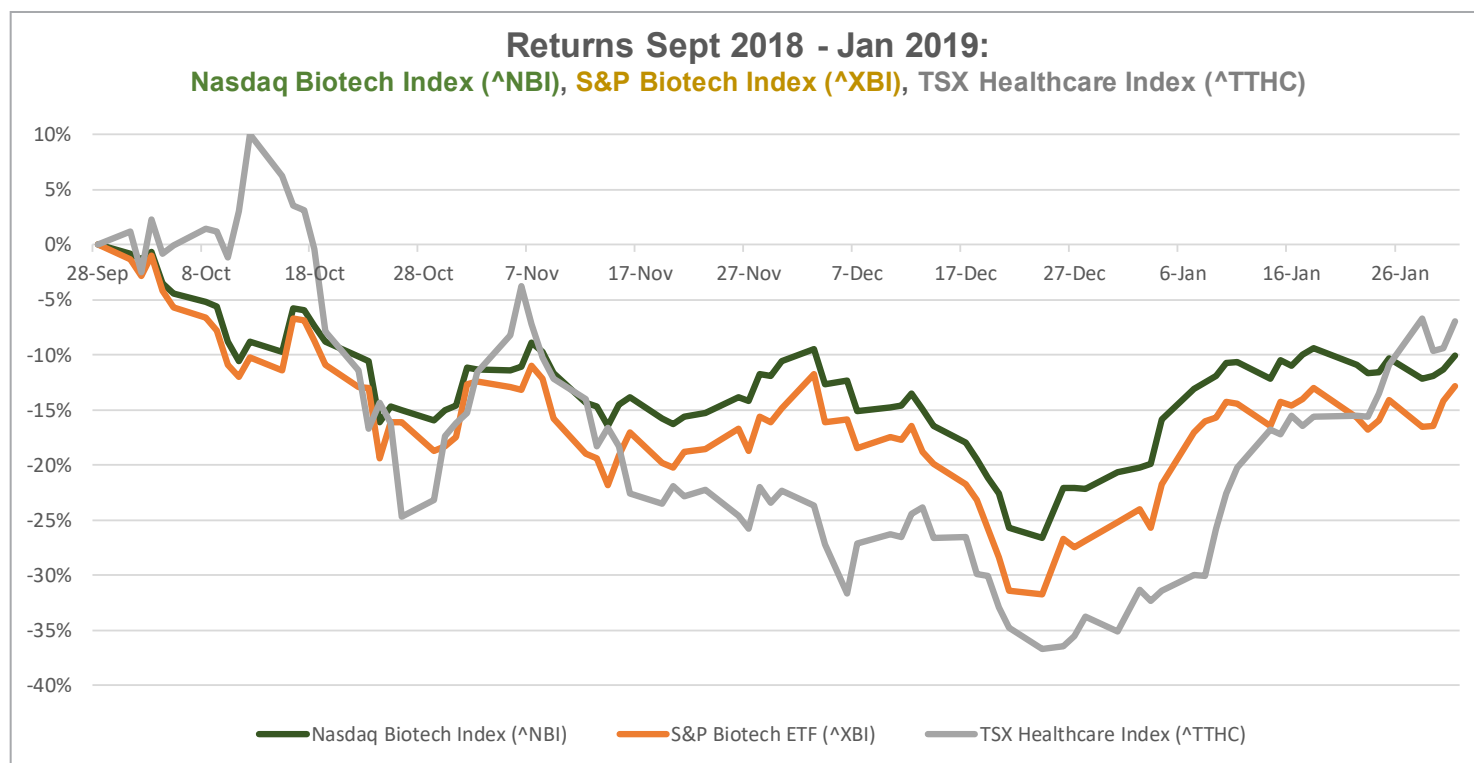
Investing in companies of the future: A unique, well defined process of investing in North American small and mid-capitalization biotechnology companies.

