Riverfield Alpine Elica Equity Fund

USD-I Report 2025, 13th January 2026

Performance

Elica's return in 2025 was **+37.1%**. Acquisitions of the following portfolio companies by big pharma drove over **50%** of the performance: **Springworks** by Merck KGaA (investment return: +18%), **Verona** by Merck (+289%), **89Bio** by Roche (+84%), **Akero** by Novo Nordisk (+86%), **Avidity** by Novartis (+95%) and **Cidara** by Merck (+112%). These acquisitions were six of the ten largest biotech acquisitions in 2025. We realised these gains and redeployed capital in existing and new opportunities. These acquisitions, together with strong clinical results from many portfolio companies, enabled Elica to continue to outperform biotech indices (Fig. 1) and surpass $25m in AUM.

In 2026 Elica is off to a good start: Eli Lilly announced its intention to acquire **Ventyx** last week for ~$1.2bn, triggering an investment return of +73% for Elica. Ventyx has developed two potentially best-in-class oral drugs that tackle inflammation. In late 2025 Ventyx showed promising early clinical results in a study investigating the effects of drug candidate "VTX3232" on cardiovascular risk factors. The fact that Ventyx is being acquired at such an early stage is clear evidence of the mounting pressure on pharmaceutical companies to own drugs targeting inflammation.

Strategy

Elica's strategy is straightforward: we identify the best drugs in clinical trials and invest in the companies developing them. We add to positions when valuations are favourable and when new data reinforces our thesis. We trim positions when valuations do not reflect the risks involved and we remove positions when new data seriously challenges our thesis.

On a look-through basis our 34 companies have 100 drugs in clinical development (Fig. 2), backed up by 25% of the portfolio which is invested in companies that also sell drugs. As shown in Fig. 2, Elica has more drugs in clinical development than any big pharma company. We strive to have the best pipeline of drugs by being nimble and reacting fast to data, a more arduous task for pharma companies, venture capital funds or larger public equity funds. This is a considerable advantage given that only ~7% of drugs that enter clinical trials are eventually approved.

Outlook

The biotech arena is vibrant: the playing field is flourishing with new potentially life-changing drugs, and the spectators are clamouring for more.

In 2025 the FDA approved 46 new drugs, in line with the 5-year average of 48. Emerging biotech companies were responsible for the development of 72% of the newly approved drugs and are the undisputed driving force behind new drug development. Established pharma companies are in large part spectators: they observe and buy smaller companies to replenish their pipelines. In 2025 big pharma made 43 acquisitions (Fig. 3a) for a total deal value exceeding $100bn (Fig. 3b), more than double the deal value of 2024.

M&A is growing steadily in the sector because pharma companies need to add new drugs to their ageing commercial offering. Between 2025 and 2030 it is estimated that drugs with annual sales of ~$200bn will lose exclusivity and a further ~$200bn between 2031 and 2033 will follow. Merck's "Keytruda" generates ~$30bn in annual sales and will lose commercial exclusivity in 2028.

In 2025 buoyant M&A, a less aggressive US antitrust commission and lower interest rates lifted the valuations of many biotechs, but there are still ample opportunities to buy companies at attractive valuations. We think that biotech indices are not a good way to gauge the state of the market because their components change frequently via acquisitions, failures and IPOs. A "barometer" that we use is the ratio between the cash generated by pharma companies and the total market cap of biotech companies. Fig. 4 shows that currently pharma cash-flows equate to 57% of the market cap of US listed biotech companies, which is far from the 38% seen at the 2020 biotech peak.

China is becoming a strong force in biotech. In 2014 5% of clinical trial starts were in China. This is now 30% (the US is at 35%). China profits from increasingly good science, a business-friendly regulator and lower salaries. Several Elica companies are benefitting from Chinese partnerships, and we may consider investing in Hong-Kong listed biotech companies.

Elica's portfolio is constructed to navigate the changing FDA and policy environment. Some positive FDA initiatives include the promotion of faster approvals for rare disease medicines and leaner manufacturing requirements for cell therapies. Other developments appear to run contrary to innovation and benefits to society, such as the anti-vaccine movement. While we believe that life-changing innovation will continue to be rewarded, as the 46 FDA approvals in 2025 demonstrate, we are also pragmatic and Elica only has a ~3% exposure to vaccines. We also profited greatly from Merck's acquisition of Cidara and its "vaccine alternative" drug to the flu vaccine. As discussed in the Q3 letter, tariffs and the "Most Favoured Nation" policies affect Elica marginally and may actually encourage pharma companies to buy more novel drugs.

