



PRUDENT BIOTECH™

PRUDENCE • PATIENCE • PERFORMANCE

JANUARY 2022

PrudentBiotech.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Moderna	MRNA	30-Mar-20	\$253.98	Maintain
2	Celldex Therapeutics	CLDX	31-Aug-20	\$38.64	Maintain
3	Cytokinetics	CYTK	2-Aug-21	\$45.58	Maintain
4	Inhibrx	INBX	1-Nov-21	\$43.67	Maintain
5	ChemoCentryx	CCXI	1-Nov-21	\$36.41	Maintain
6	Kezar Life Sciences	KZR	27-Dec-21	\$16.72	Maintain
7	Bicycle Therapeutics	BCYC	27-Dec-21	\$60.87	Maintain
8	Xenon Pharmaceuticals	XENE	3-Jan-22	\$31.24	New Position

Portfolio Performance

	2021	2020	2019	2018	2017	2016	2015
Prudent Biotech	+49%	35%	44%	27%	34%	7%	20%
Nasdaq Biotech (IBB)	+1%	26%	25%	-10%	21%	-21%	12%

Positions Closed This Month

	Name	Symbol
1	Anavex Life Sciences	AVXL

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Portfolio Update

Biotechs best moments were short-lived in the stock market during 2021. The indexes peaked in early Feb 2021. Since then it has been a struggle for the broader biotech group to advance consistently, with the S&P Biotechnology Index (XBI) down -20% in 2021. The larger-cap-focused Nasdaq Biotechnology Index benefited from the performance of a few mega biotechs, led by Moderna, BionNTech, and Regeneron, which boosted the index's fortune over Summer, recording a 1% gain for the entire year.

The biotech industry has a lot going for it when it comes to pushing frontiers of medical science. To some extent, the medical success of biotechs may have planted the seed for its short-term failure in the stock market. Over 2020 and 2021, many new biotech businesses were funded in the private markets, partly driven by the success of the mRNA approach which underscored the promise of pursuing new pathways of treatment. The situation was no different in the public markets. In 2021, biotechs remained the leading industry group for new initial public offerings. The oversupply of biotech equity likely contributed to the group's sub-par performance during 2021.

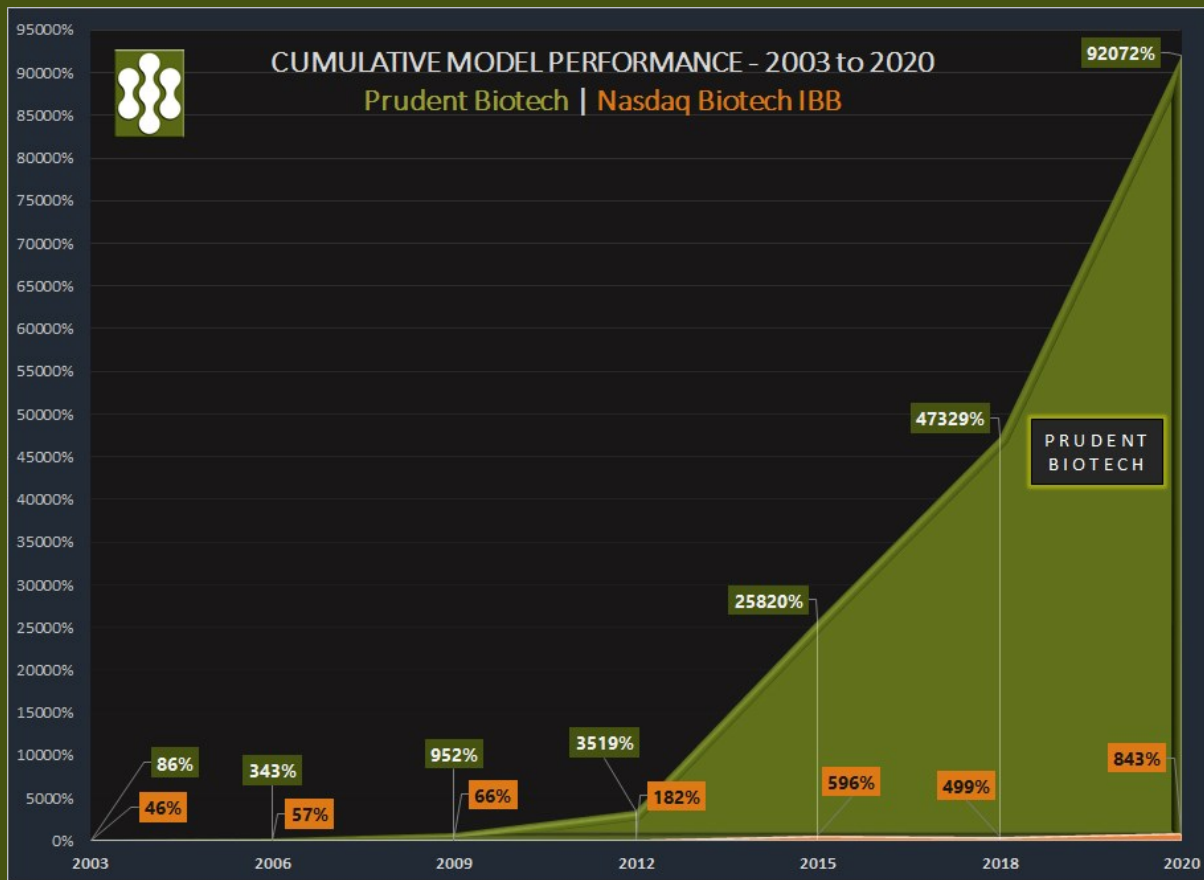
The interest rate environment has shifted towards higher rates during 2022. Biotechs typically do much better in a steady and low rate environment, which encourages risk-taking. A significant amount of pressure on biotech valuations was a result of this shift in the interest rate perception around the final quarter last year. Interest rates are going to be higher, but still relatively lower in the broader context, and after 2 to 3 increases are expected to remain steadier thereafter.

The M&A and licensing deal environment brightened up during December and was the reason for an increase in the model portfolio exposure. If the activity sustains, it can well be the reason that provides fuel for a biotech rally during the first half. A leading healthcare investment conference gets underway from January 10 to 13, which typically has a favorable influence on the sector as it becomes a platform for updates and deals. It will be interesting to see how the conference shapes the investment opinion. Biotechs remain a dynamic group with a shifting risk environment during 2022. The industry has a lot to look forward to during 2022, both in terms of challenges and opportunities. A pendulum that swings far to one side, must eventually swing back. Whatever the environment, one has to be patient to discover the opportunities and adjust as necessary as the risk environment evolves.

In December, the Prudent Biotech portfolio declined -8%, and the Nasdaq Biotech Index (IBB) slipped -1%. In 2021, the model portfolio gained 49%, while the benchmark index rose 1%. The model portfolio remains fully invested and intramonth adjustments are possible. We wish you and yours a healthy, happy, and prosperous New Year!

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

During the above period, Prudent Biotech model portfolio was up over 92,000% while the Nasdaq Biotechnology Index ETF (IBB) was up 840%. A \$10,000 starting portfolio tracking the Prudent Biotech model would have surged over \$9 million over a period of 17 years. This compares to the same portfolio invested in the Biotech Index benchmark growing to \$94,000.

The underlying success is based on a carefully developed system, and a commitment to following the system. Volatility is an integral part of stock market investing, and even more so for a speculative sector like Biotechnology. Thus, Discipline, Patience and Consistency are important keys towards building Wealth.

Please note that 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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The issue is published by the first 5 business days of each month

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