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Companies covered: Top Six Stock Picks –
AXP, CGS, CIR, CUV, VLA, IDT

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.6%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.4%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.4%
Year 9 (May '09 - May '10)	50.2%
Year 10 (May '10 - May '11)	45.4%
Year 11 (May '11 - May '12)	-18.0%
Year 12 (May '12 - May '13)	3.1%
Year 13 (May '13 - May '14)	26.6%
Year 14 (May '14 - May '15)	23.0%
Year 15 (May '15 - current)	17.1%
Cumulative Gain	549%
Av. Annual gain (14 yrs)	17.7%

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Bioshares

18 December 2015

Delivering independent investment research to investors on Australian biotech, pharma and healthcare companies.

Extract from *Bioshares* –

Top Six Stock Picks – 2015 Performance

The Bioshares Top Six Stock Picks for 2015 achieved an average gain for the year of 53.1%, which was an improvement on the 40.8% gain recorded for the Bioshares 2014 Top Six Stock Picks, but less than the 2013 performance of 62.2%.

Two stocks did exceptionally well over the 12 months – Viralytics, with a 128% gain and Cogstate (+172%), which commenced a sustained share price rise in October, after it announced a record pipeline of clinical trial contracts worth \$35 million. Viralytics' stock price benefited from expansion of the company's clinical programs for CAVATAK and heightened interest in oncolytic virotherapies related to approval of Amgen's Imlygic in October 2015.

Bioshares 2015 Stock Picks Performance

Company	Code	Price 18-12-2015	Price 19-12-2014	Change	52-week high
Actinogen	ACW	\$0.055	\$0.038	45%	\$0.15
Clinuvel	CUV	\$2.73	\$4.070	-33%	\$4.45
Cogstate	CGS	\$0.49	\$0.18	172%	\$0.50
Innate	IIL	\$0.20	\$0.18	11%	\$0.24
Somnomed	SOM	\$2.53	\$2.65	-5%	\$3.20
Viralytics	VLA	\$0.65	\$0.285	128%	\$0.93

Average Gain Bioshares Top 6 Stock Picks

ASX All Ordinaries Index	5156	5312	-2.9%
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Alzheimer's disease drug developer Actinogen Medical posted a 45% gain for the year. The stock fell back considerably from its 52-week high of \$0.15, following the completion of a Phase I safety and dosing study of its drug candidate, Xanamem. A later study showing evidence of Actinogen's drug candidate's ability to pass the blood-barrier, an important technical milestone, did not appear to resonate with investors.

Innate Immunotherapeutics' 11% gain for the year belied a share price that remained weak for a number of months. Its share price has strengthened now that recruitment for its Phase IIb clinical trial of MIS416 in patients with secondary progressive multiple sclerosis is drawing to a close (expected in January 2016).

Somnomed's share price finished slightly under from that of a year ago (-5%). Some investors with a short term outlook may have formed a view the stock as being fully valued – capitalisation of \$133 million – and moved to other opportunities. We suggest that the stock remains one of the sector's compelling long term growth stories.

Clinuvel Pharmaceuticals' share price weakness – it fell by 33% – can be explained by delays in getting Scenesse, its treatment for EPP, approved by the EMA.

Our picks for 2016 can be found on the following pages.

Extract from *Bioshares* –

2016 Top Six Stock Picks

Opthea – An Absolute Bargain

Over the last 12-18 months, several companies in the Australian biotech sector have undergone transformational changes in their businesses. Opthea (OPT: \$0.31), formerly Circadian Technologies, is one of those companies.

In November last year, Opthea underwent an equity dilution of around 50% raising \$17.4 million from mainly international funds management groups.

Since then the company has changed its direction to concentrate on ophthalmic applications of the company's blood vessel growth restriction technology (called VEGF inhibitors). In ophthalmology, preventing unwanted new blood vessel growth is effective in treating diseases such as wet AMD. In oncology, preventing excessive blood vessel growth can stop tumours growing.

Circadian is conducting its trials through a formal US clinical trial process. It filed an IND this year with the FDA and in June it received approval to start its Phase I/IIa trial in the US. That trial started in July and results are expected in April next year. We expect there will not only be a safety readout but also some signs of whether the drug improves vision or not.

The two AMD drugs on the market are Lucentis and Eylea. These drugs generated sales of US\$1.7 billion and US\$2.8 billion respectively last year, with the potential market valued at US\$10 billion worldwide.

Lucentis and Eylea both inhibit the VEGF-A pathway. Opthea has developed a drug that inhibits the VEGF-B and VEGF-C pathways and holds intellectual property around these targets. These are the core assets of the company.

It is thought that inhibiting the A, B and C pathways will deliver a more lasting and improved effect, and also potentially increase the number of responders, which is a reasonable theory. Only half of the number of patients achieve vision improvement with these existing drugs.