## FUND COMMENTARY

January played out as the mirror image of December. It began when the concrete in which the Fed's feet were set, showed signs of cracking. That reprieve was a game changer, corroborated by the intensely positive market breadth and volume surges typical of the kickoff of new bull markets. While the selling of "risk-on" assets last quarter was amplified by need by institutions to liquidate positions ahead of year-end, and tax-selling for individuals, it presented a spectacular opportunity by investors taking advantage of that forced liquidation. Ignoring the screams and following our indicators, we closed out profitable put-open hedges and with the

proceeds ventured into the deep-end. The January performance reflects these actions.

For January, the Next Edge Bio-Tech Plus Fund (the "Fund") Class A Units advanced +16.42% while the Class F Units rebounded +16.53% vs +13.40% for the Nasdaq Biotech Index (^NBI) and +23.92% for the Fund's Benchmark. The January recovery has focused on the sweet spot of the companies the Fund focuses on owning: Late Phase with breakthrough science underpinning potentially blockbuster products. Ideal M&A candidates.



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

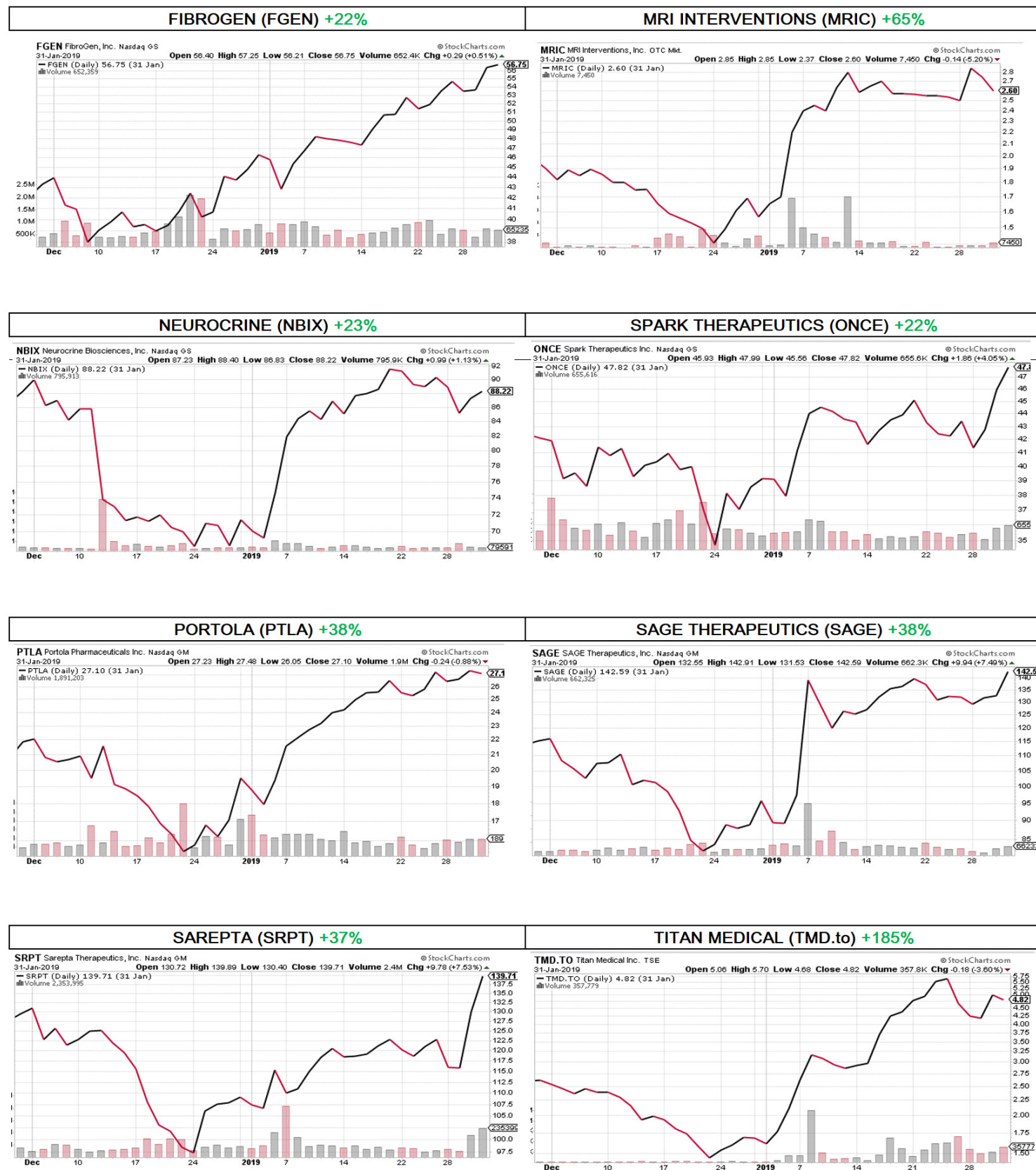
The recreational cannabis stocks were on fire in January. The components by weight surged 82%, 43%, 89%, and 53%. Now comprising over 65% of the TSX Healthcare Index (^TTHC), why they were classified as healthcare and not consumer products remains a mystery to be deciphered. Their dance partners have been other obvious medical innovators such as liquor and tobacco companies,

