



**PVG Asset Management Corporation**  
LOSS AVERSE INVESTING



## EMERGING HEALTHCARE

### Monthly Update October 2020

As of October 20<sup>th</sup>, the PVG Emerging Healthcare Strategy is up 12.62% for 2020 thus far. PVG began offering this composite recently, the management of PVG has been managing this type of strategy since 2012, and are now offering it for all PVG customers. The strategy is very unique, as it is focused generally on small emerging healthcare companies primarily in the biotech sector. Over the years, very many public biotech stocks have been created by Wall Street, this has created a lot of inefficacy in the market allowing investors that do the appropriate research to garner very attractive returns. This sector is a high risk and high return investment, which we try to reduce the risk and increase return with in-depth research.

Our research focuses on several key factors. We like companies that have significant cash to fund their product development, this is critical to having a good stock otherwise there is an overhang and limits the upside. Secondly, we want a solid pipeline of potential drugs that have good clinical data and likelihood of approval. We really like late stage drugs where the clinical data has been efficacious. There are other aspects as well we focus on that leads to likely approval and avoid long-shots. Lastly, good management in this sector is critical. Many management teams are led by scientific teams, but we also look for a pedigree of success in clinical development and business savvy.

We would encourage investors that use this strategy to take a multi-year approach to their time horizon, as the short-term there is generally not a high degree of correlation with the market as the success of the stocks in the strategy have very little link with the economy or monetary policy. This strategy depends on the individual success of the companies. Some companies will not succeed while others could have extraordinary upside.

We believe we are in a very fertile environment for these types of companies to succeed. Many companies have been pushing their drugs through their trials and are maturing. There has been plenty of investor money available to fund these trials. Drug development over the years is vastly improved allowing for more efficient use of capital and success. There is now even a group of companies that use artificial intelligence or computer science to create drugs and increase their odds of success. The FDA has been wonderful in working to speed up the development time of drug approval and has incentivized companies to focus on small unmet medical diseases called orphan drugs (not related to age). Companies that develop orphan drugs can get approval very quickly and provide investors with very significant returns very quickly. We really like companies that focus on orphan drugs.

We are very optimistic on this sector. We see very strong returns if our companies are successful. We have a portfolio concentrated on small companies and have diversified the risk in terms of individual stock holdings, but clearly it is not diversified by sector, it is primarily focused only on healthcare. The historical returns have been very strong, and we would expect these trends to continue in perhaps a lumpy fashion. We would weight this strategy appropriately for each individual investor depending on their risk tolerance.

Performance results are presented in U.S. dollars and are Net of any actual fees and reflect the reinvestment of dividends and capital gains. Actual fees may vary based on, among other factors, account size and custodial relationship. The Composite Returns are of a private fund managed by Patrick Adams and are net of management fees but not net of performance fees. PVG does not manage any accounts with performance fees. The Composite includes the returns from investment in private companies and public companies, the Emerging Healthcare strategy will not invest in private companies, just public securities. Annual returns are compounded over the specified period. No current or prospective client should assume future performance of any specific investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Investors should consider this strategy as highly risky and invest accordingly. Changes in investment strategies, contributions or withdrawals may cause the performance results of your portfolio to differ materially from the reported composite performance. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Historical performance results for market indices generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark or index. The model portfolio will have materially different volatility than the given index. Portfolios in the composite utilize inverse index products. Inverse ETFs are considered risky. The use of inverse strategies will increase the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain or loss. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time. Exchange traded funds (ETFs) are offered by prospectus only. Investors should consider a fund's investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. ETFs trade like stocks and may trade for less than their net asset value. The S&P500 Total Return Index is the total return version of the S&P 500 Index which includes the effects of reinvested dividends. The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Additional information is available upon request.

**PORTFOLIO MANAGER:**  
Patrick S. Adams, CFA

**PHONE:**  
303-874-7477

**EMAIL:**  
JHOLT@PVGASSET.COM

**WEBSITE:**  
[www.pvgassetmanagement.com](http://www.pvgassetmanagement.com)

**ADDRESS:**  
6898 S. University Blvd.  
Centennial, CO 80122