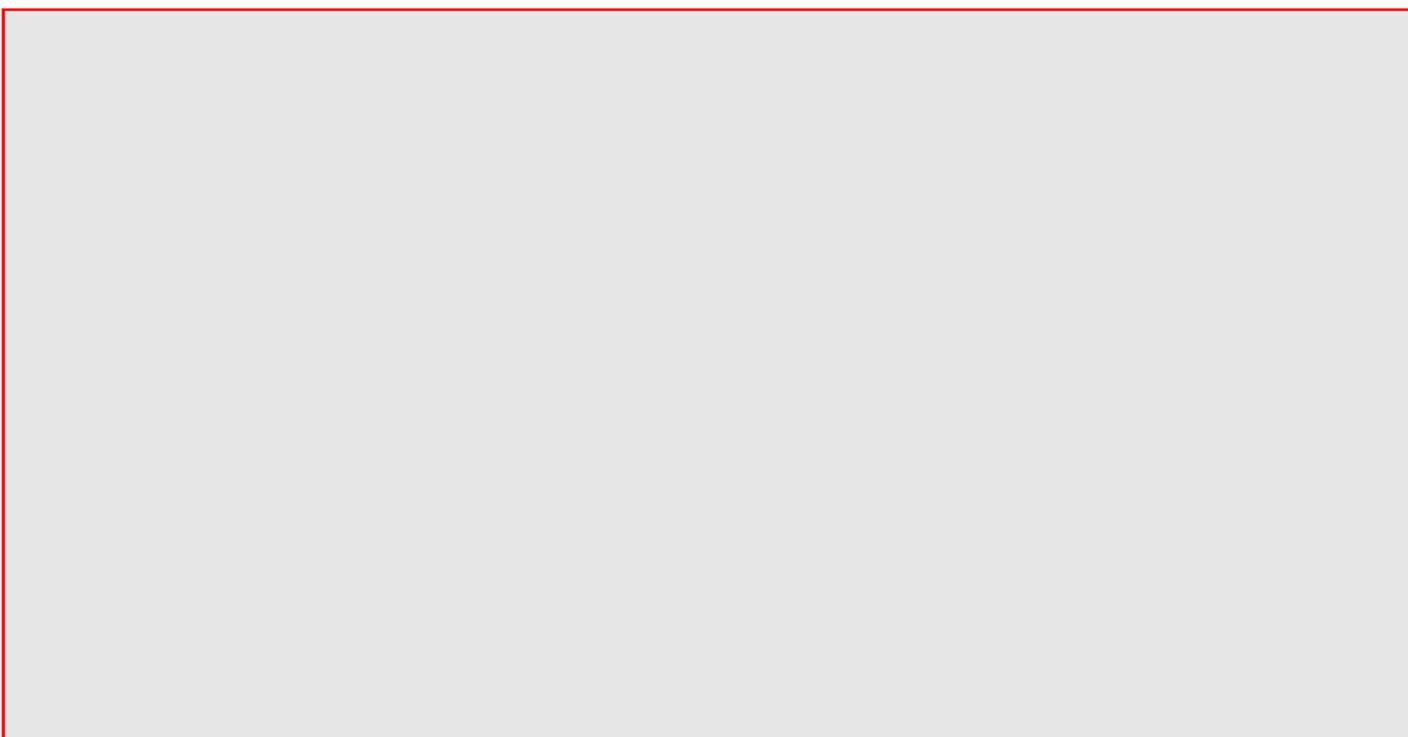
Opthea has conducted animal studies using its drug candidate in combination with Eylea and shown that combining its drug candidate with Eylea delivers an improved effect.

One of the appealing features of this investment proposition is the reference to another company trialing a similar approach; Ophthotech Corporation is conducting Phase III trials with its drug candidate Fovista (an anti PDGF aptamer) with Lucentis. It has a market value of US\$2.55 billion, up from US\$1.85 billion in July. In contrast, Opthea is valued at just \$47 million (US\$34 million).

Fovista has not shown efficacy as a single agent but only in combination therapy, where Opthea's drug candidate has shown efficacy in preclinical studies as a single and combination therapy.

Bioshares recommendation: **Speculative Buy Class A**

Bioshares



How Bioshares Rates Stocks

For the purpose of valuation, Bioshares divides biotech stocks into two categories. The first group are stocks with existing positive cash flows or close to producing positive cash flows. The second group are stocks without near term positive cash flows, history of losses, or at early stages of commercialisation. In this second group, which are essentially speculative propositions, Bioshares grades them according to relative risk within that group, to better reflect the very large spread of risk within those stocks. For both groups, the rating “Take Profits” means that investors may re-weight their holding by selling between 25%-75% of a stock.

Group A

Stocks with existing positive cash flows or close to producing positive cash flows.

- Buy** CMP is 20% < Fair Value
- Accumulate** CMP is 10% < Fair Value
- Hold** Value = CMP
- Lighten** CMP is 10% > Fair Value
- Sell** CMP is 20% > Fair Value
(CMP–Current Market Price)

Group B

Stocks without near term positive cash flows, history of losses, or at early stages commercialisation.

Speculative Buy – Class A

These stocks will have more than one technology, product or investment in development, with perhaps those same technologies offering multiple opportunities. These features, coupled to the presence of alliances, partnerships and scientific advisory boards, indicate the stock is relative less risky than other biotech stocks.

Speculative Buy – Class B

These stocks may have more than one product or opportunity, and may even be close to market. However, they are likely to be lacking in several key areas. For example, their cash position is weak, or management or board may need strengthening.

Speculative Buy – Class C

These stocks generally have one product in development and lack many external validation features.

Speculative Hold – Class A or B or C

Sell

Corporate Subscribers: Cogstate, Bionomics, Impedimed, LBT Innovations, Tissue Therapies, Viralytics, Phylogica, pSivida, Benitec BioPharma, Invion, Imugene, Analytica, Circadian Technologies, Reproductive Health Science, Regeneus, Innate Immunotherapeutics, Anantara Life Sciences, ResApp, Pharmaxis, Starpharma, Antisense Therapeutics

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