also known for their life-saving products. These price-taking commodity companies have muscled-out genuine Canadian healthcare companies, relegating them to a small fragment of the TSX Healthcare Index (^TTHC). Since being loaded into that index two years ago, it has sharply skewed the Fund's Benchmark upward and does not reflect the actual healthcare investing environment.

# A COLLAGE OF HOLDINGS CONTRIBUTING TO JANUARY RETURNS

Price charts cover 2-month period November 30th, 2018 to January 31st, 2019.

In December, "Good News" was Bad news. In January, "Good News" was once again Good News.



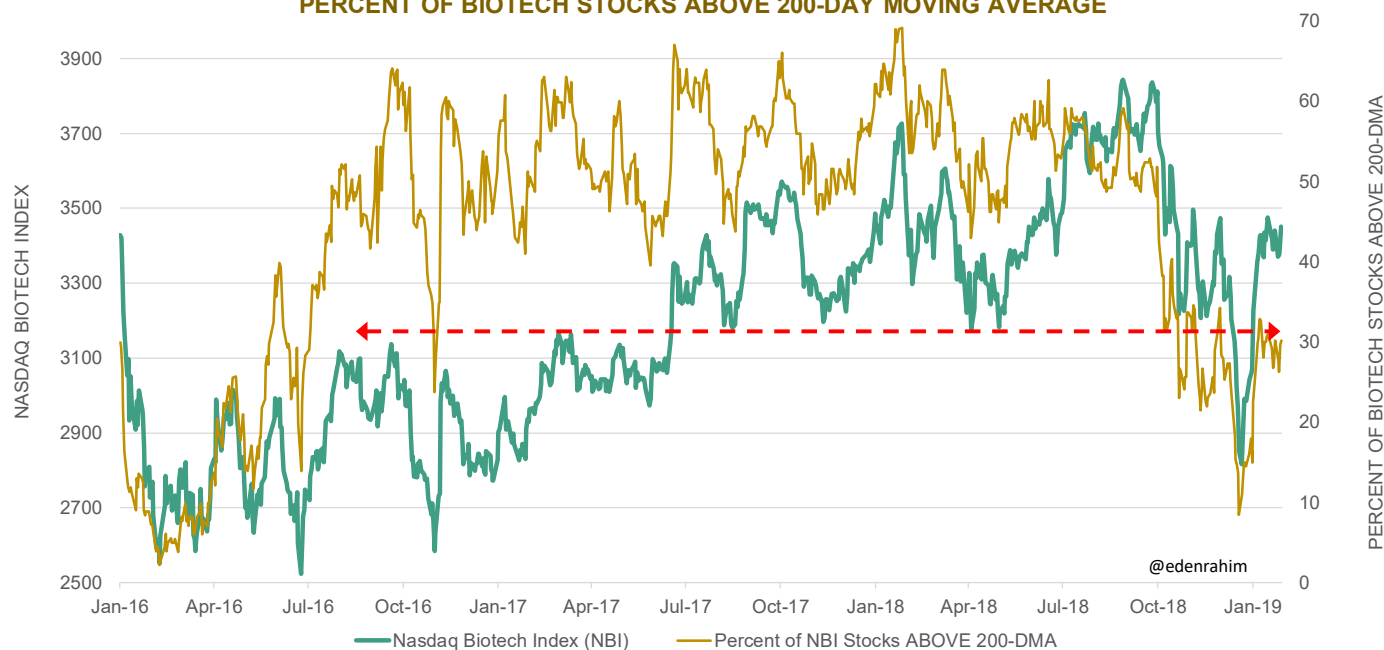
## BIOTECH INDICATOR SUGGEST NEW SUSTAIN ADVANCE UNDERWAY

The percent of the +190 companies in the Nasdaq Biotech Index (^NBI) trading above their 200-day moving average declined to **8%** in late December from 60% in August. The NBI (^NBI) typically makes multi-year bear market lows when this reading dips below 10%, as it did in 2002, 2008 and 2016. Each episode has been followed by years of positive returns.

Does last month's 8% panic reading suggest it may be

another watershed event? This much is known. Those readings are rare, and have been separated by 7, 7 and 3 years and can only occur when liquidation becomes consensus, and prices reflect that. If the past is prologue, then even on a corrective retracement of the January advance from 8% to 30%, that reading below 10% won't be seen again. More likely is stabilization around current levels, then a future advance that lifts this indicator into the +60% range, similar to the 2<sup>nd</sup> half of 2016.

