



PRUDENT BIOTECH™

PRUDENCE • PATIENCE • PERFORMANCE

JULY 2018

PrudentBiotech.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Mirati Therapeutics	MRTX	Oct-17	\$49.30	Maintain
2	Endocyte	ECYT	Apr-18	\$13.80	Maintain
3	Heron Therapeutics	HRTX	Apr-18	\$38.85	Maintain
4	Immunomedics	IMMU	May-18	\$23.67	Maintain
5	Arrowhead Pharma	ARWR	Jun-18	\$13.60	Maintain
6	Regenxbio	RGNX	Jun-18	\$71.75	Maintain
7	Verastem	VSTM	Jul-18	\$6.88	New Buy
8	Viking Therapeutics	VKTX	Jul-18	\$9.49	New Buy

Portfolio Performance

	YTD 2018	2017	2016	2015	2014	2013
Prudent Biotech	+51%	34%	7%	20%	99%	195%
Nasdaq Biotech Index (IBB)	+3%	21%	-21%	12%	34%	67%
S&P 500 Index ETF (SPY)	+3%	21%	12%	1%	13%	32%

Positions Closed This Month

	Name	Symbol
1	Agios Pharmaceuticals	AGIO
2	Adaptimmune Therapeutics	ADAP

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Portfolio Update

Biotech industry had its good moments in June as the small-and-midcap weighted S&P Biotech index recorded a new all-time high, although the key biotech benchmark, Nasdaq Biotechnology Index, still has to achieve that milestone. However, by the end of June, the biotech sector and the broader market were awash in sharp volatility and declines.

The pullback in the biotech index does not appear to be a broad-based flight from risk, at this time. To some extent, the retreat in biotechs has been exacerbated beyond the broader market pullback, by perhaps too much biotech supply. Numerous biotech IPOs came public in June, ahead of any other industry, and 33 companies have come public in 2018, 2 more than the entire 2017. Biotech interest remains high as witnessed by the surge in VC fundings and evolving therapeutic science. The recently concluded ASCO oncology meeting also assisted the [biotech sector](#). We believe that the current volatility exists within a primary uptrend, and perhaps can lead to a Correction, due to trade issues, but it's unlikely that a [Bear market is approaching](#). Nonetheless, market volatility can spike and persist if trade friction escalates. An early July meeting between the US and China can provide further guidance.

During June, the Prudent Biotech (PB) portfolio was up +11%, while the benchmark IBB index was up +1%. For 2018, the PB portfolio is up +51%, while IBB is up +3%. We remain watchful of events unfolding on the trade front, which has economic ramifications and the potential to rattle markets, and will calibrate the portfolio as new data evolves. At this time, the model portfolio remains fully invested.

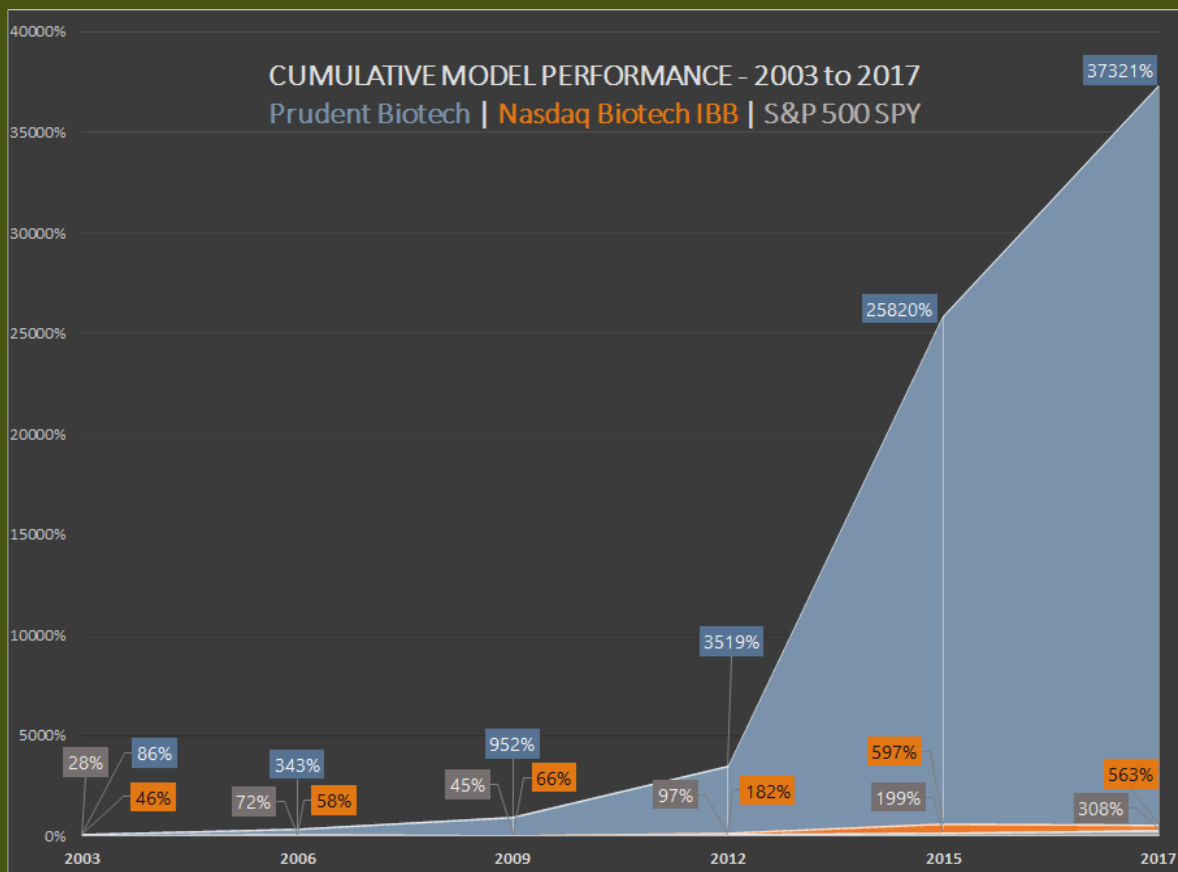
	Prudent Biotech	Biotech ETF IBB	S&P 500 SPY
3-Year (2015-17)	76%	6%	38%
\$10,000 Portfolio	\$17,644	\$10,614	\$13,799
5-Year (2013-17)	934%	135%	107%
\$10,000 Portfolio	\$103,404	\$23,515	\$20,715
10-Year (2007-17)	6516%	303%	125%
\$10,000 Portfolio	\$661,616	\$40,275	\$22,496

"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 37,000%, followed by the Nasdaq Biotechnology Index ETF (IBB) up 560%, and the S&P 500 Index ETF (SPY), up 310%. A \$10,000 starting portfolio tracking the Prudent Biotech model would have surged to \$3.7 million over a period of 14 years. This compares to the same portfolio invested in the Biotech Index benchmark growing to \$66,000 while an S&P 500 investment would have yielded \$41,000.

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, Patience and Consistency are important keys towards building Wealth.

Please note the model historical performance is considered hypothetical as it is based on back-tested results, is unaudited, and will vary when we change the model without notice. No trades were placed.

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About

We pursue disciplined systematic investing using quantitative models aiming to outperform the market. My name is Tarun Chandra, and I am the 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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