



# PRUDENT BIOTECH™

PRUDENCE • PATIENCE • PERFORMANCE

JANUARY 2020

PrudentBiotech.com

## Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Arrowhead Pharmaceuticals	<b>ARWR</b>	Mar-2019	\$63.43	Maintain
2	Karyopharm Therapeutics	<b>KPTI</b>	Aug-2019	\$19.17	Maintain
3	Deciphera Pharmaceuticals	<b>DCPH</b>	Sep-2019	\$62.24	Maintain
4	Zymeworks	<b>ZYME</b>	Oct-2019	\$45.46	Maintain
5	Assembly Biosciences	<b>ASMB</b>	Nov-2019	\$20.46	Maintain
6	Iovance Biotherapeutics	<b>IOVA</b>	Nov-2019	\$27.68	Maintain
7	Karuna Therapeutics	<b>KRTX</b>	Dec-2019	\$75.34	Maintain
8	<i>No Position</i>				Cash

## Portfolio Performance

	2019	2018	2017	2016	2015	2014	2013
Prudent Biotech	+44%	27%	34%	7%	20%	99%	195%
Nasdaq Biotech (IBB)	+25%	-10%	21%	-21%	12%	34%	67%

## Positions Closed This Month

	Name	Symbol
1	Dicerna Pharma	<b>DRNA</b>

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## Portfolio Update

**B** iotechs put their best foot forward during the final quarter, becoming the best performing industry group for the period. After recording 2019 lows in Sep/Oct, causing serious disruption to investor portfolios, biotechs were spurred by favorable political news, acquisitions, and FDA approvals. The indexes closed the quarter near their best levels for the year.

The transformation of biotechs from a lagging group to one that has been recently leading the market has been notable. It was a shift in risk-perception. Fundamentally, biotechs are in a better position than they have been at any time before, with advancing science, therapeutic successes, a fast-moving FDA, and strong balance sheets with easy access to capital. At the same time, the group continues to face the threat of regulation to bring down healthcare costs as an overarching risk, which will begin to cast a long shadow in an election year. That remains a potent risk capable of upending industry dynamics. We believe January may witness growing volatility for the stock market, and biotechs won't be insulated. However, a leading healthcare conference gets underway mid-month and that usually has a favorable impact on the group. March will be a critical month as the Democratic primaries pick up pace with the possibility of a leader emerging by March 10, which can provide insights into the favored healthcare policy. We expect biotech indexes to rise +10% in 2020, held back by the political risk. There will be selective opportunities for better performance, requiring patience. More on the [2020 outlook](#) can be read on the blog.

In December, the Prudent Biotech (PB) portfolio gained +4% while the Nasdaq Biotech Index (IBB) rose +1%. For 2019, the PB portfolio was up +44%, and the IBB index was up +25%. For Jan, the model portfolio is invested in 7-out-of-8 positions, taking a cautionary stance, and we will update as necessary.

All of us at Prudent Biotech wish you a healthy and happy New Year!

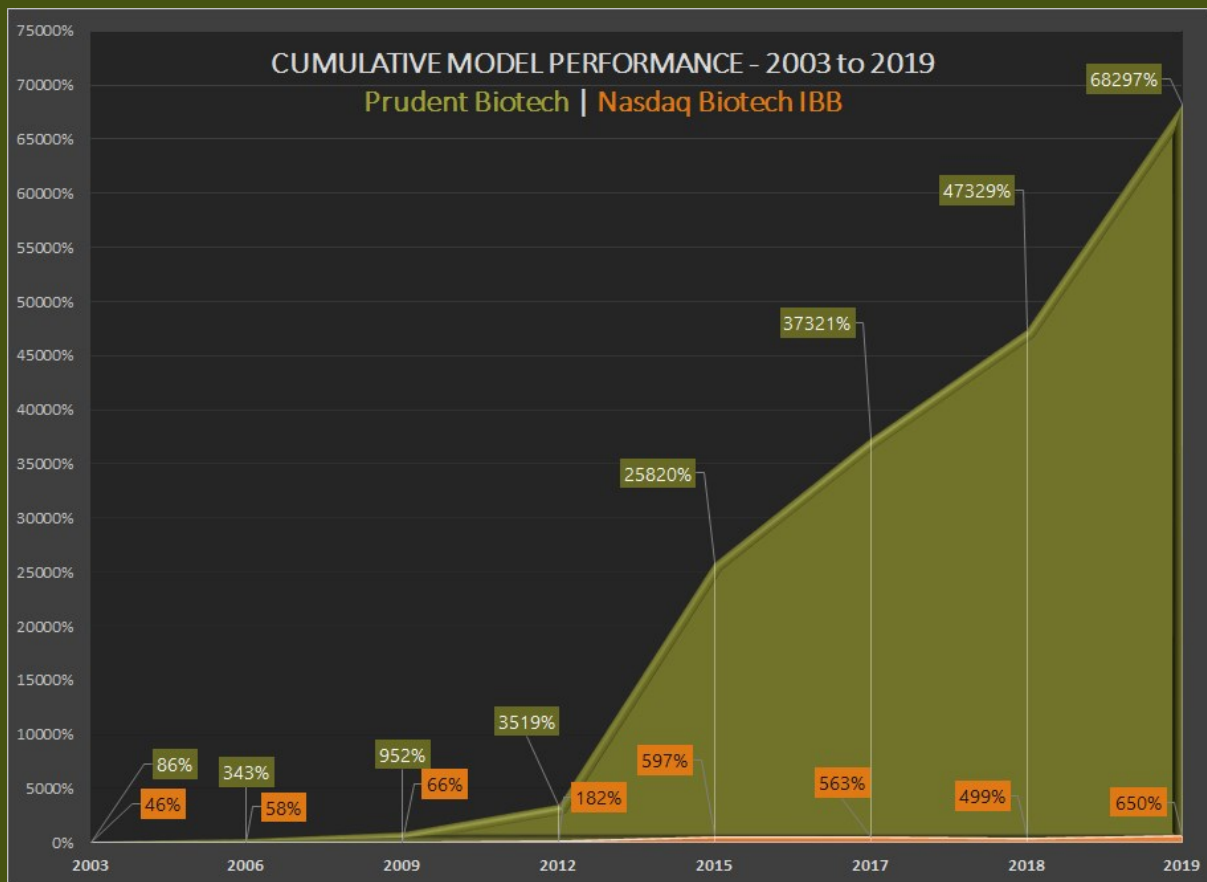
	Prudent Biotech	Biotech ETF IBB	S&P 500 SPY
<b>3-Year (2017-19)</b>	146%	37%	52%
<b>\$10,000 Portfolio</b>	\$24,584	\$13,693	\$15,241
<b>5-Year (2015-19)</b>	222%	20%	73%
<b>\$10,000 Portfolio</b>	\$32,249	\$12,004	\$17,280
<b>10-Year (2010-19)</b>	6400%	351%	253%
<b>\$10,000 Portfolio</b>	\$650,023	\$45,082	\$35,275

*"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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[Click for an enlarged version of the chart](#)

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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