### NASDAQ BIOTECH INDEX 2016-2019 PERCENT OF BIOTECH STOCKS ABOVE 200-DAY MOVING AVERAGE



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

## BNN BLOOMBERG APPEARANCES ON DECEMBER 31<sup>ST</sup> AND JANUARY 3<sup>RD</sup>

The kind folk at BNN Bloomberg twice requested in one week, your Portfolio Manager's perspectives on the outlook for the Healthcare sector in 2019, and also the implications of the mega-merger between wounded giants Bristol-Myers (BMY) and Biotech pioneer Celgene (CELG). Click the link below to view each interview.

### [How to Reduce risk when investing in Biotech Stocks](#)



**Dec 31<sup>st</sup> 2018 - Eden Rahim** discusses the steep decline in biotech stocks, how to reduce the risk when investing in the sector, and several Canadian names that are attractive opportunities.

### [Celgene-Bristol-Myers deal a good fit](#)



**Jan 3<sup>rd</sup> 2019 - Eden Rahim** talks about Bristol-Myers Squibb's plan to acquire Celgene.



## BIOTECH INVESTING WEBINAR

In January we hosted an introductory Webinar on [The Next Edge Approach to Investing in Biotechnology](#). The aim was to elucidate the many spectacular breakthroughs unfolding and which will unfold in the years ahead. That through investing in Biotech:

- You are funding trials to develop therapies that will save or improve countless lives in the future.
- Due to the complex science, volatility and hurdles, this is not a DIY sector but best to take a diversified investment approach.
- To achieve significant long term returns, we provide a disciplined investment process refined over two decades, to finding the select few companies with the best chance of commercial success.

