

From: Richard Kahn <[REDACTED]>

To: "jeffrey E." <jeevacation@gmail.com>

Subject: Fwd: BAML HC...Research on BIIB

Date: Wed, 03 Aug 2016 18:19:07 +0000

Attachments: BIIB.pdf

Inline-Images: image001.png; image002.png; image003.png; image004.png; image005.jpg; image006.png; image007.png; image008.jpg; image009.png

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [REDACTED]
[REDACTED]
[REDACTED]

Begin forwarded message:

From: "Ens, Amanda" <[REDACTED]>

Subject: RE: BAML HC...Thoughts on Positioning/Flows...Fear of Missing Biotech (FOMB)? - Buy the MLDIFOMB Basket

Date: August 3, 2016 at 9:16:53 AM EDT

To: Richard Kahn <[REDACTED]>

Cc: Jeanne Brennan <[REDACTED]>

BIIB / biotech update – BIIB has been on the move; +4.10% Monday and +9.37% yesterday as the WSJ published an article about possible takeover interest from AGN or MRK - <http://www.wsj.com/articles/biogen-draws-takeover-interest-from-rival-drugmakers-1470163442/>. BofA-ML healthcare specialist sales Dan Lundquist likes biotech for the possibility of M&A, has written about BofA-ML's Fear of Missing Biotech basket – MLDIFOMB; constituents and weights are on Bloomberg (WGT function); writeup on request; tradeable at the single stock level of course, as well as via secured note. Note Bloomberg has an article on the huge XBI outflow that occurred last Friday, the largest in 16 months - {NSN OBAVT36TTDS0 <GO>}. BofA-ML biotech analyst Ying Huang note overnight: Biotechnology: Time to put your money to work. NBI underperformed S&P500 year to date (down 13% v. up 6%); however, biotech has delivered solid return since the end of Q1. Our analysis indicated large-cap biotech valuation remains attractive relative to S&P500 and pharma peers. BIIB is well positioned on a combination of reasonable valuation, clinical catalysts from pipeline, and long-term growth. Please find the report attached.

Regards,
Amanda

From: Ens, Amanda

Sent: Tuesday, August 02, 2016 3:00 PM

To: 'Richard Kahn'

Cc: 'Jeanne Brennan'

Subject: RE: BAML HC...Thoughts on Positioning/Flows...Fear of Missing Biotech (FOMB)? - Buy the MLDIFOMB Basket

Headlines coming across from *WSJ* that MRK/AGN have expressed interest in BIIB ([link](#)). BIIB is +9%.

While NO price has been discussed in the article, this comes on the back of the recent announcement that the CEO will be retiring from the company in the coming months & recent newsflow which has been positive (SMA data).

Please let me know if you'd like to discuss any takeaways from the recent CFO roadshow that our analyst hosted (see [link](#)) as our sector specialist was up in Boston for the meeting.

M&A is one of the primary reasons why we're BULLISH on Biotech – more in the write-up from yesterday on the Fear of Missing Biotech Basket – MLDIFOMB.

From: Ens, Amanda

Sent: Monday, August 01, 2016 2:53 PM

To: 'Richard Kahn'

Cc: 'Jeanne Brennan'

Subject: BAML HC...Thoughts on Positioning/Flows...Fear of Missing Biotech (FOMB)? - Buy the MLDIFOMB Basket

Please find below some thoughts from our healthcare sector specialist that I thought you might find interesting. Please let me know if you'd like to discuss further.

The latest Active Managers' Holdings update ([link to note](#)) offers a fresh opportunity to revisit positioning/thoughts within the Healthcare sector, especially in the wake of our DC Conference back in mid-July (in which the biggest takeaway in my view was lack of pricing regulations in CY17 – see [link to Ying's note](#)) & recent marketing through various regions.

While I'd still characterize positioning within the sector (among dedicateds, HFs, LOs) as in a relative holding pattern (although now an UW relative to history – see Chart 14 below), I do believe that sentiment/positioning within Biotech specifically is ripe for an improvement/correction over the coming months (XBI still down 30% from the Jul-15 highs).

The general sense I've picked up is a genuine Fear Of Missing Biotech...what I'm calling FOMB. Just 6 months ago the debate was **IF you could own biotech** (given people were questioning the NT viability of the space)...this has largely **shifted towards WHEN/WHAT NAMES to own in the group.**

→ **While I think the large caps will lead the group higher (evidenced by ALXN, CELG, BIIB moves), I'd recommend BUYING our customized/optimized biotech basket – MLDIFOMB (can be found on Bloomberg). This basket is based on the XBI but strips out non-traditional names that happen to be in the index.**

While the November Election is likely to cause volatility given Healthcare remains a controversial topic, **I do believe Biotech will outperform near-term** & while it could be impacted on a Hillary win, it is my view that drug pricing is NOT likely a focus in CY17.

Let me know if you'd like to discuss (+ ).



Below I've included some useful charts around positioning & the always popular EPFR data.

[Latest Active Managers Holding Update – Link to Research Note; Link to Chart 5](#)

Biotech no longer the #1 OW within the Sector...in fact relative weighting in the sector has come down materially over the past several months.

Most "Overowned" Names in HC – UNH, BIIB

5 Most OW Stocks – ALXN (note that this is a Top 10 OW amongst ALL stocks in SPX), ILMN, BSX, VRTX, REGN
[Note ISRG, BIIB, HUM, CI have fallen from the top 5]

5 Most UW Stocks – DVA, UHS, PDCO, CNC, LH [Note HSIC & PKI have fallen from the bottom 5]

Most Concentrated Ownership – ALXN, DVA, BSX, MNK, ISRG

[EPFR Data on Healthcare Flows](#)

[Latest S&P 500 Relative Value Cheat Sheet - Link to Note](#)

[Sell Side Indicator - Link to note](#)

With the latest Sell Side Indicator rebounding slightly off a three-year low, the first uptick since Feb but still indicating a "Buy" (). The indicators expected 12m return is +21%.

Daniel Lundquist

Healthcare Specialist Sales

Global Equities

Bank of America Merrill Lynch

One Bryant Park | New York, 10036 | United States

T: [REDACTED]
[REDACTED]

The power of global connections™

Find all Conference Events via the Following Link: [REDACTED]

Disclaimer:

This material was prepared by Sector Specialist Sales personnel of Merrill Lynch and is subject to the terms available at the following link: <http://corp.bankofamerica.com/business/smb/landing/emaildisclaimer/americas/global-markets>

This message, and any attachments, is for the intended recipient(s) only, may contain information that is privileged, confidential and/or proprietary and subject to important terms and conditions available at <http://www.bankofamerica.com/emaildisclaimer>. If you are not the intended recipient, please delete this message.

2041542

Amanda Ens

Director

Bank of America Merrill Lynch

Merrill Lynch, Pierce, Fenner & Smith Incorporated

One Bryant Park, 5th Floor, New York, NY 10036

Phone: [REDACTED]

[REDACTED]

The power of global connections™

This message, and any attachments, is for the intended recipient(s) only, may contain information that is privileged, confidential and/or proprietary and subject to important terms and conditions available at <http://www.bankofamerica.com/emaildisclaimer>. If you are not the intended recipient, please delete this message.