

NEXT EDGE BIOTECH BAROMETER CHARTBOOK



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OCTOBER 12TH, 2018

With the recent sharp decline in global equity markets and Biotech companies, resulting in a **– 11% decline for the NBI** and a stunning **–17% for the XBI**, many of the sector's breadth and sentiment indicators have approached the oversold readings achieved in February. Whether we are near the end of the selling or merely in the eye of the storm, is unknown.

Our indicators are determined by algorithms tracking the daily behavior of the largest 250 US listed Biotech companies by market capitalization plus ETFs, for the past +15 years. These indicators are predictive only insofar as they provide benchmarks to measure previous historic thresholds of bullish and bearish readings.

A. **BREADTH INDICATORS:**

1. Percent within **5% of their 52 week high**
2. Percent within **5% of their 52 week low**
3. Percent **Above their 200 DMA**
4. Percent **Above their 50 DMA**
5. Percent of Nasdaq Biotech Index companies (**NBI**) **above their 200-DMA**
6. Percent of *Canadian Biotech stocks* trading **above their 200 DMA**

B. **SENTIMENT INDICATORS:**

7. Ratio of Assets in **Leveraged Long ETFs to Leveraged Short ETFs** (1-year)
8. Ratio of Assets in **Leveraged Long ETFs to Leveraged Short ETFs** (5-years)
9. 30-day **Call Option Implied Volatility** (1-year) -> IBB / XBI / SPY
10. 30-day **Call Option Implied Volatility** (5-years) -> IBB / XBI / SPY
11. 21-trading day moving average **Put-to-Call Option ratio** (IBB / XBI / SPY)

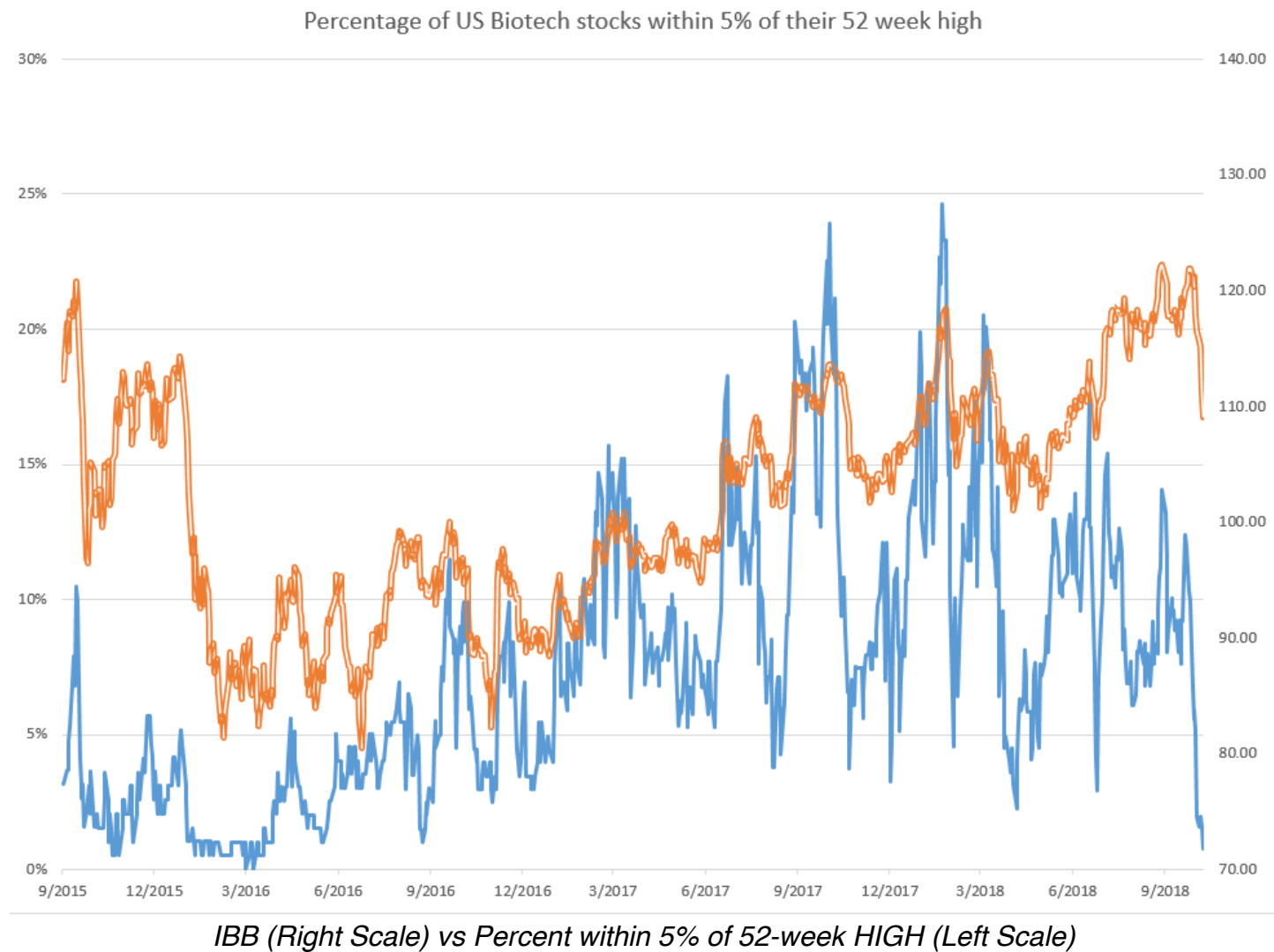
C. **VALUATION INDICATORS:**

12. Percent of companies trading **Below 1x Cash value** and 2x Cash value
13. **Relative Price-to-Earnings Ratio** of the S&P Biotech Index to the S&P 500 Index (1992-2018)