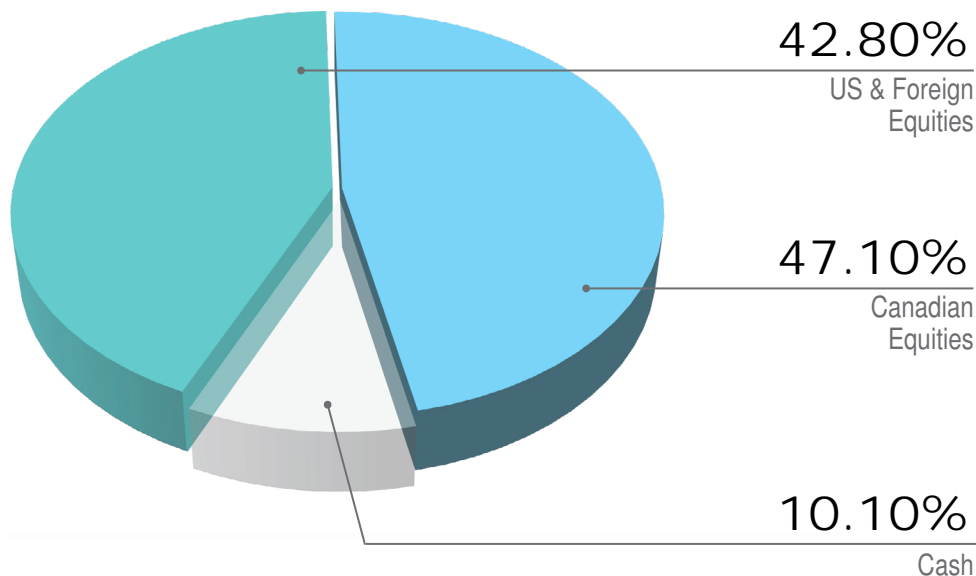


- **Curing the incurable: Breakthroughs in CF, HIV, Hep C, MS, RA, CVD, SCD, CML, Mono-Genetic diseases**
- **Science Fiction meets Science Fact: Gene Therapy, CRISPR, CAR-T, Immuno-Oncology, Gene Sequencing, RNAi, Antisense**
- **Acquisitions: Biotech as Farm System for Big BioPharma**
- **Virtuous Industry: Investing in drug discovery enables delivery of life saving therapeutics**
- **Significant returns are possible from investing in future successes**
- **A disciplined investment process based on over two decades institutional experience**

## COMPOSITION OF HOLDINGS FOR JANUARY 31, 2019

Year-end bargains galore presented outstanding buying opportunities. As such, Cash was further drawn down early January, then increased again by month-end after a substantial rally. Between year-end 2018 and the end of January, Cash decreased from 13% down to 10%. US holdings increased from 40% to 43% due to the buying opportunities afforded and performance.

Canadian Holdings were flat at 47% as some positions were trimmed, and proceeds recycled into financings for clinical trials.



