Pitt Pharmacy
Investment Portfolio

May Performance Evaluation
2018

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Overview:
This report is an evaluation of the holdings of the Pitt Pharmacy Investment Portfolio from the initial Investopedia purchases on 4/23/18 through the end of the day on 5/23/18. After initial investments, the account was valued at $49,397.11. The total account value at the end of this period was $51,075.54. During this period, the portfolio saw a growth of 2.30%, with projections for a 29.54% annual return. This beat the S&P 500 Healthcare index, which saw a growth of 1.08% over the same time frame.

Monthly Gain: **+2.30%**
Quarterly Gain: **+2.30%**
Year to Date Gain: **+2.30%**
One-Year Gain: **+2.30%**

Figure 1: Current Securities

Company	Ticker	Share Price Market Close on 5/23	Performance	Actual Holding Value
Abbott	ABT	$61.84	+$215.04 (4.32%)	$4,947.20
JNJ	JNJ	$123.45	-$92.61 (2.70%)	$3,456.60
Agios	AGIO	$88.93	+$50.66 (3.47%)	$1,422.88
Merck	MRK	$59.17	-$66.88 (1.47%)	$4,496.92
GSK	GSK	$40.18	+$1.00 (0.02%)	$3,977.82
Gilead	GILD	$68.17	-$277.77 (7.98%)	$3,476.67
Medtronic	MDT	$85.26	+$316.83 (6.38%)	$4,945.08
Concert	CNCE	$20.21	+$26.52 (5.32%)	$485.04
Bristol Myers	BMY	$52.50	+$121.25 (2.44%)	$4,987.50
United Health	UNH	$244.26	+$188.37 (3.81%)	$4,885.20
Abbvie	ABBV	$105.60	+$671.51 (13.63%)	$4,963.20
Novartis	NVS	$76.43	-$91.52 (1.84%)	$4,967.95
Idexx	IDXX	$204.16	+$77.52 (3.27%)	$2,449.92
			+$1139.91 (2.30%)	$51,075.04

Figure 1: Current Securities. Data for the table was collected from Investopedia. All values represent the market close for the individual securities and the overall portfolio in 5/23/18. The performance section represents the growth of each security and the overall portfolio against the market close on 4/23, when all current securities were originally purchased.

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Strongest Performing Sector:

Medical Devices

The medical device sector saw a strong month, largely due to the ever advancing technologies that go beyond traditional pharmacological methods. As technology continues to advance and non-pharmacological treatments become less invasive, continued growth can be expected from this innovative sector.

Weakest Performing Sector:

Large Drug Manufacturers

As the war on drug prices continues and the administration decides how they want to combat the rising of expensive therapies, this sector will continue to experience volatility. This sector does require monitoring during the current pricing pressure.

Strongest Individual Holdings:

The strongest individual holdings were chosen due to having the largest overall percent growth this period. Each of the three companies chosen saw a growth of at least 5%.

Abbvie (ABBV): +13.63%

Abbvie closed out April by releasing a strong Q1 earnings report that beat analyst predictions by $300M. These substantial earnings were driven mostly by significant sales growth in HCV drug Mavyret and cancer drug Imbruvica, while sales of Abbvie's top drug, Humira, also increased. Despite Humira's continued growth, this is the first time that the blockbuster drug accounted for less than 60% of Abbvie's total revenue. While Amgen and Samsung Biepis will each launch biosimilar competition to Humira in Europe later this year, Abbvie will receive royalties on these biosimilars and the U.S. remains the major market for the drug. Abbvie's stock also saw significant growth when it announced at the beginning of May that it would issue $7.5 billion buyback over the course of the month.

Medtronic (MDT): +6.38%

Earlier this month, Medtronic shares jumped nearly 5% upon the announcement that the company hired JPMorgan Chase & Co analyst, Mike Weinstein, as a senior vice president of strategy. Weinstein has extensive experience in business development, capital deployment, and creation of shareholder value. The move is seen as an indication that the company will aim for more shareholder friendly ways of moving their stock higher in the future, and so far it seems to be working. Throughout the rest of the month, their stock rose steadily on speculation that Q1 earnings would show strong growth in most if not all lines. The company will release Q1 earnings on May 24th.

