

# PRUDENT BIOTECH™

PRUDENCE • PATIENCE • PERFORMANCE

APRIL 2016

[www.PrudentBiotech.com](http://www.PrudentBiotech.com)

## Portfolio

|   | Name                  | Symbol | Added to Portfolio | Current Price | Action   |
|---|-----------------------|--------|--------------------|---------------|----------|
| 1 | 1-3 Year T-Bond ETF   | SHY    | Jan 2016           | \$84.96       | Maintain |
| 2 | Medivation, Inc.      | MDVN   | Apr 2016           | 45.98         | New Buy  |
|   | 7/8 allocation to SHY |        |                    |               |          |

## Portfolio Performance

|                 | YTD 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------|----------|------|------|------|------|
| Prudent Biotech | 1%       | 20%  | 99%  | 195% | 96%  |
| IBB Biotech ETF | -23%     | 12%  | 34%  | 67%  | 32%  |
| SPY S&P500 ETF  | +1%      | 1%   | 13%  | 32%  | 16%  |

## Positions Closed this Month

|   | Name                       | Symbol |
|---|----------------------------|--------|
| 1 | 1-3 Year T-Bond ETF        | SHY    |
| 2 | (only 1/8th position sold) |        |
| 3 |                            |        |

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## Portfolio Update

There is a spring in the market rhythm. Perhaps it's something to do with a season change. In our commentaries on the stock market outlook published both on public forums like [Seeking Alpha](#), and private forums like our [blog](#), we proffered in 2015 that a tenor change should occur in March and April 2016. Such a change was contingent on a variety of reasons that we suggested in those articles, and included a favorable interest rate environment, and a steady US economy. More recently, we talked specifically about the Biotechnology sector and its [bottoming-out](#) as well as time to [begin investing](#).

While we recommended assuming positions in the broader market and also the Biotech sector, we are relatively more conservative acquiring positions in the Prudent Biotech Portfolio (PBP) product since it follows a discipline that invests only when certain parameters are met for individual stocks. Consequently, we are taking a single position at this point in this month's portfolio. For clarity, let us explain how this position will be taken. Since our maximum position size for a stock investment is 1/8 of our portfolio, we sell 1/8th of our existing 100% position in SHY (bonds). So if 1/8th comes to 12.6 SHY shares, then round up or down and sell 13 or 12 shares. Use this amount and any leftover cash in the portfolio to purchase the single new position (MDVN), thus ending up with ~1/8 in stock and 7/8 in SHY. For the year (YTD), the PBP was up 1% and the IBB ETF was down -23%.

