

## Introducing SPW's "We Are Thinking" Series

## We are thinking about ... A Covid-19 Vaccine

## Anticipating the Breakthrough

At a blistering pace, COVID-19 swept to a global tragedy and a full-blown financial contagion. It was bewildering watching the US economy shutting down for the sake of public safety and vast swaths of global industry contracting. None of us wants to profit off of this pandemic. On the other hand, making smart strategic investments right now that focus on the companies who will see us through this catastrophe is simply smart money. In this report, we focus on three specific areas of opportunity. It starts understanding the key players focused on developing both vaccines and treatments for Covid-19. Then the supply chain will test and supply perhaps billions of doses that will present significant incremental business to those well placed to execute. Not all of them will succeed but we believe one or two might, and they will be rewarded massively if they do. Of course, those who fail at the vaccine will likely see a dramatic decline in their stock price which could be long term in the absence of their developing other products. With that 'risk' in mind, we cover the safer sector investments that would also capture much of the single stock strategy: biotechnology ETFs.

## Early Players in Race for Vaccine



First, we highlight the eight companies that are focused on developing treatments for COVID-19. Amgen, **AMGN**; and Adaptive Technologies, **ADFT** who are collaborating to develop anti-body treatments. Gilead Sciences, **GILD** repurposed the anti-viral Remdesivir, originally developed for Ebola. Moderna, **MRNA** have reported very promising but limited data on anti-body tests that have set the stock on a volatile roller coaster. Regeneron **REGN** is developing monoclonal antibodies and is planning to have hundreds of thousands of prophylactic doses ready for human testing by the end of August. Regeneron is also collaborating with Sanofi, **SNY** on a treatment to help hospitalized COVID patients. Inovio, **INO** is conducting anti-body research on animals. Johnson and Johnson, **JNJ** is hoping anti-viral vaccine can be developed soon.

## Delivery System Manufacturers



We highlight 2 companies with potential upside amidst the COVID-19 pandemic. Becton, Dickinson, and Company, **BDX** is a medical device and reagent company that is supplying many pharmaceuticals with the necessary equipment for their COVID-19 research. Another company is West Pharmaceutical Services, **WST** which has a heavy emphasis on injectable delivery, a technique that will likely be used in future coronavirus vaccines. Both companies could benefit greatly along the supply chain for COVID-19 research.

## Early Players in Race for Testing



To start, we highlight one company that is specifically focused on providing testing for COVID-19. LabCorp, **LH** has expanded the capacity for its home kits that use a self-collect nasal swab for testing. LabCorp processes more than 30,000 COVID-19 tests a day and results are provided within 3-4 days. LabCorp further introduced a host of services for businesses to test for COVID-19, as employees start returning to work.

## Packaging Companies



Two packaging companies have benefited despite the difficult COVID-19 market. With a significant increase in online shopping and delivery services, packaging companies AptarGroup, **ATR**; and WestRock, **WRK** have boosted their revenues. AptarGroup, **ATR** has the full coverage of beauty, home, and beverage packaging is constantly helping retailers cater to the increasing online orders. WestRock, **WRK** has provided paper and cardboard packaging products are increasing its economic scale to better serve more online retailers and enterprises. They will play a significant role in the coronavirus pandemic when vaccines will need to be shipped to many different countries.

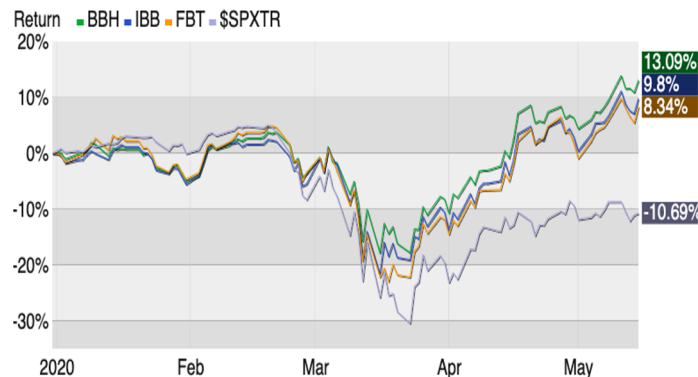
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### SPW Hit List for COVID-19

