



# PRUDENT BIOTECH™

PRUDENCE • PATIENCE • PERFORMANCE

NOVEMBER 2019

PrudentBiotech.com

## Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Arrowhead Pharmaceuticals	<b>ARWR</b>	Mar-2019	\$41.48	Maintain
2	Karyopharm Therapeutics	<b>KPTI</b>	Aug-2019	\$12.54	Maintain
3	Deciphera Pharmaceuticals	<b>DCPH</b>	Sep-2019	\$45.46	Maintain
4	Zymeworks	<b>ZYME</b>	Oct-2019	\$35.01	Maintain
5	Dicerna Pharma	<b>DRNA</b>	Oct-2019	\$17.24	Maintain
6	Apellis Pharma	<b>APLS</b>	Oct-2019	\$30.50	Maintain
7	<i>Assembly Biosciences Inc</i>	<b>ASMB</b>	Nov-2019	\$16.93	New Buy
8	<i>Iovance Biotherapeutics</i>	<b>IOVA</b>	Nov-2019	\$21.97	New Buy

## Portfolio Performance

	2019	2018	2017	2016	2015	2014	2013
Prudent Biotech	+6%	27%	34%	7%	20%	99%	195%
Nasdaq Biotech (IBB)	+14%	-10%	21%	-21%	12%	34%	67%

## Positions Closed This Month

	Name	Symbol
	No Positions	

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## Portfolio Update

October turned out to be a positive month for stocks as several key issues resolved in favor of the market. The US-China trade truce was reached at least for the near-term, the Federal Reserve delivered another interest rate cut, and earnings for the third quarter have been better than expected allaying fears of a substantial earnings slowdown. At the same time, the economic data has been steady which has strengthened investor confidence and expanded the risk appetite. Consequently, stocks marched higher.

While the broader market nears its year-to-date high, biotechs are recovering from the yearly lows recorded earlier in Oct. Both, biotechs and healthcare were helped by the above factors along with what appears to be a ramp-up in acquisition activity. The improving risk appetite prompted us to raise the portfolio exposure on Oct 21. Biotechs should advance with the broader market as the risk sentiment improves. However, the overarching risk of increased regulation can spark unexpected volatility and restrain gains, as drug price control remains a hot button issue both in Congress and on the campaign trail. This was discussed in the post [Healthcare & Biotechs Struggle, But Opportunity Ahead](#). Healthcare is highly sensitive to broader restructuring plans and if the Presidential candidates with such plans tone them down or begin to lose momentum in the polls, it will show up as a positive for healthcare valuations. The opposite is true as well, as the sharp declines witnessed during September attest.

In October (till Nov 1), the Prudent Biotech (PB) model portfolio gained +22% while the Nasdaq Biotech Index (IBB) rose +10%. For 2019, the PB portfolio is +6%, and the IBB index is up +14%. The model portfolio is now fully invested, up from 75% (6-positions). The broader market is on a more solid footing than in Sep. However, the trade issue persists and the impeachment issue overhangs in the background. Healthcare has its own unique risk which needs to be monitored. But at least it was a good October.

	Prudent Biotech	Biotech ETF IBB	S&P 500 SPY
<b>3-Year (2016-18)</b>	83%	-14%	28%
<b>\$10,000 Portfolio</b>	\$18,298	\$8,597	\$12,760
<b>5-Year (2014-18)</b>	348%	28%	47%
<b>\$10,000 Portfolio</b>	\$44,793	\$12,836	\$14,657
<b>10-Year (2009-18)</b>	7935%	315%	233%
<b>\$10,000 Portfolio</b>	\$803,515	\$41,486	\$33,318

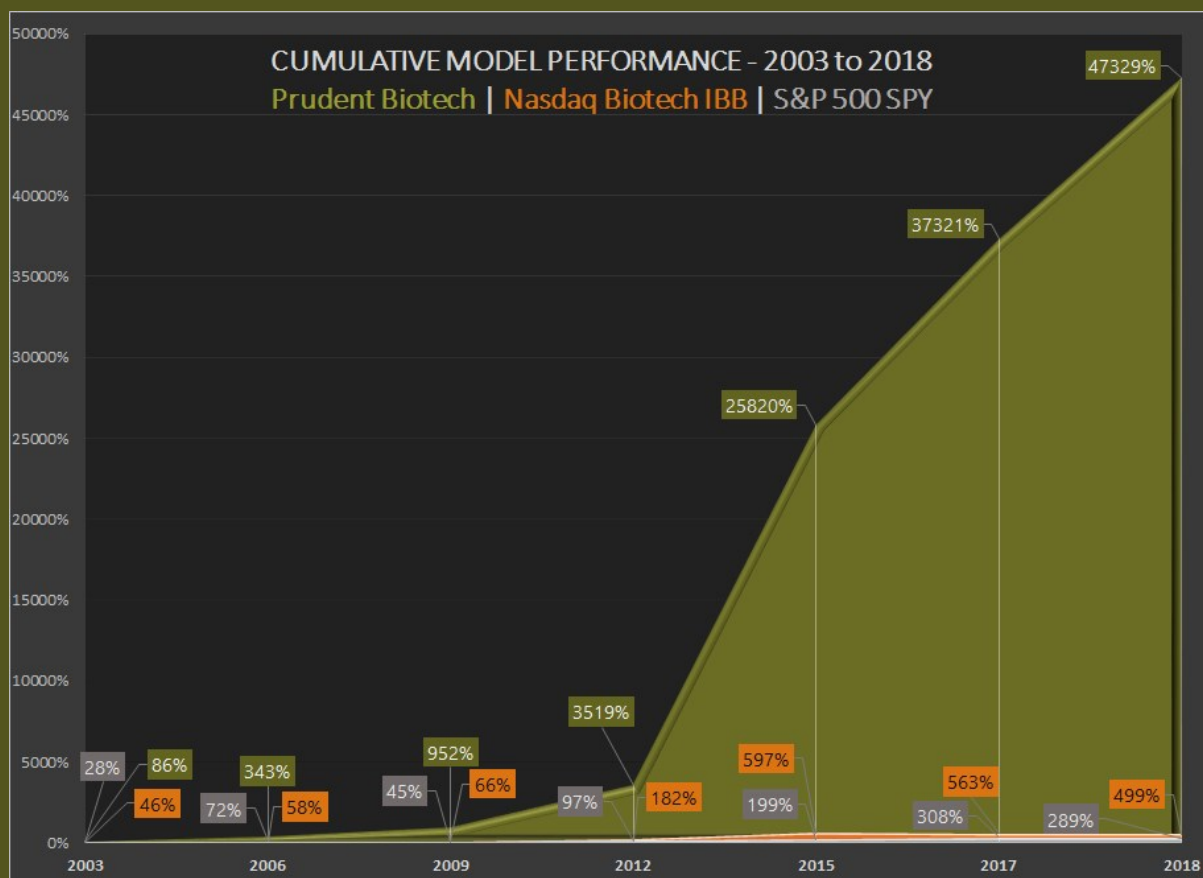
Actual since 2016; backtested prior years

*“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 of Renaissance Technologies hedge fund**

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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 even more so for a highly volatile speculative sector like Biotechnology. Discipline, Patience and Consistency are important keys towards building Wealth.

Please note model historical performance for all periods is hypothetical with no trades placed, unaudited, based on our past newsletters, will vary when we revise and change models without any notice, and is not indicative of future performance.

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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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