



PRUDENT HEALTHCARE™

FOR SEEKING ALPHA

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FEBRUARY 2021

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Moderna	MRNA	30-Mar-20	\$173.16	Maintain
2	Covetrus	CVET	1-Jun-20	\$34.07	Maintain
3	Celldex Therapeutics	CLDX	5-Oct-20	\$21.62	Maintain
4	ShockWave Medical	SWAV	5-Oct-20	\$116.04	Maintain
5	Organogenesis Holdings	ORGO	4-Jan-21	\$10.46	Maintain
6	Alphatec Holdings	ATEC	4-Jan-21	\$14.88	Maintain
7	InMode	INMD	4-Jan-21	\$58.86	Maintain
8	<i>No Position</i>				Cash
9	<i>No Position</i>				Cash
10	<i>No Position</i>				Cash

	2021	2020	2019	2018	2017	2016
Prudent Healthcare	+22%	30%	33%	90%	126%	18%
S&P Healthcare (XLV)	+1%	11%	20%	6%	22%	-3%

Positions Closed From Last Month

	Name	Symbol
1	Denali Therapeutics	DNLI
2	Natera	NTRA

	Name	Symbol
3	Solid Biosciences	SLDB

Portfolio Update

Healthcare got off to a brisk start this year, but only to give back much of the gains in the past week as the broader market retreated. A more focused pandemic management strategy and a pickup in the pace of the vaccine rollout is raising hopes for an imminent economic rebound. The sector performed in-line with the broader market, as represented by the S&P 500, which slipped -1%, and the Nasdaq Composite, which advanced +2%.

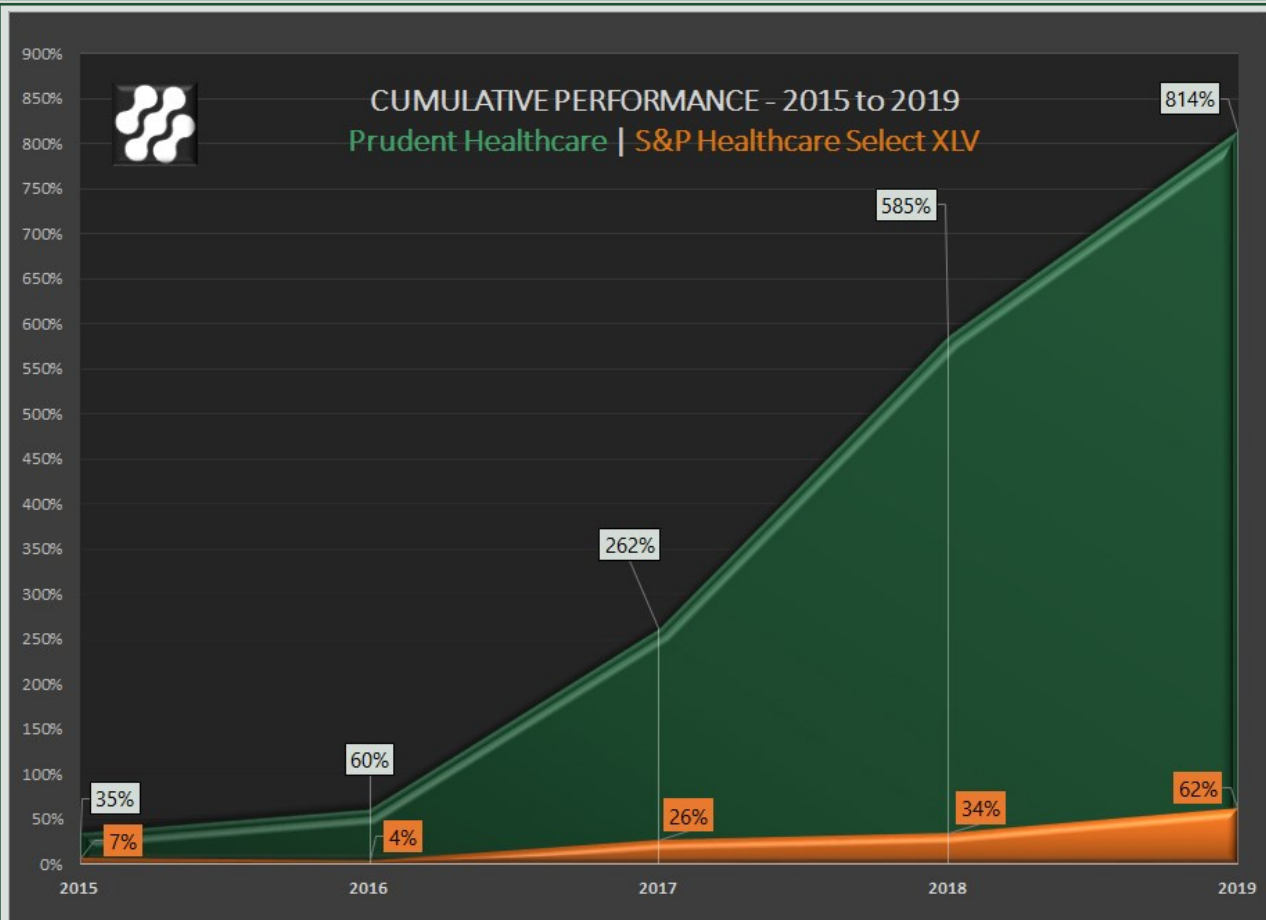
Healthcare found itself lagging the broader market meaningfully last year. It has also been a lagging participant in the ongoing post-election rally. We believe this may change as the year progresses, and healthcare is well-positioned to match and even exceed the broader market gains. However, like last year, some industry groups are better positioned. The Biotechs, Medical Devices, and Medical Services, like testing, will continue to lead the healthcare sector. We believe there is a huge pent-up demand that will emerge and drive a significant spending cycle for healthcare services in the second-half, as meaningful progress becomes evident in overcoming the pandemic. Healthcare will still be a stock picker's market, with the biggest beneficiaries of the pent-up demand being growth stocks that can demonstrate secular growth beyond the cyclical rise. Biotechs will continue to be an attractive sector with rapidly advancing science, a macro-environment favoring risk-taking, and strengthening M&A, as was discussed in the article, [Biotech Bonanza: 2021 Outlook](#).