Compiled by @NextEdgeCapital @EdenRahim

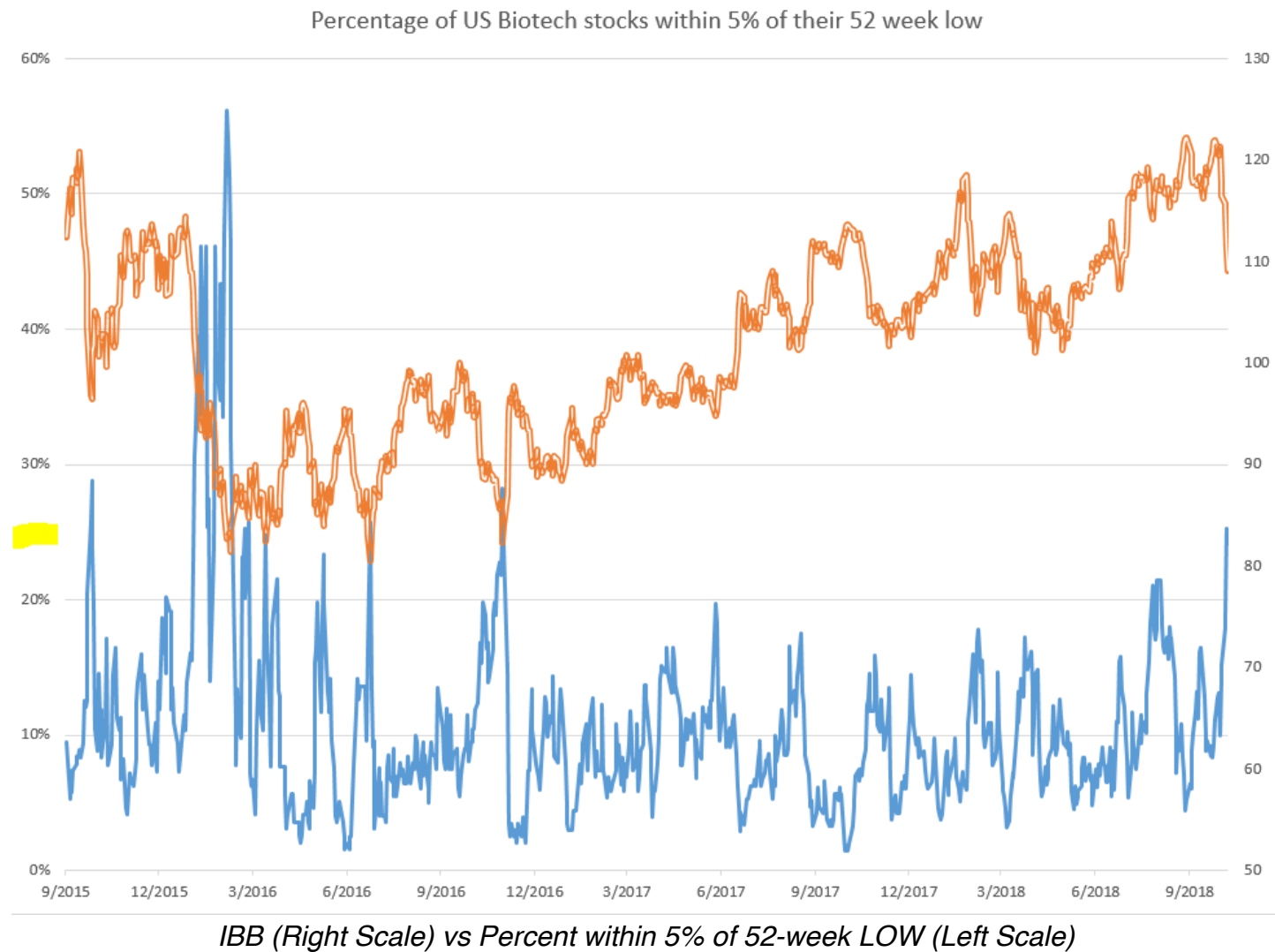
Source: Bloomberg Data, Concept: Next Edge Capital Corp.

ONLY 1% OF THE TOP 250 BIOTECH COMPANIES ARE WITHIN 5% OF A 52-WEEK HIGH. THIS IS THE LOWEST READING SINCE MARCH 2016. NO HIDING PLACE IN THIS SECTOR DURING THIS CORRECTION.



