A Once-in-a-Generation Opportunity in Biotech

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Porter & Co.'s *Biotech Frontiers*
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We are in the thick of a historic Bear Market in Biotech

- Biotech was "born" as a sector in the stock market on October 14th, 1980 – the day Genentech went public

- In the four decades since, biotech has never experienced anything like the Fed rate hikes that began in 2022

- These hikes have precipitated the most epic biotech Bear Market in history

  – The longest: 43 months long (3.5+ years)
  – The broadest: 90%+ biotechs down >20% from highs
  – The deepest Bear Market: small-cap biotech down 70 – 95%+

A historic Bear Market . . . creates a historic opportunity

- "Catch one biotech bull market, and you can make you enough money to retire on." – Steve Sjuggerud, *True Wealth*
- "Buy when there's blood in the streets." – Baron Nathan Rothschild, founder of the House of Rothschild
- "The secret of wise investing in three words, is 'margin of safety.'" – Benjamin Graham, *The Intelligent Investor*

Today's market is for biotech, what early 2009 was for financial stocks

Margin of safety has enabled us to reap powerful returns even in a Bear Market

- We've made 16 recommendations so far in *Biotech Frontiers* – 13 winners and only 3 losers (**80+%** win rate)

- Simple average return across all positions: +**17.8%** in 8 months, **26.7%** annualized

- Three distinct *Biotech Frontiers* recommendations have appreciated at least 100% after catalysts played out

. . . And all this has happened before the biotech Bear Market has swung into a Bull

We approach biotech investing with a very deliberate methodology

1. The Big Picture
2. The Science
3. The Prize
4. The Catalysts
5. The Balance Sheet
6. The Cap Table
7. The Risk/Reward

The Big Picture

- Interest rates are like **financial gravity** – high rates are like high gravity, stocks sink; low rates are like low gravity, stocks float

- Biotech stocks are quintessential long-durated equities – the equity equivalent of a bullet maturity 20-year bond, and therefore **highly sensitive to changes in interest rates**

- *Biotech Frontiers* is very attuned to the macro environment; our subscribers may find we can share a more insightful perspective on the Big Picture than dedicated macro letters

The Science

- We look for scientists and labs doing pathbreaking work . . . And companies that own differentiated medicines

- Lipitor generated over $100 billion in revenue for Pfizer, with peak sales of $13b, even though it was the **sixth** statin approved. Why? Because it was a **best-in-class drug**.

- *Biotech Frontiers* focuses on **best-in-class innovations**
  - TG Therapeutics (TGTX) – the best B cell mAB for MS
  - Journey Medicine (DERM) – the best therapy for Rosacea
  - Sagimet Bio (SGMT) – the best treatment for MASH

The Prize

- "If you're right, you've got to get paid." – Julian H. Robertson
- "First prize? A Cadillac Eldorado. Second prize? Steak knives. Third prize? You're fired." – Alec Baldwin, Glengarry Glen Ross
- We size the market opportunity of our recommendations to maximize the chances we get paid

The Catalysts

- Hope is not a strategy

- It's fine to buy "the world's best businesses" and wait for the market to reward you . . . But you may wait a long time.

- Biotech benefits from catalysts – e.g., regulatory approvals, clinical trial readouts, milestone payments, M&A, CVRs

We have seen several recommendations benefit from these and have a packed upcoming catalyst calendar

The Balance Sheet

- Nothing is more frustrating than being "right" . . . And not getting paid

- This happens a lot in biotech, because early-stage biotech companies typically engage in serial dilution

- We carefully study balance sheet risk . . . Several *Biotech Frontiers* recommendations have "fortress" balance sheets

The Cap Table

- The best institutional investors in biotech have serious advantages
- They employ teams of MDs, Ph.Ds, and “bus dev” analysts with networks in every corner of academia, Big Pharma, and the FDA
- To follow the “Smart Money” effectively, you need to know who these investors are . . . And how to read their behavior.

The Risk/Reward

- The best investors I've learned from use simple but powerful risk mitigation tools
- Two examples: Bob Rubin's Expected Value Tree; Sequoia Capital's Premortem & Postmortem
- We use these risk mitigation tools and others – for instance, nuanced position sizing and entry/exit timing

Our "Best Buys" today . . .

- Journey Medical (DERM): a crackerjack management team that has "done it before"; a best-in-class drug; an upcoming PDUFA
- Sagamet Bio (SGMT): a negative EV stock with $6+ of net cash, trading for $2.90 per share; and a best-in-class drug for MASH
- Roivant (ROIV): invest with the best capital allocators in biotech "for free"; fortress balance sheet; litigation upside

Thank you!

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