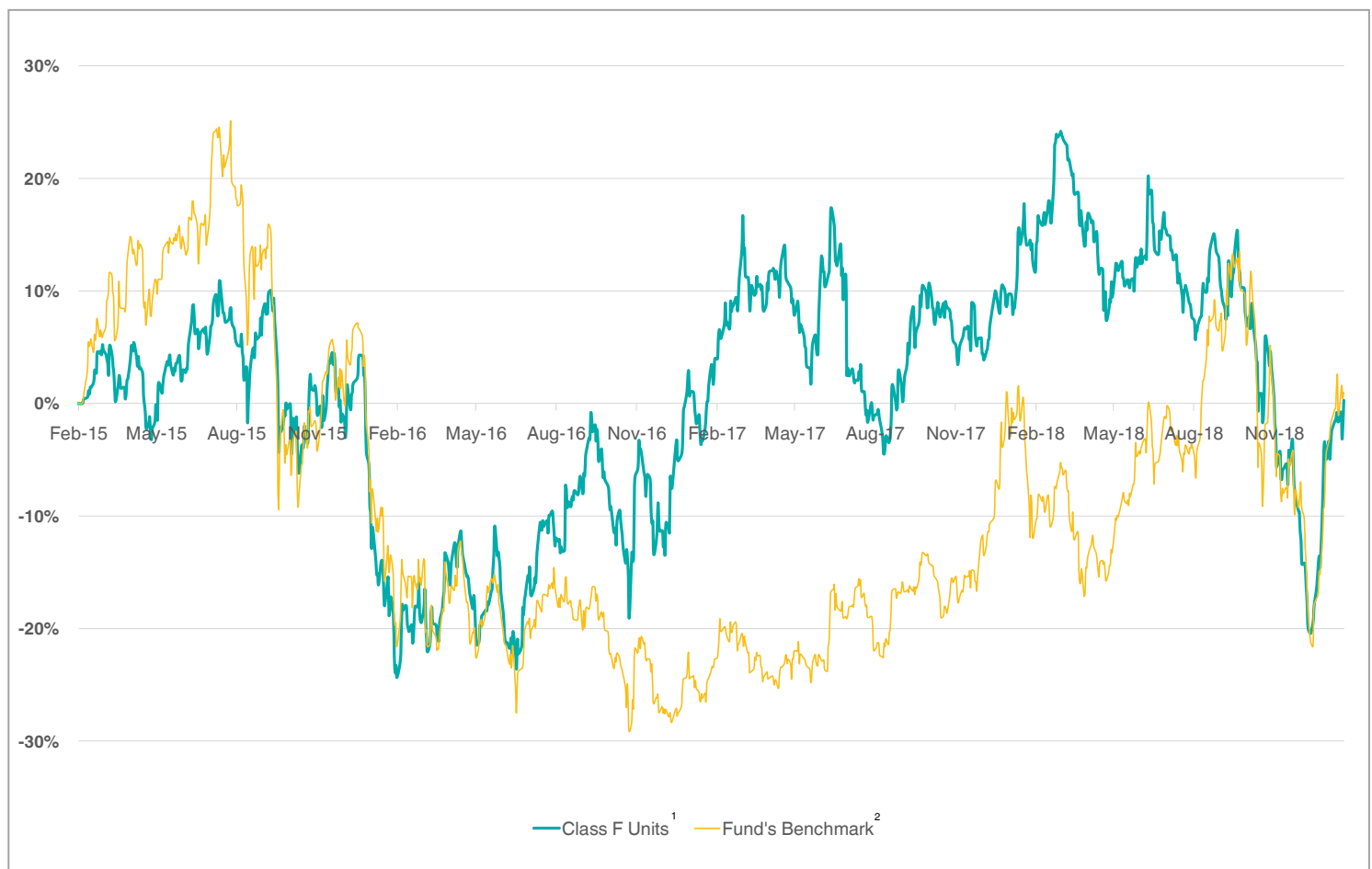
Source: RBC Investor & Treasury Services Inc., Next Edge Capital Corp as of January 31, 2019

## FUND PERFORMANCE

	Class A <sup>1</sup>	Class A1 <sup>1</sup>	Class F <sup>1</sup>	Class F1 <sup>1</sup>	Fund's Benchmark <sup>2</sup>
NAV	\$9.36	\$10.12	\$10.02	\$10.49	N/A
1 month	16.42%	16.56%	16.53%	16.66%	23.92%
YTD	16.42%	16.56%	16.53%	16.66%	23.92%
1 year	-13.50%	-12.32%	-12.53%	-11.35%	7.38%
3 year annualized	5.52%	6.27%	6.03%	7.16%	6.00%
Annualized return since inception	-1.72%	0.29%	0.05%	1.18%	0.73%
Standard deviation	23.73%	23.12%	23.17%	23.06%	24.77%
Worst drawdown	-36.49%	-35.81%	-35.94%	-35.25%	-43.25%