Source: Bloomberg Data, Concept: Next Edge Capital Corp.

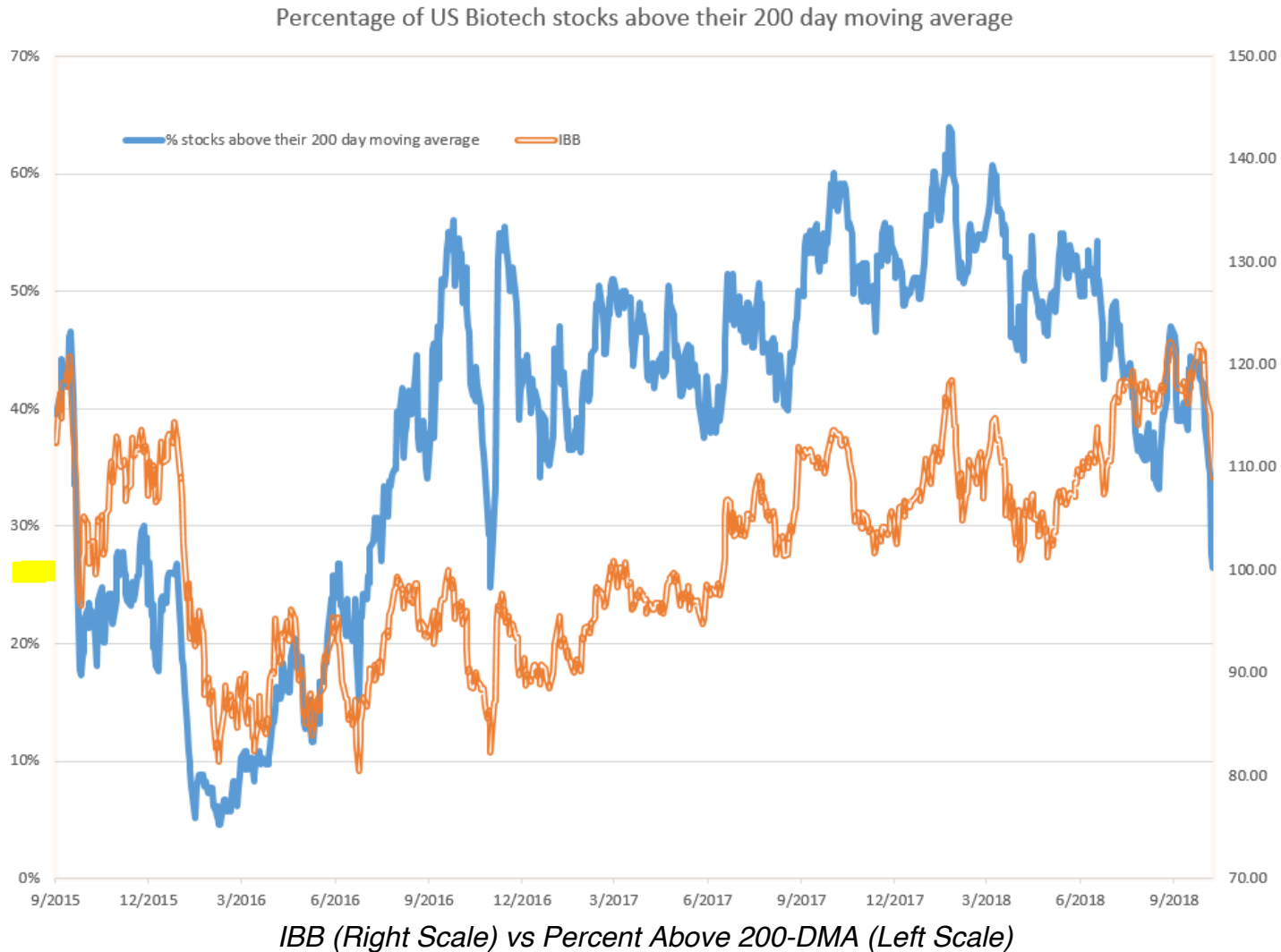
THE COROLLARY TO CHART #1 BEING THAT 25% OF BIOTECH STOCKS ARE WITHIN 5% OF A 52-WEEK LOW, THE HIGHEST READING IN 2-YEARS, JUST PRIOR TO THE 2016 ELECTION.



Source: Bloomberg Data, Concept: Next Edge Capital Corp.

