

## **Do's of Biotech Investing**

- Do inform yourself of your biotech investment by knowing what types of products the company has in development. For companies involved in biotechnology drug development, familiarize yourself with the therapeutic areas of the company's drug target. This will eventually lead to a greater understanding of the sector and will lead you to other companies that may also represent interesting investment opportunities.
- Do invest in biotech companies that have multiple products in clinical development. This will help mitigate the downside in the stock price and in the business long term if one of the drugs stumbles through the rigorous and sometimes misunderstood Food and Drug Administration (FDA) approval process. For micro-cap biotech companies that may have only one or two drugs in development, be sure to diversify to mitigate portfolio risk.
- Do invest in biotech companies that have a proven track record of developing FDA approved drugs that drive revenue growth for the company. Past performance is no guarantee of future performance, but prior experience in successfully developing a drug sure helps!
- Do consider adding some medical device and diagnostics companies to diversify your portfolio. While the earnings multiples afforded these types of companies may not match those in the therapeutic drug area, the development risks tend to be lower. Furthermore, some devices and diagnostics can achieve very substantial annual revenues and profit margins.
- Do learn about a company's management. Are they experienced, rational, honest and shareholder-oriented? If you have the time, listen in on conference calls and web-based presentations to see if management measures up.
- Do diversify your investment portfolio to include both small, mid and large-cap biotech companies. Often the biotech sector will show outstanding performance, in one or two of these sub-categories, while discounting the third. Diversification into the small-cap arena (dramatic potential for growth) will sometimes offset the negative performance of the large caps that are susceptible to the broader influences of the marketplace (macro and sector related news).
- Do heed the advice from experts in the sectors that have proven track records. A positive performance history in biotech investing is no guarantee for future performances, however it is a good indicator that the information giving to you is dependable and should be considered.
- Do invest money that you won't need for a few years. The biotech sector can be volatile day-to-day and can be expected to show the best returns over a few years.
- Do visit InvestBio's website, [www.investbio.com](http://www.investbio.com), especially the Biotechnology Research section.

## **Don'ts of Biotech Investing**

- Don't buy just because of buzz about a product. When you buy a biotech stock you are investing in a proportionate share of a company, not just an idea.
- Don't buy a one-hit wonder. Make sure a company has more than one product in the pipeline.
- Don't buy simply because a product sounds humane or compassionate. Make sure the biotech company has a solid foundation, that a substantial market exists for the product, and that the product's performance is measuring up in trials.
- Don't make biotech investment decisions based upon information garnered from Internet chat rooms. While some posters have in-depth knowledge, others do not, and ensuring the health of your financial future is surely not the motive behind most of the postings!
- Don't put all your eggs in one basket. Because developing biotech drugs is a high-risk high return business, biotechnology investing is best done in a diversified manner.