The broader market has rallied sharply since November, and the changing conditions now appear to be suggesting that a short-term consolidation may occur. A more virulent strain, first identified in the UK, is spreading rapidly in the US. Even with a sharp rise in vaccinations this quarter, as planning and focus improve, the effort will be overshadowed by the rapidly spreading virus over the next 2 months. Eventually, by the end of the first quarter, we believe a positive shift in overcoming the pandemic will occur with declining infections. However, a shifting of the timeline for a strong economic rebound may create market anxiety and sharp, but short-term, volatility. There is a rising possibility for the post-election rally to be tested in February.

During January, the Prudent Healthcare model portfolio gained +22%, while the S&P Healthcare Index (XLV) index rose +1%. We are taking a more cautious posture in an overbought market that may pause to reassess the implications of a pandemic resurgence this month. At this time we have reduced the model portfolio exposure and may acquire the same positions again in the future. Further intramonth adjustments are possible.

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[Click for an enlarged version of the chart](#)

During the above period, Prudent Healthcare model portfolio was up 585% and the the S&P Healthcare Index ETF (XLV) up 560%. A \$10,000 starting portfolio tracking the Prudent Healthcare model would have risen to \$68,540 over a period of 4 years, while a portfolio invested in the healthcare index would have grown to \$13,450. The performance from 2015 to 2018 was backtested using the models. The newsletter was published in 2019, and was offered for subscription on Seeking Alpha in 2020.

The underlying success is based on a carefully developed and calibrated system, and a commitment to follow the system. Volatility is part of stock market investing, and even more so for a volatile sector like healthcare. We follow our quantitative system, and stick to it. Discipline, Patience and Consistency are important elements towards building wealth over time. Please note that model historical performance for all periods is hypothetical and unaudited, and is not indicative of future performance.

About

We pursue disciplined systematic investing using quantitative models, aiming to outperform the market. My name is Tarun Chandra, and I am the Editor of the model portfolio service. I was an Analyst on the Buyside and Sellside for 8 years. Thereafter, I worked with technology companies in a Strategy/Finance role. I have been working on model investing for many years, and believe this targeted product can tap into the potential of the healthcare sector while managing and surviving its volatility.

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