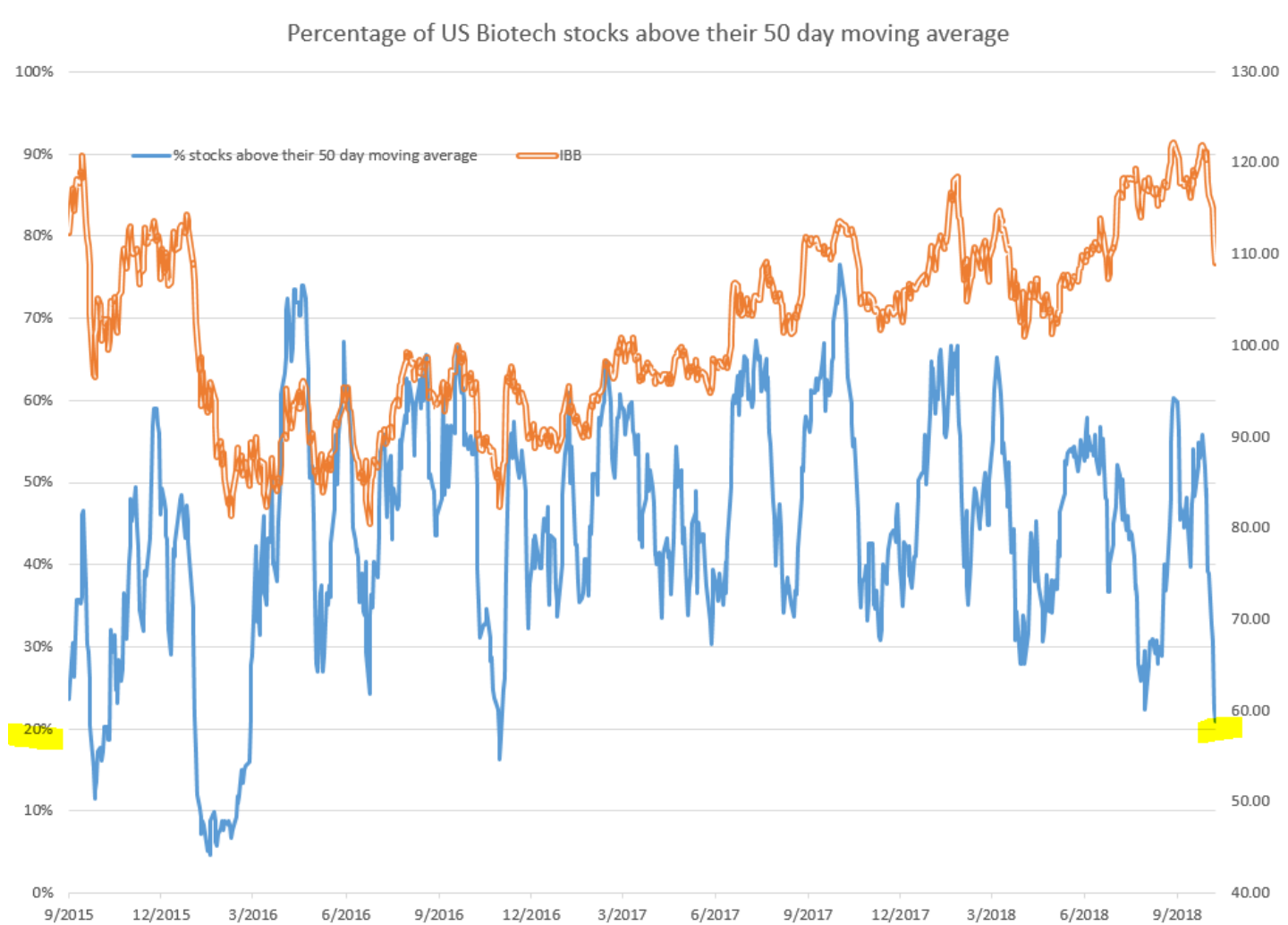
PERCENT OF COMPANIES TRADING ABOVE THEIR 200-DMA **TUMBLING TO 26%, NEAR 2-YEAR LOW.**

IT HAS BEEN MAKING LOWER HIGHS THROUGHOUT 2018 SINCE PEAKING AT 65% IN JANUARY SUGGESTING FEWER AND FEWER COMPANIES IN A BULLISH TREND AS THE YEAR PROGRESSED.



