

SUSTAINABLE INVESTMENT STRATEGIES
a globally active investment firm

ETF RESEARCH

**PHARMACEUTICALS AND
BIOTECHNOLOGY**



Investment Rationale:

H.R.3590 - Patient Protection and Affordable Care Act (Healthcare reform bill) will not only bring more customers to pharmaceutical companies but it also provides some real perks for the biotech industry. The first is a tax break for smaller biotech companies. The second is that it permits biologics—the complex therapeutics produced by most biotechnology companies—to maintain 12 years of market exclusivity after FDA approval of the product. This 12 year exclusivity is a real boon for companies like Amgen and Gilead as they are leaders in new products and this gives them a longer term to cash in on the high cost of developing a new drug or therapy.

A second reason I like this ETF is its 8% position in TEVA pharmaceuticals. TEVA is an Israeli company that specializes in generic drugs as well as branded drugs. TEVA has the largest pipeline of generic drugs with over 320 products. Standard and Poors Equity Research is quoted as saying, “We see demand for generic drugs continuing to advance, as countries worldwide seek to limit the rise in drug spending, particularly in light of the soft global economy.”

Fund availability comments:

While there are a wide range of healthcare ETFs available there are only a small number of funds available within the drug makers. A primary driver in this space is the trading volume and assets in the ETF. There are no real international or global funds in this space but some funds do have international companies in their portfolio through the use of ADRs.

Funds available:

Ticker	IHE	IBB	PBE	XBI	XPH
Name	iShares Dow Jones Pharm Index	iShares Nasdaq Biotech Index	Powershares Dynamic Biotech and Genome	SPDR S&P Biotech	SPDR S&P Pharma
Total Holdings	35	126	30	27	24
% In Top 10 Holdings	58.98%	47.67%	46.17%	39.08%	47.00%
% In Top Holding	9.42%	9.43%	5.08%	4.15%	5.01%
Top Holding	J and J	AMGEN	Waters Corp	AMYLIN	Perrigo
Total Assets in millions	\$163	\$1,616	\$211	\$570	\$90
Management Fee	0.48%	0.48%	0.63%	0.35%	0.36%
SEC Yield	1.30%	0.00%	0.00%	0.50%	1.18%
Avg trading volume 3 month	55,741	656,779	69,462	256,142	40,343
Countries in the portfolio representing more than 1% of the portfolio	•US	•US •Israel •Netherlands •France	•US	•US	•US

Holdings Details:

IHE		IBB		PBE	
Top Holdings	%	Top Holdings	%	Top Holdings	%
J&J	9.42%	Amgen	9.43%	Waters	5.08%
Pfizer	8.52%	TEVA Pharmaceuticals	7.94%	Sigma Aldrich	5.06%
Merck	8.12%	Gilead	7.08%	Millipore	5.02%
Abott	6.85%	Celgene	6.25%	Alexion	5.00%
Bristol Myers	5.99%	Vertex	3.93%	Biogen IDEC	4.77%
Eli Lilly	5.30%	Biogen IDEC	3.04%	Amgen	4.75%
Allegran	4.54%	Alexion	2.57%	Life Technologies	4.65%
Hospira	3.58%	Perrigo	2.56%	Gilead	4.33%
Forest Laboratories	3.50%	Dendreon	2.43%	OSI	3.92%
Mylan	3.16%	Mylan	2.42%	Halozyme	3.59%
Total	58.98%	Total	47.65%	Total	46.17%

XBI		XPH			
Top Holdings	%	Top Holdings	%	Top Holdings	%
Amilyn	4.13%	Perrigo	5.09%		
Regeneron	4.00%	Salix	4.95%		
Incyte	3.99%	Impax	4.84%		
Isis	3.93%	Valeant	4.77%		
Alkermes	3.90%	Viropharma	4.72%		
Amgen	3.85%	Bristol Myers Squibb	4.62%		
Alexion	3.85%	Mylan	4.62%		
Cephalon	3.82%	Allegran	4.58%		
OSI	3.79%	Medicis	4.55%		
Myriad	3.77%	Merck	4.52%		
Total	39.03%	Total	47.26%	Total	0.00%

Top 5 Sectors:

IHE		IBB		PBE	
Top Sectors	%	Top Sectors	%	Top Sectors	%
Not Applicable		Not Applicable		Not Applicable	

XBI		XPH			
Top Sectors	%	Top Sectors	%	Top Sectors	%
Not Applicable		Not Applicable		Not Applicable	