



PRUDENT BIOTECH™

PRUDENCE • PATIENCE • PERFORMANCE

JANUARY 2021

PrudentBiotech.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Moderna	MRNA	30-Mar-20	\$104.47	Maintain
2	Trillium Therapeutics	TRIL	17-Apr-20	\$14.71	Maintain
3	TG Therapeutics	TGTX	12-May-20	\$52.02	Maintain
4	Celldex Therapeutics	CLDX	31-Aug-20	\$17.52	Maintain
5	Five Prime Therapeutics	FPRX	14-Dec-20	\$17.01	Maintain
6	Arrowhead Pharmaceuticals	ARWR	14-Dec-20	\$76.73	Maintain
7	Scholar Rock	SRRK	4-Jan-21	\$48.53	New Buy
8	Precigen	PGEN	4-Jan-21	\$10.20	New Buy

Portfolio Performance

	2020	2019	2018	2017	2016	2015	2014
Prudent Biotech	+35%	44%	27%	34%	7%	20%	99%
Nasdaq Biotech (IBB)	+26%	25%	-10%	21%	-21%	12%	34%

Positions Closed This Month

	Name	Symbol
1	Replimune Group	REPL
2	Atara Biotherapeutics	ATRA

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Portfolio Update

The year 2020 has slipped into the rear view mirror. Not many would miss it, though investors may remember the second-half fondly as the stock market powered ahead, riding the wave of monetary and fiscal stimulus. The biotechs led the healthcare sector with gains above 20% for the Nasdaq Biotechnology Index. The biotech industry has been on a mission to return the pandemic ravaged world to normalcy. It has already delivered two vaccines for COVID-19, with more to come, paving the path to recovery. The monumental impact of the biopharma effort cannot be overstated, as lives will be saved and livelihoods slowly restored. However, the worst is still to come and this slow-moving tragedy will likely experience its peak in February if it follows the pattern of flu season fatalities.

Biotechs are well-positioned to continue advancing. The macro-environment and a young bull market favor risk-taking, which has a bigger benefit for industries like biotech and segments like the smallcaps. After a 5-year period of consolidation, biotechs finally broke through the previous high set in July 2015. A long-term breakout typically lasts for an extended period of time. Scientific advances, such as the mRNA vaccine for COVID-19, have continued to accelerate, creating promising opportunities. M&A strengthened in the second-half of 2020 to \$96 billion compared to just \$8 billion in the first-half. The pace of M&A will be maintained and likely accelerate during 2021. Even in a strong and young bull market, there are sharp pullbacks, and we may witness one in the first-quarter. A pullback can be fierce, but likely to be short-lived. A more cautionary posture will be assumed as the month matures and after the upcoming JP Morgan healthcare conference from Jan 11-14, which typically is a catalyst for a sector move higher.

In December, the Prudent Biotech portfolio declined -9%, and the Nasdaq Biotech (IBB) index rose +6%. For 2020, the model portfolio gained +35%, and the biotech index rose +26%. Presently, the portfolio remains fully invested. We wish you a very Happy and Healthy New Year!

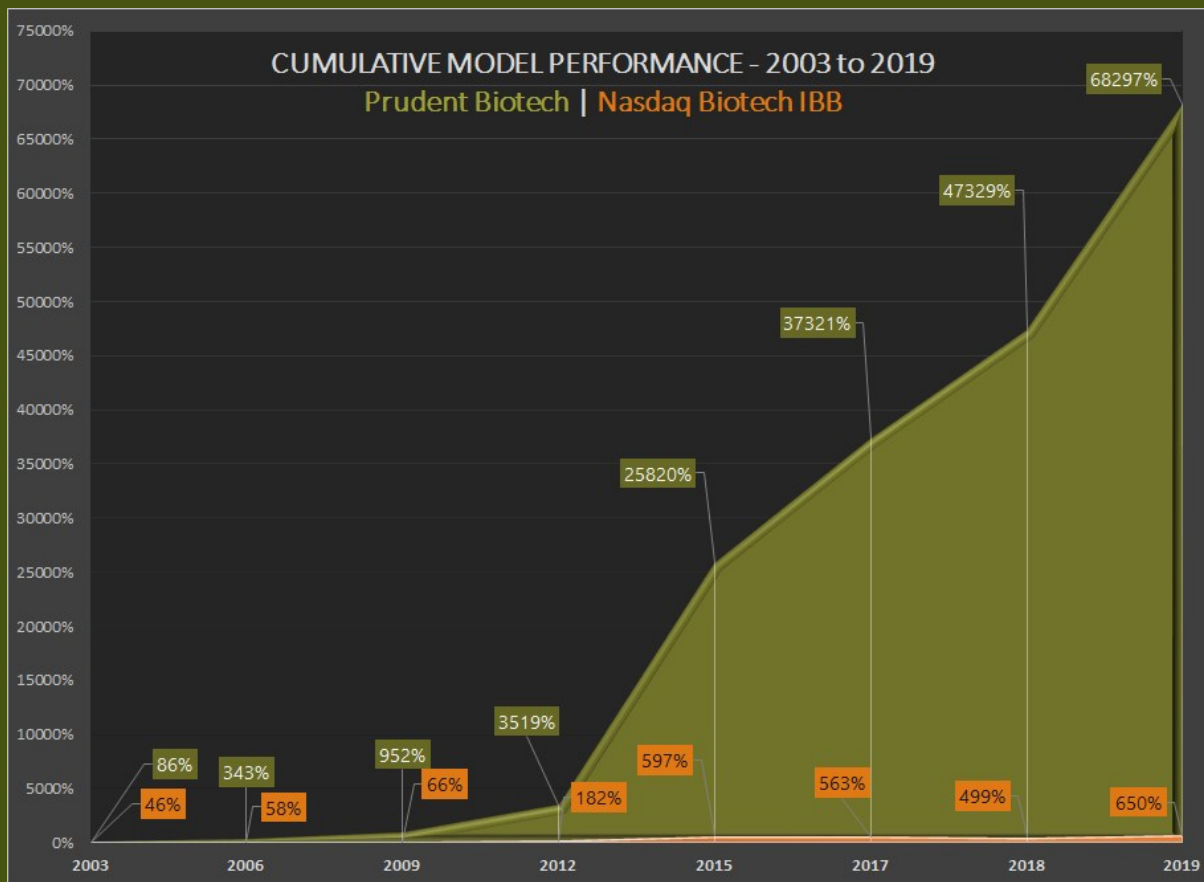
	Prudent Biotech	Biotech ETF IBB	S&P 500 SPY
3-Year (2017-19)	146%	37%	52%
\$10,000 Portfolio	\$24,584	\$13,693	\$15,241
5-Year (2015-19)	222%	20%	73%
\$10,000 Portfolio	\$32,249	\$12,004	\$17,280
10-Year (2010-19)	6400%	351%	253%
\$10,000 Portfolio	\$650,023	\$45,082	\$35,275

"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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