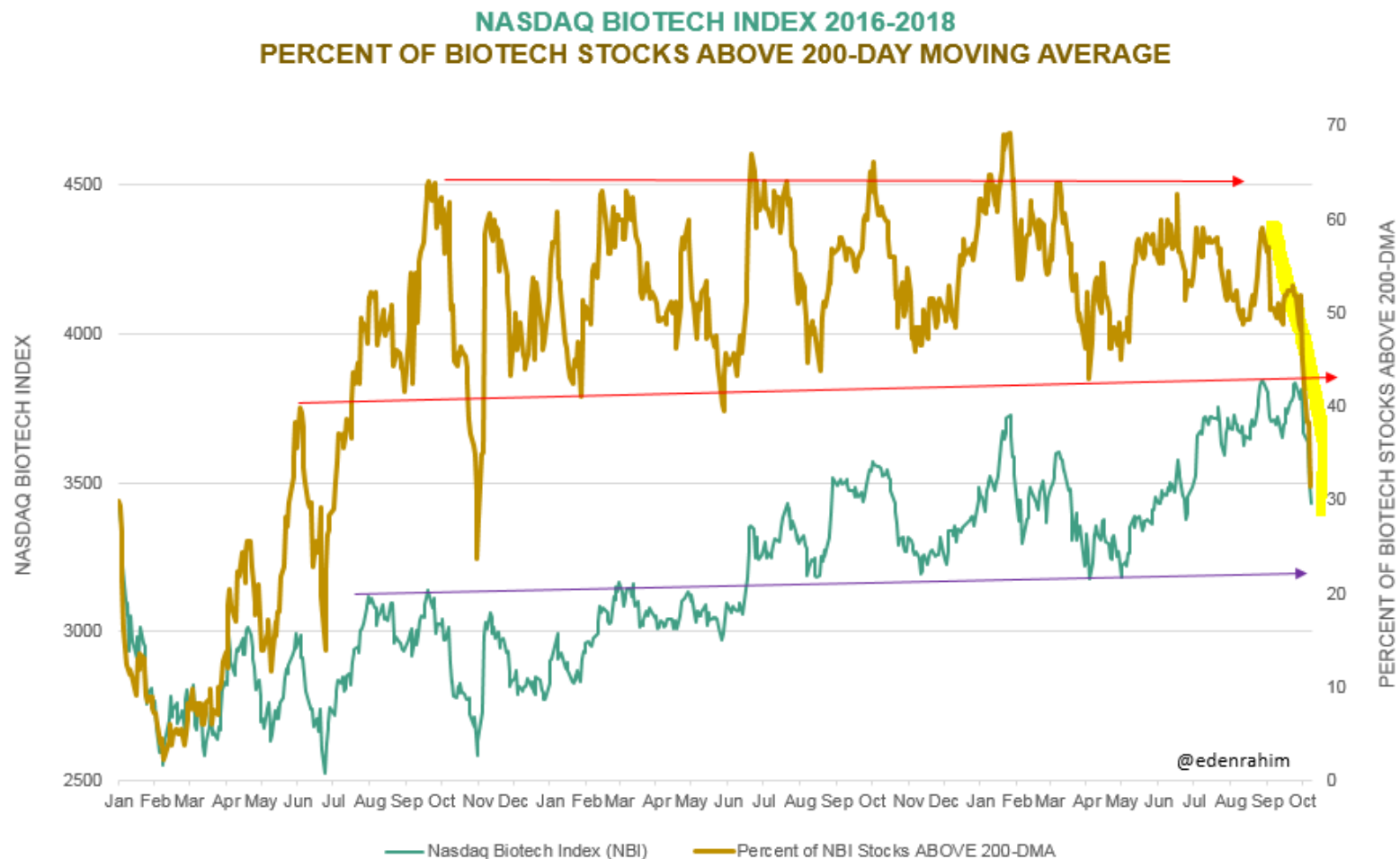
Source: Bloomberg Data, Concept: Next Edge Capital Corp.

PERCENT OF BIOTECH COMPANIES TRADING ABOVE THEIR 50-DMA TUMBLED TO 20%, NEAR 2-YEAR LOW. THIS INDICATOR ACTUALLY PEAKED A YEAR AGO.



Source: Bloomberg Data, Concept: Next Edge Capital Corp.

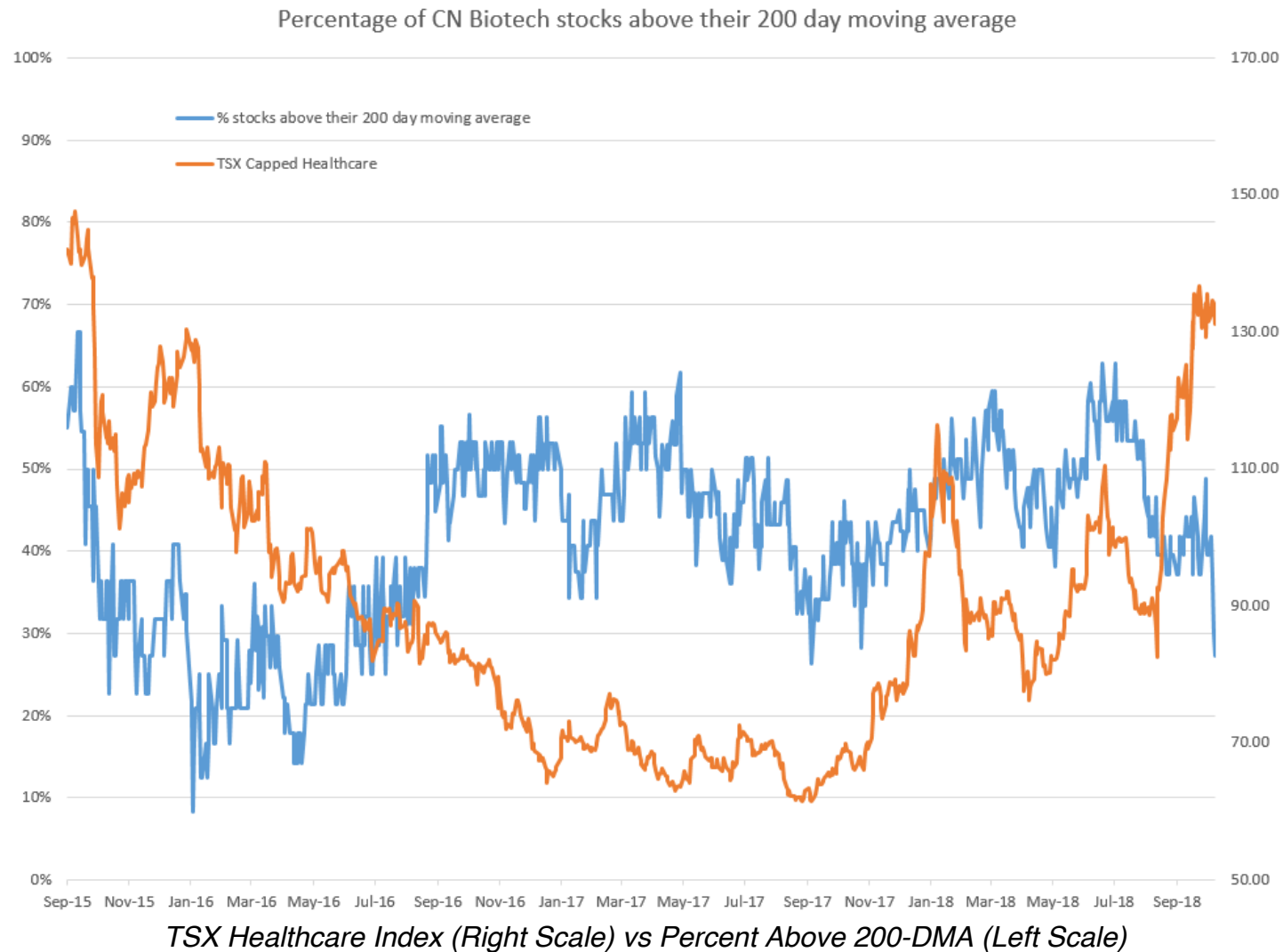
PERCENT OF THE 191 COMPANIES IN THE NBI TRADING ABOVE THEIR 200-DMA HAS DECLINED FROM 60% TO 28% IN 5 WEEKS.