Concert (CNCE): +5.32%

Concert was able to beat Q1 analyst predictions, by posting a loss of $0.19 per share, as opposed to the predicted $0.58. Aside from beating earnings, this small biotech company signed a long-term lease for a new state-of-the-art laboratory and office space complex in Lexington, MA. They will be sharing the space with Accent Pharmaceuticals. This company needs to be continuously monitored, as several trials are underway for many of their innovative deuterium analogs.

Weakest Individual Holdings:

The weakest holdings were chosen due to having the lowest (or most negative) overall percent growth. Most of the weak holdings this month suffered very minor losses, and after analyzing the following companies, no holding adjustments are needed.

Gilead (GILD): -$277.77 (7.98%)

Gilead shares dropped significantly after a poor earnings report for Q1 of 2018. This was largely due to a greater than 50% decrease in sales from their HCV department. Several factors have attributed to the companies HCV struggles. Competitors such as ABBVIE have begun to capture some of the market share with newer, more patient-friendly alternatives. The disease is also curable, so the target population decreases with each successful treatment. There is promise in their new HIV treatment, Biktarvy. While its sales for the first quarter were low, it had only been on the market for a few weeks of the quarter. Gilead also suffered the loss of a key leader, their Executive VP of R&D and Chief Scientific Officer Norbert Bischofberger, who stepped down to become the CEO of a new cancer startup, Kronos BIO. Bischofberger was at the company for nearly 3 decades, so this loss may be felt initially. Novartis is expected to bring pressure on the sales of Yescarta in the US, as Kymirah was just approved with an indication of a B-cell lymphoma. Yescarta is the first approved CAR-T therapy in the US, which was a strong reason for the purchase of Kite pharma by Gilead. Although Gilead took a strong hit this month, there is nothing indicating a need for any holding adjustments at this time. The Yescarta-Kymirah situation should be monitored closely, as Yescarta is one of Gilead's strongest catalysts at this point.

Novartis (NVS): -$91.52 (1.84%)

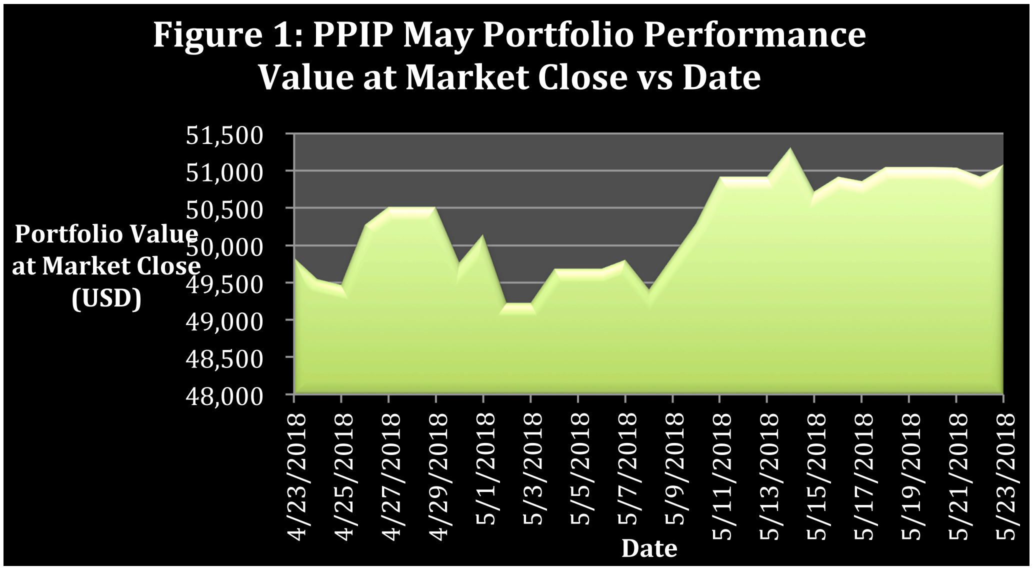
Novartis' earnings for Q1 2018 did beat analyst expectations. However, an association with Michael Cohen, President Trump's personal attorney, resulted in public backlash for the company in May. Robert Mueller also scrutinized the company for this agreement. Novartis entered a one-year contract with Michael Cohen's shell company Essential Consultant's in February of 2017 to provide insight into Donald Trump's administration and how they were planning to approach different aspects regarding the health care system including the Affordable Care Act. After one month of the contract, it was determined that Cohen was not able to fulfill his obligations of the contract but the contract could not be terminated. Novartis still had to pay the full $1.2 million to Essential Consultants. Also in May, Novartis announced the approval of Kymirah in the US, a direct competitor for Gilead's Yescarta. This B-cell lymphoma therapy could be a large revenue generator for the company and the sales of this drug should be monitored, as there is a large share of the market to be taken. The company also announced approval for their biosimilar of J&J's Remicade in the EU. Novartis' Zessly will compete with Remicade for the indications of rheumatoid arthritis, Crohn's disease, and ulcerative colitis, among other indications. These factors allow for confidence in Novartis going forward, and no holding adjustments need to be made at this time.

