



PRUDENT BIOTECH™

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NOVEMBER 2017

www.PrudentBiotech.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Loxo Oncology	LOXO	Feb-17	\$86.16	Maintain
2	Exact Sciences	EXAS	Jun-17	\$54.99	Maintain
3	Dynavax Technologies	DVAX	Aug-17	\$22.00	Maintain
4	Arena Pharmaceuticals	ARNA	Aug-17	\$28.03	Maintain
5	Mirati Therapeutics Inc	MRTX	Oct-17	\$13.05	Maintain
6	Insmed	INSM	Oct-17	\$27.01	Maintain
7	Uniqure N.V.	QURE	Nov-17	\$14.90	New Buy
8	Zogenix Inc	ZGNX	Nov-17	\$37.50	New Buy

Portfolio Performance

	YTD 2017	2016	2015	2014	2013	2012
Prudent Biotech	+27%	7%	20%	99%	195%	96%
Nasdaq Biotech Index IBB	+19%	-21%	12%	34%	67%	32%
S&P 500 Index SPY ETF	+17%	12%	1%	13%	32%	16%

Positions Closed this Month

	Name	Symbol
1	Esperion Therapeutics	ESPR
2	MyoKardia Inc	MYOK

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Portfolio Update

Earnings or lack thereof knocked the wind out of the Biotech sector. The larger biotechs are driven by earnings while the relatively smaller ones are driven by product trial results. In close succession, Amgen, Celgene, and Gilead delivered less than robust results, pushing down the entire sector. Since the small and mid cap stocks are not earnings driven, one would anticipate that they should claw their way back up. A recent post, [The Small Cap Rush](#), illuminates the general potential of small cap companies over the long term.

The final months of the year are typically favorable for stock market returns. With the tax bill making its way through the halls of Congress, it should provide additional support for further gains. However, an unknown variable is the Mueller investigation, which can have the potential to shroud the market with unease as the country wonders how high does the culpability go.

The Biotech sector pulled-back last month due to weak earnings, with the leading benchmark Nasdaq Biotechnology Index IBB sliding -6%. The Prudent Biotech Portfolio held its ground, up half-percent, in September. For the year, the portfolio is up +27% to IBB's gain of a +19%. The market may experience volatility in the month due to the upcoming tax bill to be disclosed on Thursday (2nd), as well as the Mueller investigation where the outcome is hard to predict. Overall, the economy is strong, and in spite of potential volatility due to aforementioned factors, at this time we remain fully invested.

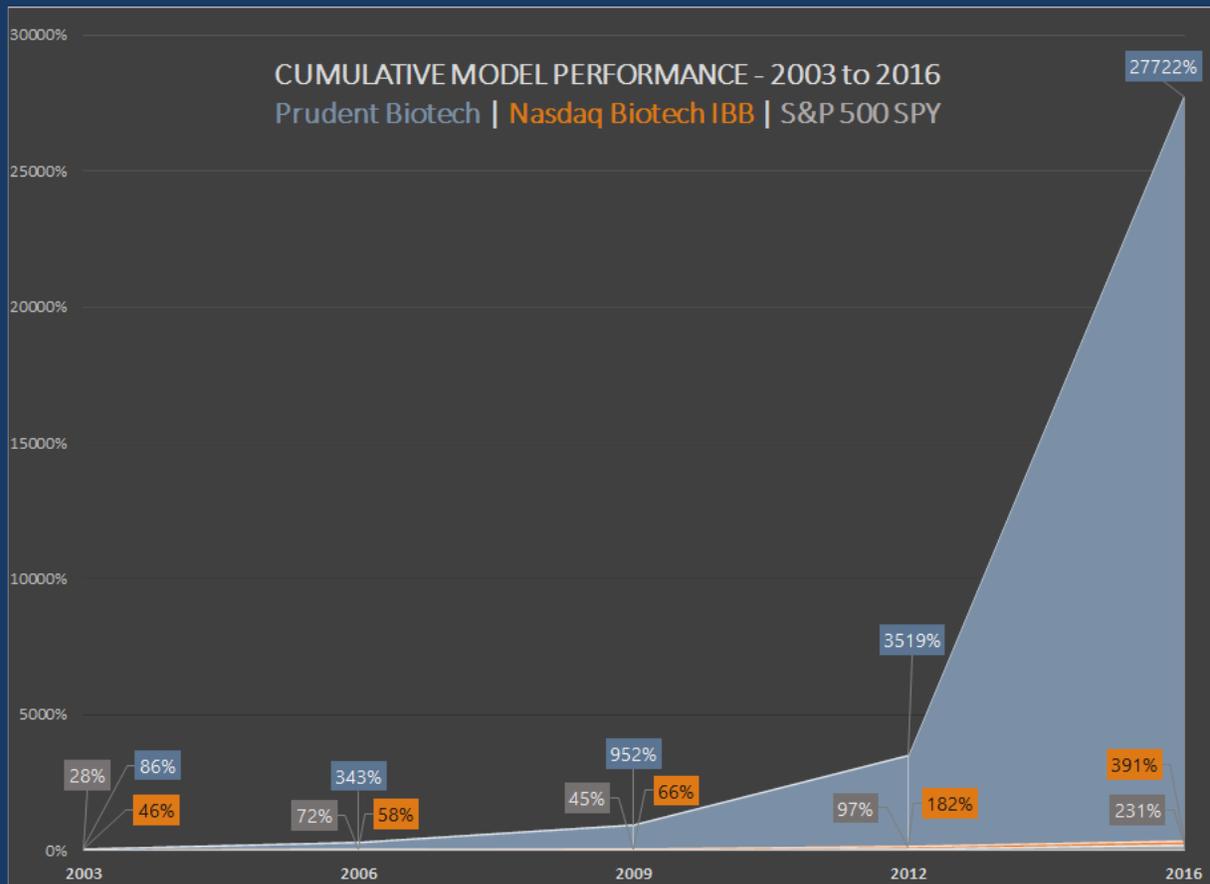
	Prudent Biotech	IBB ETF	S&P500 SPY
3-Year (2014-16)	163%	17%	29%
\$10,000 Portfolio	\$26,275	\$11,733	\$12,865
5-Year (2012-16)	1478%	157%	97%
\$10,000 Portfolio	\$157,802	\$25,662	\$19,742
10-Year (2007-16)	6179%	248%	94%
\$10,000 Portfolio	\$627,892	\$34,766	\$19,435

"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 founder and billionaire

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During the above period, Prudent Biotech model portfolio was up over 27,700%, followed by the Nasdaq Biotechnology Index ETF (IBB) up 390%, and the S&P 500 Index ETF (SPY), up 230%. A \$10,000 starting portfolio tracking the Prudent Biotech model would have surged to \$2.7 million over a period of 13 years. This compares to the same portfolio invested in the Biotech Index benchmark growing to \$49,000, while an S&P 500 investment would have yielded \$33,000.

But the underlying success is based on a carefully developed and calibrated system, and a commitment to follow the system. Volatility is part of stock market investing, and much more so for a highly volatile speculative sector like Biotechnology. Discipline and Consistency are important keys towards building Wealth.

Please note that the model historical performance is considered hypothetical as it is based on back-tested results, and will vary when we change the model .

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About

We use disciplined systematic investing using quantitative models aiming to outperform the market. My name is Tarun Chandra, and I am the Founding Editor of the model portfolio service. I was an Analyst on the Buyside and Sellside for 8 years. Thereafter, I worked with technology companies in a Strategy/Finance role. I have been working on model investing for many years, and believe this targeted product can tap into the potential of the Biotech market, while managing and surviving its volatility.

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