Source: Bloomberg Data; Concept: Next Edge Capital Corp. as of October 11th, 2018

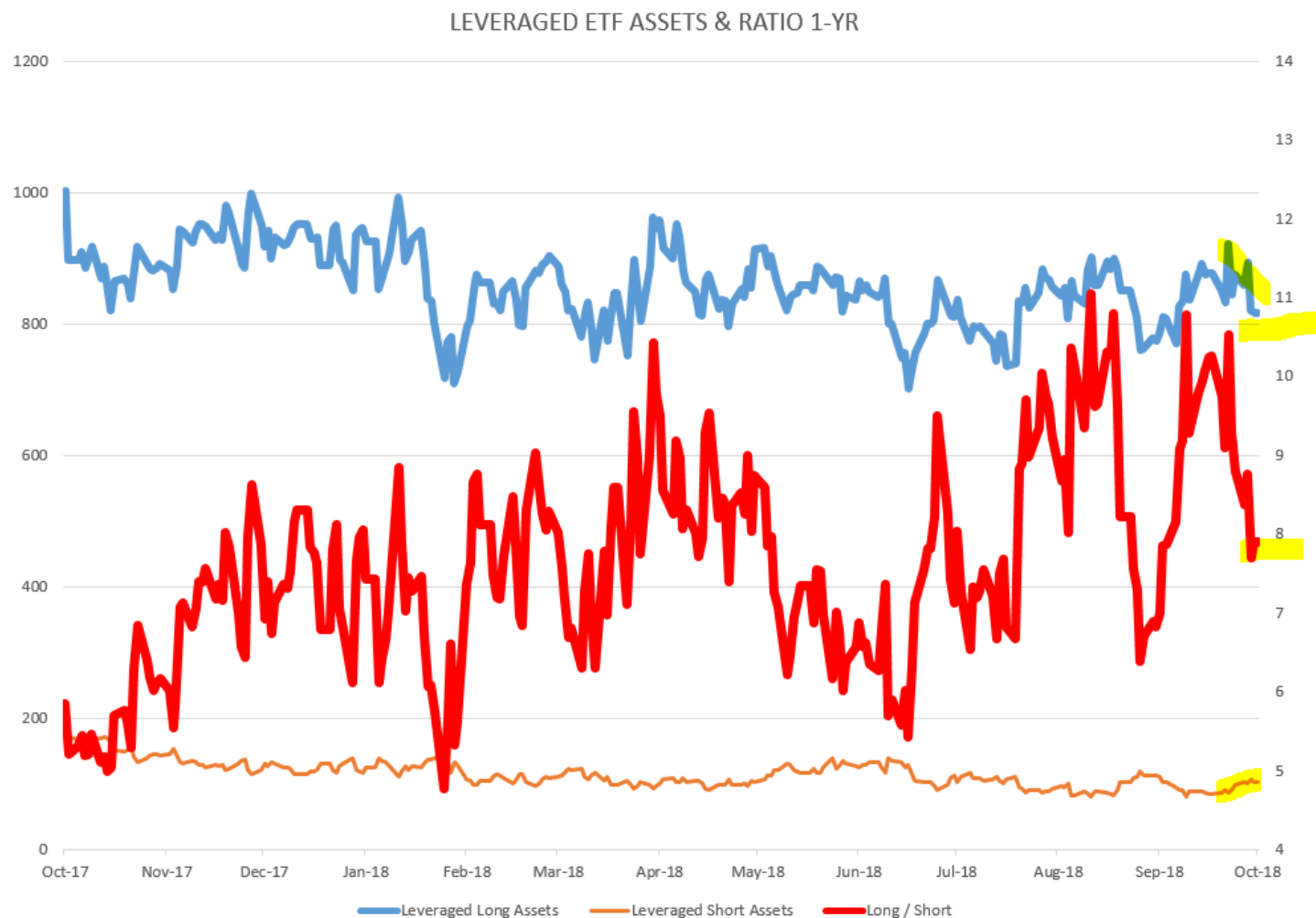
Source: Blomberg Data, Concept: Next Edge Capital Corp.

