

# Biotech: the new asset class?

Biotechnology as a new frontier for brave investors was put on the agenda at the recent Salone del Risparmio, the annual gathering for Italian asset management companies organised by industry association Assogestioni. **Viola Caon** reports

Gianpaolo Nodari is the managing director of biotech-specialist advisory company J. Lamarck. At the recent Salone del Risparmio, he presented results achieved by Selectra Investments Sicav, which as an advisory services client of J. Lamarck invests in biotechnology stocks.

Selectra Investments is a Luxembourg-domiciled Sicav distributed in the Netherlands, Luxembourg and Italy by the likes of Banca Esperia, Allfunds Bank, Banca Ifigest, Ubi Banca and Santander.

Asked why investing in biotechnology stocks is a winning decision, Nodari pointed to three main reasons: "First of all, we firmly believe that the sector has similar revolutionary potential, if not higher, to that of the high tech sector in the 1990s. Secondly, all diseases derive from biological processes which are difficult to be treated with traditional, chemical-based medicines. Now that they can understand the genetic origin of a disease, scientists are finally able to produce actual therapies not just treat the symptoms. Finally, technology and genetics allow scientists to categorise, decipher and register genetic information in a much more efficient way."

## TECH BUBBLE FEARS

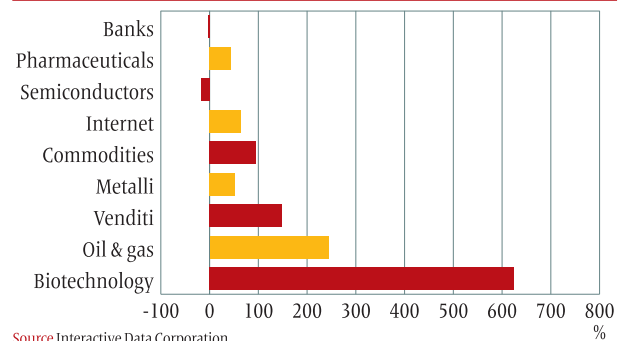
At the same time, however, fear is mounting among investors of a new technology bubble ready to burst soon. For example, at the Guernsey Funds Forum 2014, which took place in May in London, the audience responded to a poll by pointing at tech stocks as the next 'bomb' waiting to go off.

Walter Price, manager of the RCM Technology Trust, also reported the increasing concern among investors towards the asset class, highlighting that there have been further hints of exuberance on the part of investors after the Nasdaq hit highs not seen since the giddy days of 2000.

However, Price added that having lived through the last technology bubble, they believe there are some important differences.

"For example, companies are showing good progress against tangible metrics. There are some where valuations look high, but they may still be growing sales at 50% to 100% per year. That said, there are a number of IPOs in which the Trust has not participated because it believes valuations allow little room for strong returns to investors."

## RETURNS FROM SELECTED INDICES (2000-2013)



## BIOTECH SUCCESS AND ITS REASONS

Pointing to industry performance figures, Nodari suggested that between 2000 and 2013 the biotechnology sector increased its revenues by 625%, against 44% in the pharmaceutical sector.

Looking at the reasons for for this success, Nodari noted that there are currently roughly 1,022 biotech medicines on trial, 39 of which were approved in 2012 and 27 in 2013.

Another key reason Nodari highlights is the crisis in the traditional pharmaceutical sector, where there has been an increase in mergers and acquisitions. "Cases of a Big Pharma acquiring a biotech company like Astellas and vs. Osi Pharmaceuticals, Takeda and vs. Millennium and Astrazeneca and vs. Medimmune, are increasingly frequent in the traditional pharmaceutical sector," he points out.

Explaining the portfolio-building process, Nodari said: "We normally select firms with a strong management team that has good contacts with the research and academic world." ■