Company	Services	Highlights
 <b>ADAPTIVE</b> TECHNOLOGIES GROUP	Antibody Treatments	Extended existing partnership with Microsoft to decode the immune system with sensitive diagnostics
 <b>AMGEN</b>	Antibody Treatments	Immunology and novel antibody therapy helped discover and develop fully neutralizing antibodies
 <b>GILEAD</b>	Treatment Remdesivir	Remdesivir met its primary endpoint in clinical study. It helps hospitals treat more patients in urgent need of cure
 <b>LabCorp</b> Laboratory Corporation of America	National Testing	Expanded the capacity of its home kits and introduced services for businesses to test returning employees
 <b>moderna</b> messenger therapeutics	Vaccine mRNA1273	Announced positive interim Phase 1 data for mRNA-1273. Shares of Moderna have more than tripled this year
<b>REGENERON</b>	Antibody Cocktail	Developed monoclonal antibodies with prophylactic doses ready for human testing by the end of August
 <b>SANOFI</b>	mRNA Vaccine	Announced significant breakthroughs in its mRNA and VLP vaccine. It started animal testing and clinical trials in mid-April
 <b>Aptargroup</b>	Packaging Services	Specialized in beauty, home, and beverage retailers. Saw increased online because of COVID-19
 <b>WestRock</b>	Packaging Services	Developed cheap cardboard packaging products for online retailers
 <b>INOVIO</b> POWERING DNA MEDICINES™	Vaccine INO-4800	INO-4800 demonstrates robust neutralizing antibody. They will further conduct multiple animal challenge study in coming weeks
 <b>Johnson &amp; Johnson</b>	Antiviral Treatment	Partnership with BARDA improves manufacturing capacity and accelerates the timeframe in current vaccine development process
 <b>BD</b>	Vaccine Delivery	Develops medical instruments and reagents for pharmaceutical companies
 <b>West</b>	Vaccine Delivery	Develops injectable delivery for pharmaceutical packaging

### Buying the Sector



YTD Performance of BBH, IBB and FBT to S&P 500  
(source: Kwanti 5\_16)

We list four of the larger biotechnology sector ETFs, (> \$2B to \$8B), that we are recommending our clients consider adding to their portfolio and our preferred healthcare ETF.

1. **BBH** - VanEck Vectors Biotech ETF
2. **IBB** - iShares Nasdaq Biotechnology
3. **FBT** - First Trust NYSE Arca Biotech
4. **VHT** - Vanguard Health Care ETF

Each of them has a meaningful position in many of the vaccine companies we are highlighting but, given their broader portfolio, they carry both less risk and less 'breakout' reward. These ETFs are ones we would be inclined to recommend for an allocation to the biotechnology and healthcare sector particularly on pull backs even without the current crisis, but perhaps we recommend them more so now in light of it.

### Future Developments

Since the expense for developing vaccine and treatment are enormous due to a series of clinical trials, companies who are receiving government funding might be able to continue their R&D processes. With the uncertainty of success in vaccine production, investors are keeping a cautious view toward biotech companies. However, companies who are making promising progress are bringing hopes to the market and achieving a surge in stock prices. Thus, the ability of an accelerated production time frame and effective trial success is the key to value biotech companies under this special time. Vaccine pipeline producers should continue to see an increase in demand once a vaccine is approved by the FDA and released onto the market for use.



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### Summary and Recommendation

Under the coronavirus pandemic, the biotech companies who are developing vaccines & treatments for COVID-19 have attracted significant market attention.

Larger companies who are receiving development funds are continuously accelerating their production time frames and entering into further phase trials. Additionally, pharma firms have strategic partnerships at an international level to boost their manufacturing capabilities and achieve effective distribution channels. Many companies associated with COVID therefore, have unicorn potential with immense revenue boosts once vaccines are out. However, some investors remain on the sidelines unsure whether those companies can produce effective vaccines. A successful vaccine might not bring immense profits to biotech companies since the vaccines may charge a low price to ensure global access and prevent ethical issues. Many leading companies receiving international funds or government sponsorships would cover the majority of developing expenses and be able to distribute their vaccines at an international level. Companies who first comes up with effective vaccines will automatically capture the global market share. Thus, investors should keep tracking the success rate of clinical trials and production timelines to better evaluate vaccine manufacturers.

Now, bear in mind, we are not able to recommend any one of these investments for your portfolio until we know you better. However, that is why we are here. As we get to know you as a client, we will be able to determine which of these various opportunities is right for you. So, give us a call, or email us indicating your interest.

We look forward to helping you strategize about how to invest during these unprecedented times.

Source: Wall Street Research, FierceBiotech, MarketWatch

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