



Healthcare sector has outperformed S&P500 last 4 years and has been the best-performing sector YTD

- Improving R&D returns
- Ongoing efficiency gains due to various 'self-help' measures
- More supportive regulatory and payor environment
- Increasing number of financings and IPOs in Q1
- Frequent upward revisions lately to sales estimates at the largest biotechnology companies

Nasdaq Biotech Index (NBI) dropped 4.4% Friday

- Sharpest decline since Oct-11
- Triggered by a letter from congressional representatives to a biotech company Gilead Sciences, questioning its plans to sell a hepatitis C drug (named Sovaldi) for \$84,000 per dose
- Gilead required to give briefing by 03-Apr
- Sovaldi expected to generate >\$4bn in sales this year
- The drug's expense might saddle state Medicaid programs with steep costs

The whole sector is at risk

- US is the only major health-care market remaining without any meaningful drug price controls
- Risk for the whole sector once the Congress gets involved, especially if focused primarily on pricing

The biggest NBI firms sold-off significantly