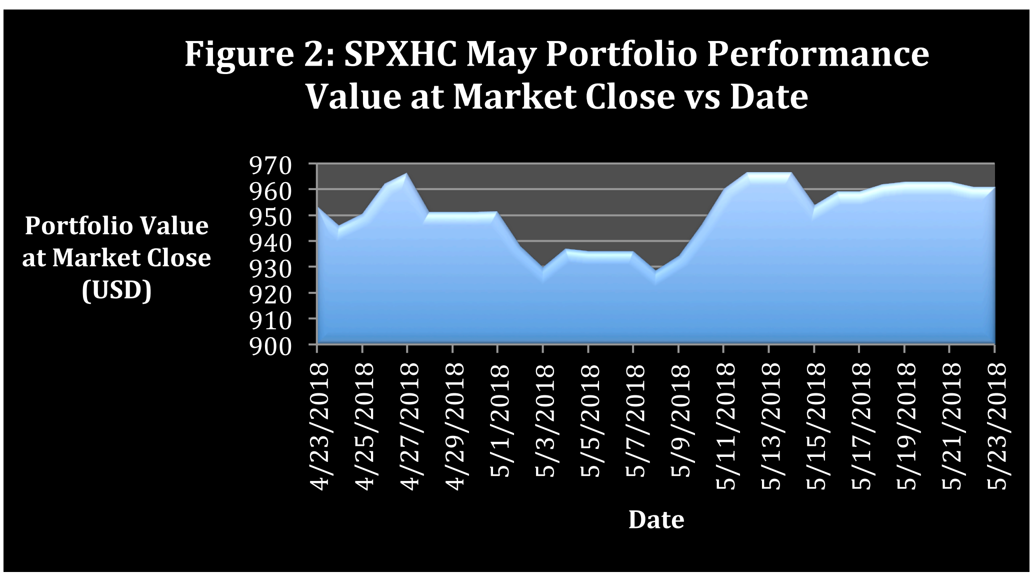
Johnson and Johnson (JNJ): -$92.61 (2.70%)

The main reason for the minor hit to pharma giant J&J this month was likely due to their ongoing baby powder lawsuit. The suit is alleging that their iconic baby powder may contain asbestos and therefore it could be carcinogenic. The suit is ongoing, with damages currently expected to total about $26M. The company is also facing competition to Remicade due to an EU approval of a Sandoz (Novartis) biosimilar known as Zessly. On a positive note, Johnson and Johnson exceed earnings estimates in Q1 of 2018. This historically strong company is showing no severe warning signs, and therefore no holding adjustments need to be made at this time.

Market Comparison:

The Pitt Pharmacy Investment Portfolio saw an overall growth of 2.30% from the period of 4/23/18 (original investment) to 5/23/18. This assessment was calculated based on the value of the portfolio at the time of original security purchase ($49,844.24) against the subsequent value of the portfolio at market close on 5/23/18 ($51,074.04). Over this same period, the S&P 500 Healthcare Index (SPXHC) had an overall growth of 1.08%.





Figures 1&2: The above figures depict the trend of the PPIP and the SPXHC from 4/23/18 to 5/23/18. The SPXHC is an index comprised of the top companies in the healthcare sector and is a solid indicator of the sectors overall stability. The graphs depict a striking resemblance in growth trends between these two portfolios. The trend similarity can be denoted by similar stability between the two portfolios. Despite the similar stability, the PPIP was able to outpace the growth of the SPXHC: 2.30% vs 1.08%, respectively. The data for the figures was collected from yahoo finance.

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Conclusion: This month, the Pitt Pharmacy Investment Portfolio saw a growth of 2.3% and relative stability when compared to the S&P 500 Health Care Index. Current market research shows mostly positive overall futures for all of the individual securities in the portfolio. Currently, there is nothing to warrant any holding adjustments for the portfolio.