WHILE THE MAJORITY OF CANADIAN HEALTHCARE COMPANIES HAVE DECLINED SHARPLY, **POT-MANIA, MASQUERADING AS “HEALTHCARE” COMPANIES, DRIVE INDEX UP VERTICALLY. +60% OF THE INDEX IS WEIGHTED IN THESE BEACONS OF INNOVATION, WHOM CURIOUSLY PARTNER NOT WITH DRUG DISCOVERY COMPANIES, BUT WITH BEER AND TOBACCO COMPANIES**



Source: Bloomberg Data, Concept: Next Edge Capital Corp.

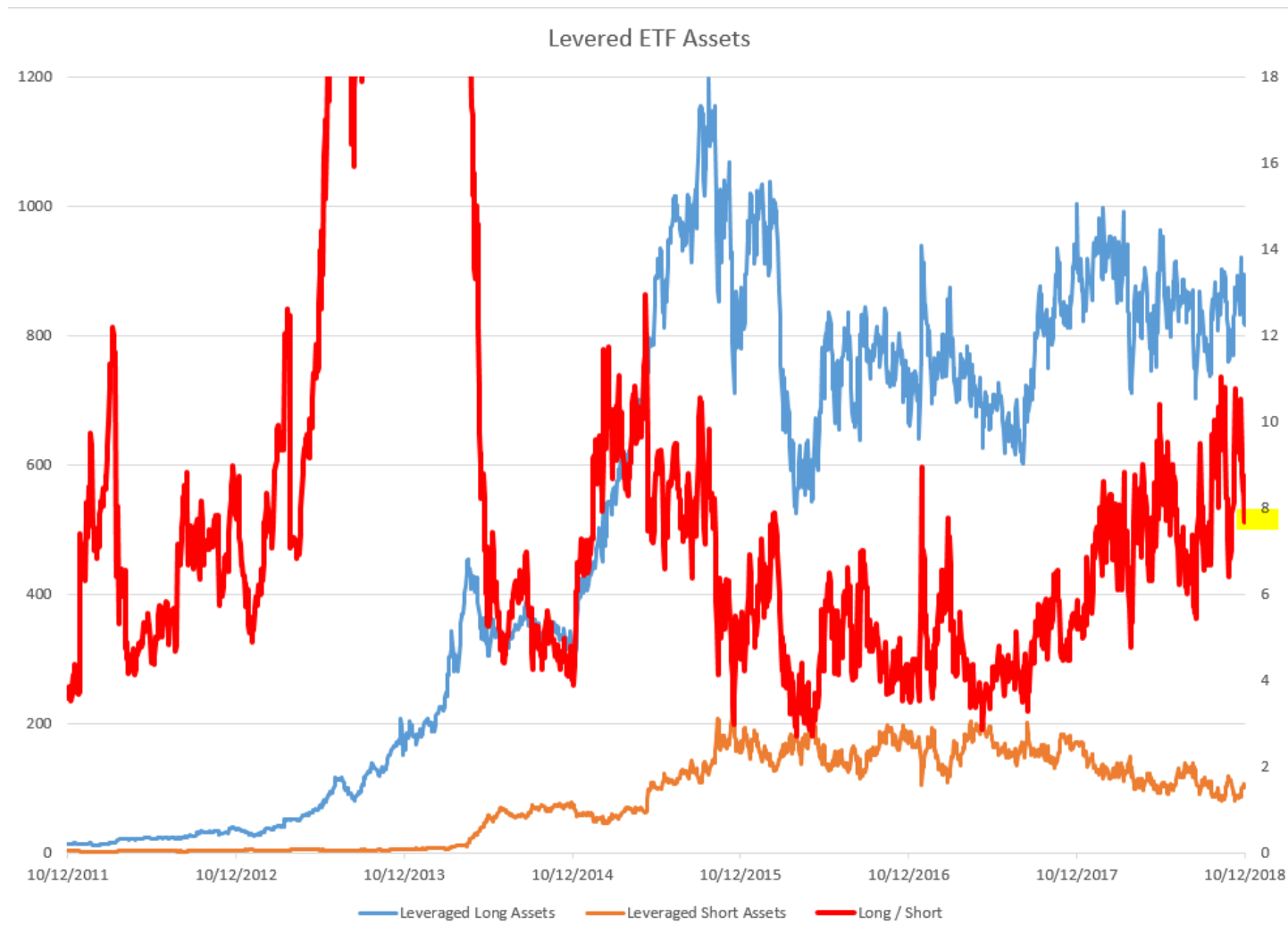
RATIO OF ASSETS IN LEVERAGED LONG BIOTECH ETFs TO ASSETS IN LEVERAGED SHORT BIOTECH ETFs IS 8:1, DOWN 27% FROM 11:1 A MONTH AGO. ROOM FOR SENTIMENT TO BECOME MORE BEARISH BELOW 6:1



Assets in millions \$ (Left Scale) vs Ratio of Bull to Bear leverages assets (Rights scale)

Source: Bloomberg Data, Concept: Next Edge Capital Corp.