### NEXT EDGE BIO-TECH PLUS FUND CLASS F UNITS<sup>1</sup> VS. FUND'S BENCHMARK<sup>2</sup>

February 13, 2015 (Inception Date) to January 31, 2019



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

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

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	16.42%	--	--	--	--	--	--	--	--	--	--	--	16.42%*
2018	5.97%	1.84%	1.60%	-8.80%	2.26%	2.02%	-2.94%	4.43%	0.21%	-12.13%	-4.68%	-11.29%	-21.27%
2017	4.70%	9.94%	2.23%	3.04%	-8.81%	9.44%	-12.49%	1.49%	5.47%	1.47%	-0.17%	-0.94%	13.74%
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%*

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

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	16.56%	--	--	--	--	--	--	--	--	--	--	--	16.56%*
2018	6.10%	1.94%	1.71%	-8.70%	2.38%	2.13%	-2.83%	4.56%	0.32%	-12.02%	-4.57%	-11.19%	-20.19%
2017	4.74%	8.05%	2.47%	3.13%	-8.69%	9.56%	-12.39%	1.60%	5.58%	1.59%	-0.07%	-0.84%	13.20%
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%*

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

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	16.53%	--	--	--	--	--	--	--	--	--	--	--	16.53%*
2018	6.07%	1.92%	1.69%	-8.72%	2.36%	2.11%	-2.85%	4.56%	0.29%	-12.05%	-4.60%	-11.21%	-20.38%
2017	4.85%	8.01%	2.24%	3.12%	-8.60%	9.55%	-12.41%	1.66%	5.59%	1.57%	-0.08%	-0.86%	13.08%
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%*

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

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	16.66%	--	--	--	--	--	--	--	--	--	--	--	16.66%*
2018	6.20%	2.02%	1.80%	-8.62%	2.47%	2.22%	-2.74%	4.72%	0.40%	-11.94%	-4.49%	-11.11%	-19.30%
2017	4.32%	8.08%	2.50%	3.18%	-8.58%	9.66%	-12.31%	1.69%	5.67%	1.68%	0.02%	-0.75%	13.70%
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%*

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

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	23.92%	--	--	--	--	--	--	--	--	--	--	--	23.92%*
2018	3.69%	-7.10%	-0.59%	-3.19%	7.01%	3.38%	0.79%	12.82%	4.67%	-15.71%	0.55%	-13.15%	-10.15%
2017	2.68%	6.17%	-2.63%	-0.85%	-1.80%	7.97%	0.93%	1.24%	1.35%	-3.01%	3.95%	8.58%	26.51%
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%*

## IMPORTANT NOTES

1. Next Edge Bio-Tech Plus Fund returns are net of all fees and expenses associated with Class A Units charged from May 1, 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 1, 2015. The historical annualized rates of return for the Next Edge Bio-Tech Plus Fund Class A Units as of January 31, 2019 are 1 yr -13.50%, 3 yr 5.52%, 5 yr - N/A, 10 yr - N/A, CARR -1.72% ; for Class A1 are 1 yr -12.32%, 3 yr 6.27%, 5 yr - N/A, 10 yr - N/A, CARR 0.29% ; for Class F are 1 yr -12.53%, 3 yr 6.03%, 5 yr - N/A, 10 yr - N/A, CARR 0.05% ; for Class F1 are 1 yr -11.35%, 3 yr 7.16%, 5 yr -N/A, 10 yr -N/A, CARR 1.18% .

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 as of January 31, 2019 are 1 yr 7.38%, 3 yr 6.00%, 5 yr - N/A, 10 yr - N/A, CARR 0.73% .

The Benchmark is not representative of the Fund's investment strategy as the Fund invests in small and mid-capitalization biotechnology and healthcare companies based in the US and Canada whereas the Benchmark involves investing in predominantly large capitalization biotechnology and healthcare companies based in the US and Canada.

\* Part Year

\*\* Part Month start date: February 17, 2015 to February 27, 2015.

\*\*\* Part Month start date April 13, 2015 to April 30, 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.

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### PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

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