Figures

Figure 1a: Yearly Performance

Class USD-I | Past performance does not predict future returns

%	2024 (YTD from 10/9)	2025	Since Inception
Elica	**-5.9**	**37.1**	**29.0**
Nasdaq Biotech Index	*-10.3*	*34.1*	*20.3*
NYSE Biotech Index	*-8.9*	*29.0*	*17.5*
S&P Biotech Index	*-8.3*	*36.4*	*25.0*

N.B. Elica does not have a benchmark | Source: IFM, Bloomberg

Figure 1b: Monthly Performance

Class USD-I | Past performance does not predict future returns

%	J	F	M	A	M	J	J	A	S	O	N	D	Year
2025	*6.0*	*-6.7*	*-13.7*	*5.5*	*-1.7*	*4.2*	*9.2*	*1.1*	*8.9*	*9.7*	*13.1*	*-0.5*	**37.1**
2024									*0.6*	*3.9*	*2.9*	*-12.5*	**-5.9**

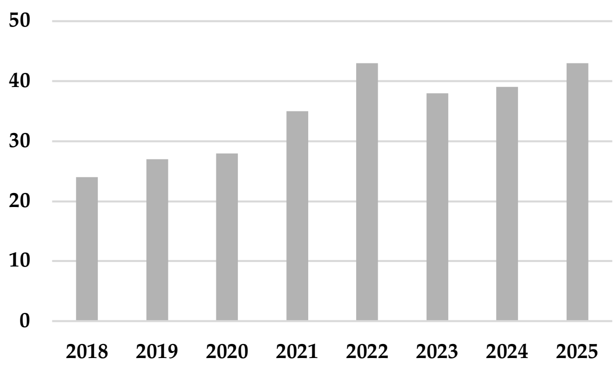
Source: IFM

Figure 2: Drugs in clinical development

Elica	**100**
Astra Zeneca	91
Pfizer	83
Roche	74
GSK	72
Eli Lilly	62
Sanofi	56

Source: Company filings

Figure 3a: Biotech Acquisitions (#)



Notes: Global acquisitions of biotech companies developing medicines for humans >$50m | Source: Biopharma Dive

Figure 3b: Biotech Acquisitions (Value $bn)

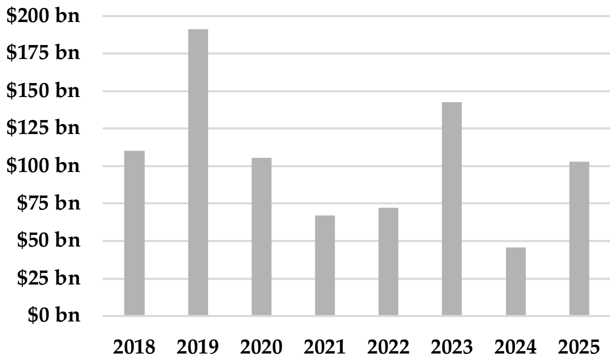


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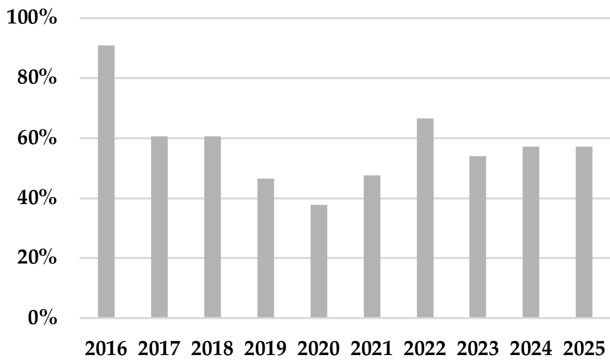
Figure 4: Sum of big pharma cash-flows as a percentage of total market cap of US listed biotech



Notes: includes top 20 big-pharma companies and biotech companies <$10bn in market cap | Source: Bloomberg

Please reach out if you have any questions

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