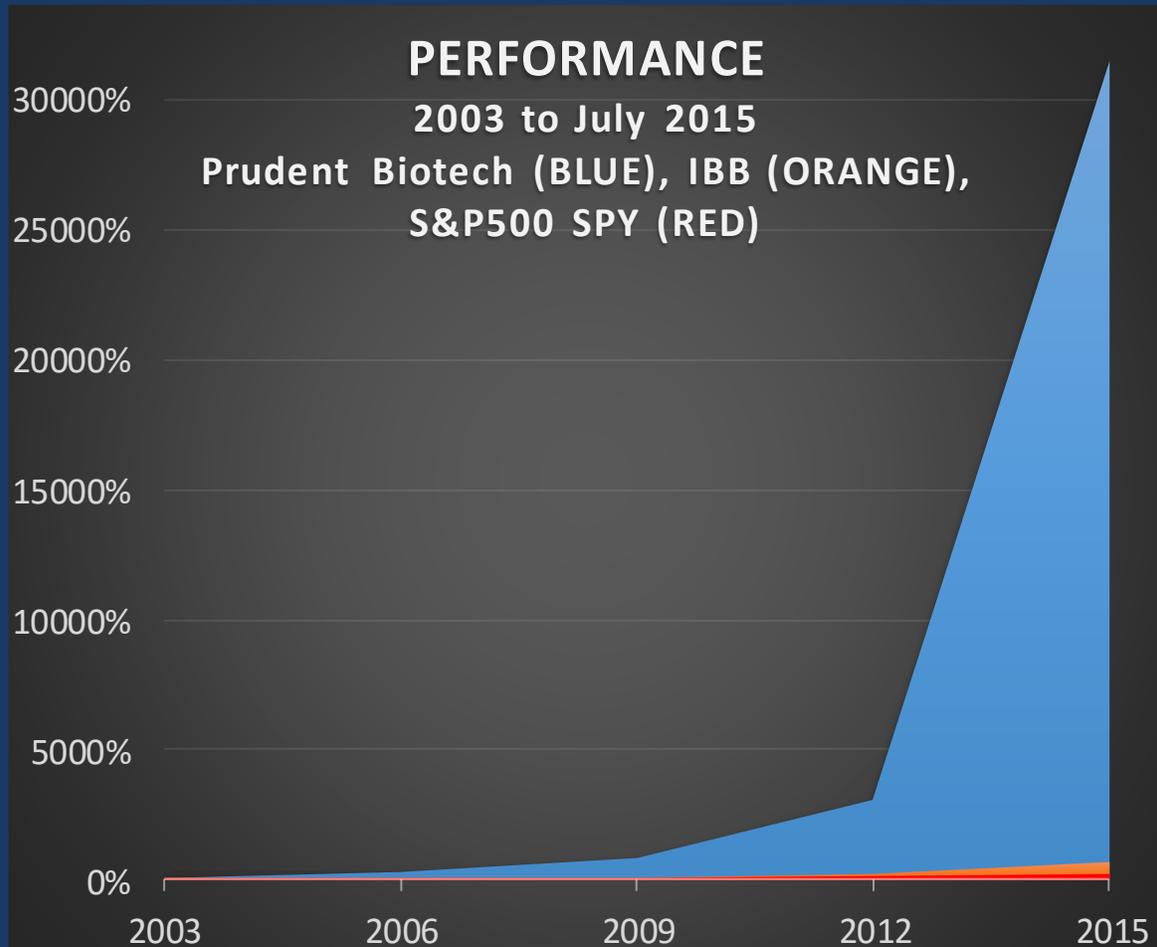
|                           | Prudent<br>Biotech | IBB ETF  | S&P500<br>SPY |
|---------------------------|--------------------|----------|---------------|
| <b>3-Year (2012-14)</b>   | 1047%              | 193%     | 74%           |
| <b>\$10,000 Portfolio</b> | \$104,700          | \$29,270 | \$17,400      |
| <b>5-Year (2010-14)</b>   | 1902%              | 276%     | 104%          |
| <b>\$10,000 Portfolio</b> | \$190,200          | \$37,600 | \$20,400      |
| <b>10-Year (2005-14)</b>  | 6782%              | 309%     | 108%          |
| <b>\$10,000 Portfolio</b> | \$678,200          | \$40,900 | \$20,800      |

***"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model. ...And that turned out to be a wonderful business."***

**Jim Simons, Founder, Renaissance Technologies, hedge fund manager and billionaire**

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During the above period, Prudent Biotech portfolio was up over 30,000%, followed by the IBB Biotech ETF up 660%, and thereafter the S&P500 SPY ETF, up 199%. A \$10,000 starting portfolio tracking the Prudent Biotech model would have surged to \$3 million over a period of less than 12 years. This compares to the same portfolio invested in the IBB Biotech ETF growing to \$76,000, and when invested in an S&P 500 growing to \$30,000.

How did we do it? We follow a carefully developed and calibrated system, and we stick to it. Discipline and Consistency are important Keys towards building Wealth.

Please note that model historical performance for all periods is hypothetical and will vary when we revise and change models without any notice.

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## About

We aim to use disciplined systematic investing using models to outperform the market. My name is Tarun Chandra, and I'm the editor of this service. Of course, I can't do anything without my team, and I work with them to put out the newsletter for our subscribers. I was an Analyst on Wall Street on the Buyside and Sellside for 8 years. Thereafter, I worked with technology services companies in a Strategy and Finance role. For many years I've been working on quantitative models, and this is a product that we believe can tap into the potential of the Biotech market, and survive its volatility.

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