
From: Richard Kahn [REDACTED]
Sent: Tuesday, August 2, 2016 7:28 PM
To: jeffrey E.
Subject: Biogen

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

stock at 3:27pm is 330.90

you own 2,095 shares in =FL account with cost basis of 119.55 unrealized =ain 442,822

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

Begin forwarded message:

From: =/b>"Ens, Amanda" [REDACTED]

Subject: =/b>RE: BAML =C...Thoughts on Positioning/Flows...Fear of Missing Biotech (FOMB)? - =uy the
MLDIFOMB Basket

Date: =/b>August 2, 2016 at 2:59:54 PM =DT

To: =/b>Richard Kahn [REDACTED]

Cc: Jeanne Brennan [REDACTED]

Headlines=coming across from WSJ that MRK/AGN have =xpressed interest in BIIB (link). BIIB is +9%.

While NO price has been discussed in the article, this comes on the back =f the recent announcement that the
CEO will be retiring from the =ompany in the coming months & recent newsflow which has been =ositive (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, etc) 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...that 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, ELG, 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's 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, RTX, REGN [Note ISRG, BIIB, HUM, CI have fallen from the top 5]

5 Most UW Stocks – DVA, UHS, PDCO, CNC, LH [Note HSIC & KII 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%.

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