

- 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

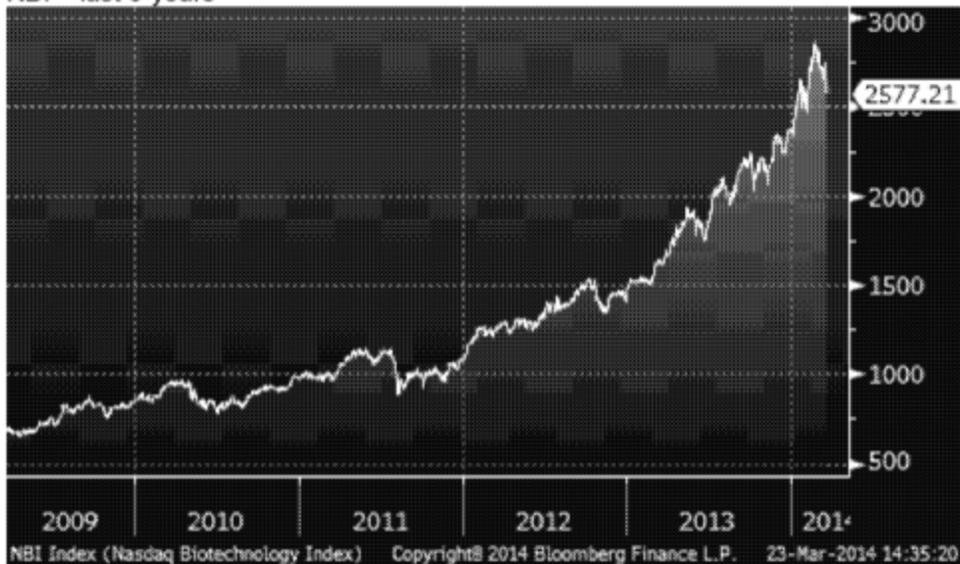
**The biggest NBI firms sold-off significantly**

	1d chg (%)	Index Wt (%)
BIOGEN IDEC INC	-8.2	7.9
AMGEN INC	-3.2	7.8
GILEAD SCIENCES INC	-4.6	7.0
REGENERON PHARMACEUTICALS	-5.4	6.9
CELGENE CORP	-3.7	6.5
ALEXION PHARMACEUTICALS INC	-8.0	4.6
ILLUMINA INC	-5.4	4.6
MYLAN INC	-0.9	4.3
VERTEX PHARMACEUTICALS INC	-5.1	3.8
BIOMARIN PHARMACEUTICAL INC	-5.9	2.5

**Ways to hedge exposure to the US biotech sector**

- ProShares UltraShort Nasdaq Biotech Fund (BIS US Equity): designed to be 2x short the NBI
- Options on iSharesNasdaq Biotech ETF (IBB US Equity)

**NBI – last 5 years**



**NBI vs S&P500 – last 1 year**