

Investment objective

The Company will seek to generate long-term shareholder returns, predominantly in the form of sustainable income distributions, from exposure to the life sciences industry.

Investment policy

The Company will seek to achieve its investment objective predominantly through direct or indirect exposure to Debt Assets (as defined below).

The Company may acquire Debt Assets:

- directly from the entity issuing the Debt Asset (a "**Borrower**"), which may be: (i) a company operating in the life sciences industry (a "**LifeSci Company**"); or (ii) an entity other than a LifeSci Company which directly or indirectly holds an interest in royalty rights to certain Products including any investment vehicle or special purpose vehicle ("**Royalty Owner**"); or
- in the secondary market.

The Company may also invest in equity issued by a LifeSci Company, acquired directly from the LifeSci Company or in the secondary market.

"**Debt Assets**" will typically comprise:

- **Royalty Debt Instruments**

Debt issued by a Royalty Owner where the Royalty Owner's obligations in relation to the Debt are secured as to repayment of principal and ~~or~~ payment of interest by Royalty Collateral, ~~including the RPS Note.~~

- **Priority Royalty Tranches**

Contract with a Borrower that provides the Company with the right to receive payment of all, ~~or~~ of a fixed percentage ~~of~~ of the future royalty payments receivable ~~by the Borrower~~ in respect of a Product (or Products) that would otherwise belong to the Borrower up to a fixed monetary amount or a pre-set rate of return, with such royalty payment being secured by Royalty Collateral in respect of that Product (or Products).

- **Senior Secured Debt**

Debt issued by a LifeSci Company, and which is secured as to ~~repayment~~ payment of principal and ~~or~~ payment of interest by a first priority charge over some or all of such LifeSci Company's assets, which may include: (i) Royalty Collateral; or (ii) other intellectual property and marketing rights to the Products of that LifeSci Company.

- **Unsecured Debt**

Debt issued by a LifeSci Company which is not secured or is secured by a second lien on assets of the Borrower.

- **Credit Linked Notes**

Derivative instruments referencing Debt Assets, being a synthetic obligation between the Company and another party where the repayment of principal and/or the payment of interest is based on the performance of the obligations under the underlying Debt Assets.

"**Royalty Collateral**" means, with respect to a Debt Asset: ~~(i)~~ the future payments receivable by the Borrower on a Product (or Products) in the form of royalty payments or other revenue sharing ~~or~~ arrangements; or (ii) future distributions receivable by the Borrower based on royalty payments generated from a Product (or Products); or (iii) both limb (i) and limb (ii).

"Debt" includes loans, notes, bonds and other debt instruments and securities, including convertible debt, and Priority Royalty Tranches.

Borrowers will predominantly be domiciled in the US, Europe and Japan, though the Company may also acquire Debt Assets issued by Borrowers in other jurisdictions.

Investment restrictions and portfolio diversification

The Company will seek to create a diversified portfolio of investments by investing across a range of different forms of Debt Assets issued by a variety of Borrowers and equity issued by a LifeSci Company, whether acquired directly from a LifeSci Company or in the secondary market. In particular, the Company will observe the following restrictions when making investments in accordance with its investment policy:

- ~~no more than 30 per cent. of the Company's gross assets will be exposed~~ exposure to any single Borrower, ~~other than in the case of the RPS Note~~ or investment shall not exceed 25 per cent. of the Company's gross assets;
- no more than 35 per cent. of the Company's gross assets will be invested in Unsecured Debt; and
- no more than 15 per cent. of the Company's gross assets will be invested in equity securities issued by LifeSci Companies.

Each of these investment restrictions will be calculated ~~as at the time of investment. Although not forming part of the investment policy of the Company, for the avoidance of doubt, where a Debt Asset involves multiple tranches of loans that may be funded at different points of time subject to the satisfaction of precedent conditions at the time each tranche is to be funded, the "time of investment" for these purposes will be the time when a tranche is funded by the Company. Unfunded tranches will not be considered for the purposes of complying with the investment restrictions. In the event that any of the above limits are breached as a result of the funding of a later tranche of loan in a Debt Asset acquired, the Company will take reasonable steps to reduce the resulting concentration including selling an appropriate portion of the relevant~~ at the time of each proposed investment. In the event that any of the above limits are breached at any point after the relevant investment has been made (for instance, as a result of any movements in the value of the Company's total **gross** assets), there will be no requirement to sell any investment (in whole or in part).

Cash management

The Company's uninvested capital may be invested in cash instruments or bank deposits for cash management purposes.

Hedging

The Company does not propose to enter into any hedging or other derivative arrangements other than as may from time to time be considered appropriate for the purposes of efficient portfolio management. The Company will not enter into such arrangements for investment purposes.

Leverage and borrowing limits

The Company may incur indebtedness of up to a maximum of 50 per cent. of its Net Asset Value, calculated at the time of drawdown, for investment and for working capital purposes. The Investment Manager's powers to incur indebtedness on behalf of the Company within such limit shall be subject to any restrictions set out in the Investment Management Agreement, as amended from time to time. ~~Although not forming part of the investment policy of the Company, under the Investment Management Agreement, the Investment Manager is not permitted to incur aggregate borrowings~~

~~greater than 25 per cent. of the Net Asset Value, calculated as at the time of drawdown, without prior Board approval.~~

Where the Company invests in any Debt Assets through any wholly owned subsidiary, leverage at the subsidiary level will apply towards the restrictions on the Company's overall indebtedness set out above. Where the Company invests in Debt Assets indirectly through any collective investment undertakings alongside other co-investors or investment partners, notwithstanding the previous sentence, indebtedness in such collective investment undertakings will not count towards the indebtedness of the Company, provided that the Investment Manager ensures that there will be no recourse to the Company in respect of leverage at the level of such underlying collective investment undertakings.

Cash management

~~The Company's uninvested capital may be invested in cash instruments or bank deposits for cash management purposes.~~

Hedging

~~The Company may, from time to time, enter into such hedging or other derivative arrangements as may be considered appropriate for the purposes of efficient portfolio management and managing any exposure through its investments to currencies other than the US Dollar~~