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Companies covered: **ACR, CGS, CYC, MX1, OPT, PXS, Atmo Biosciences**

	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)	-35.8%
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 - May '16)	33.0%
Year 16 (May '16 - May '17)	16.8%
Year 17 (May '17 - May '18)	-7.1%
Year 18 (May '18 - May '19)	-2.3%
Year 19 (May '19 - Current)	61.1%
Cumulative Gain	1158%
Av. Annual gain (19 yrs)	18.4%

Bioshares is published by Blake Industry & Market Analysis Pty Ltd.

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Individual Subscriptions (48 issues/year)
\$500 (Inc.GST)
Edition Number 825 (23 December 2019)

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Bioshares

23 December 2019
Edition 825

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

– Extract from Bioshares

Top Six Stock Picks – 2020

Pharmaxis (PXS: \$0.145)

LOXL2 Deal a 2020 Driver

Pharmaxis suffered a setback last week when Boehringer Ingelheim decided to not continue with the development of BI 1467335 (formerly PXS 4728A) for the treatment of NASH, although it will continue to investigate its application in diabetic retinopathy. (See Bioshares 824)

Boehringer Ingelheim based its decision on drug interaction effects observed in one of the eight Phase I studies. In a higher dose of BI 1467335, it was observed to have an effect on the activity of other drugs, particularly antidepressants, that interact with an enzyme involved with dopamine metabolism, monoamine oxidase B (MOA-B).

Boehringer Ingelheim is continuing with a single dose, Phase II proof-of-clinical-principle study in 100 patients with diabetic retinopathy. In this indication, it is BI 146735's anti-inflammatory properties that are being exploited, in patients with moderately severe non-proliferative disease. The primary endpoint of the trial is the proportion of patients with any ocular adverse event. The secondary endpoint is the proportion of patients with at least two steps improvement in the Diabetic Retinopathy Severity Scale (DRSS). The trial is expected to be completed in Q1 2020, with results available the following quarter.

Diabetic retinopathy is the biggest cause of irreversible blindness for people with Type 2 diabetes. The estimated prevalence of diabetic retinopathy in diabetics aged over 40 is 28%, according to Zhang et al (*JAMA* 2010). Blindness imposes high costs to the healthcare systems. Limiting progression to blindness could be a higher benefit that could outweigh the risks relating to interactions with antidepressants.

Pharmaxis is a Top Six Stock Pick for 2020 because the company is moving closer to signing a deal (or deals) for its LOXL2 inhibitor program. This transaction has been an ongoing process since 2018. However, a deal on favourable terms will inject confidence back into the stock and the company's business model.

Other drivers of Pharmaxis share price in 2020 will be the completion of a Phase I multiple ascending dose study of the Pan-LOX inhibitor PXS5505A, followed by its entry into other clinical studies, most likely the orphan drug indication myelofibrosis, and then in H2 the receipt of a US\$10 million milestone payment by partner Chiesi Farmaceutica on the launch of Bronchitol in the USA

Pharmaxis is capitalised at \$59 million.

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 Some 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, LBT Innovations, Opthea, ResApp Health, Pharmaxis, Dimerix, Adalta, Actinogen Medical, Patrys, Cyclopharm, Emvision, Antisense Therapeutics, Heramed, Imugene, Exopharm, Immutep, Neuroscientific Biopharmaceuticals

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 pricing structure is as follows: \$1370 6-10 email addresses

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