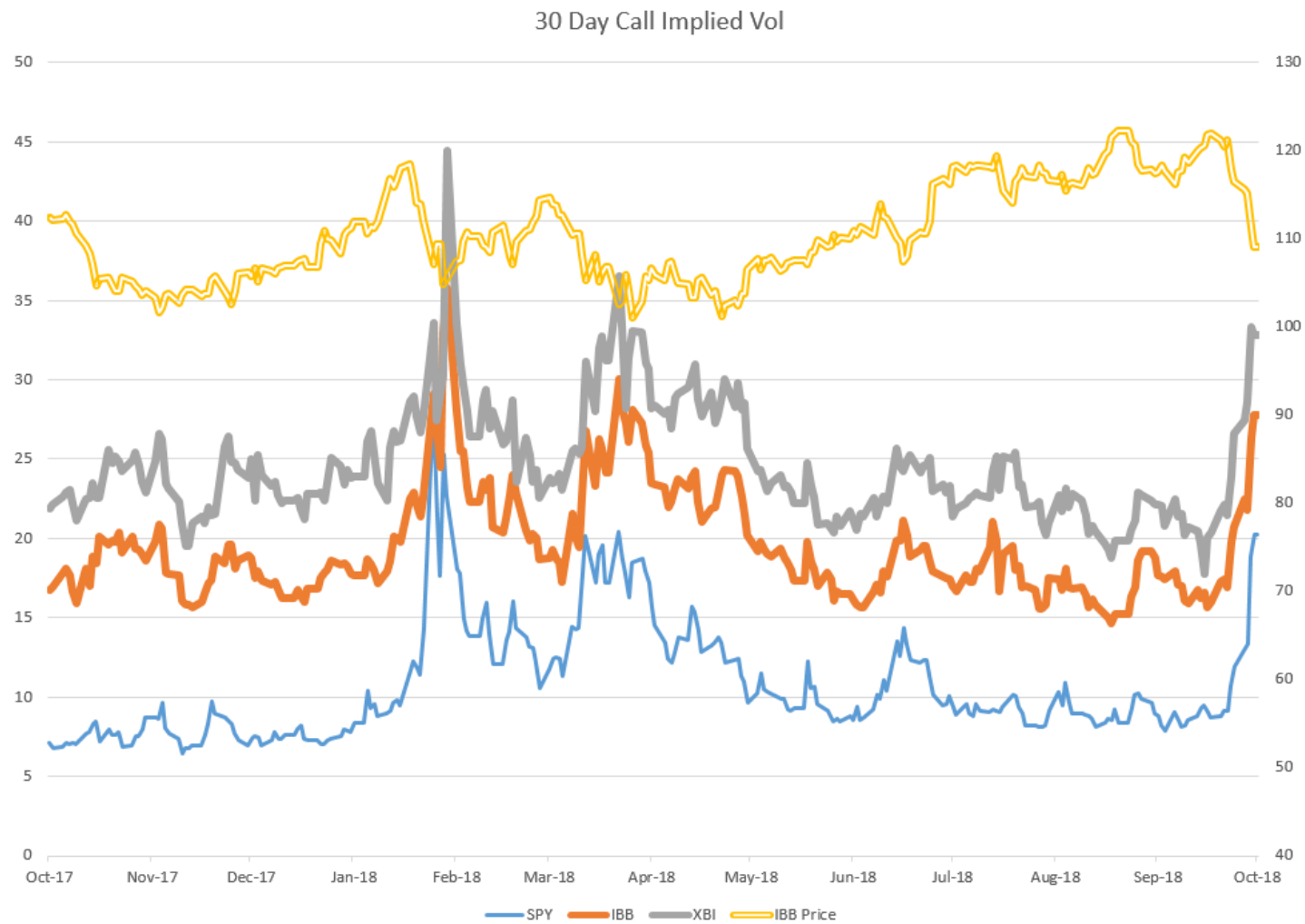
RATIO OF ASSETS IN LEVERAGED LONG BIOTECH ETFs TO ASSETS IN LEVERAGED SHORT BIOTECH ETFs (2013-2018). AT SIGNIFICANT LOWS, THIS RATIO DECLINES BELOW 4:1



Assets in millions \$ (Left Scale) vs Ratio of Bull to Bear leverages assets (Rights scale)

Source: Bloomberg Data, Concept: Next Edge Capital Corp.

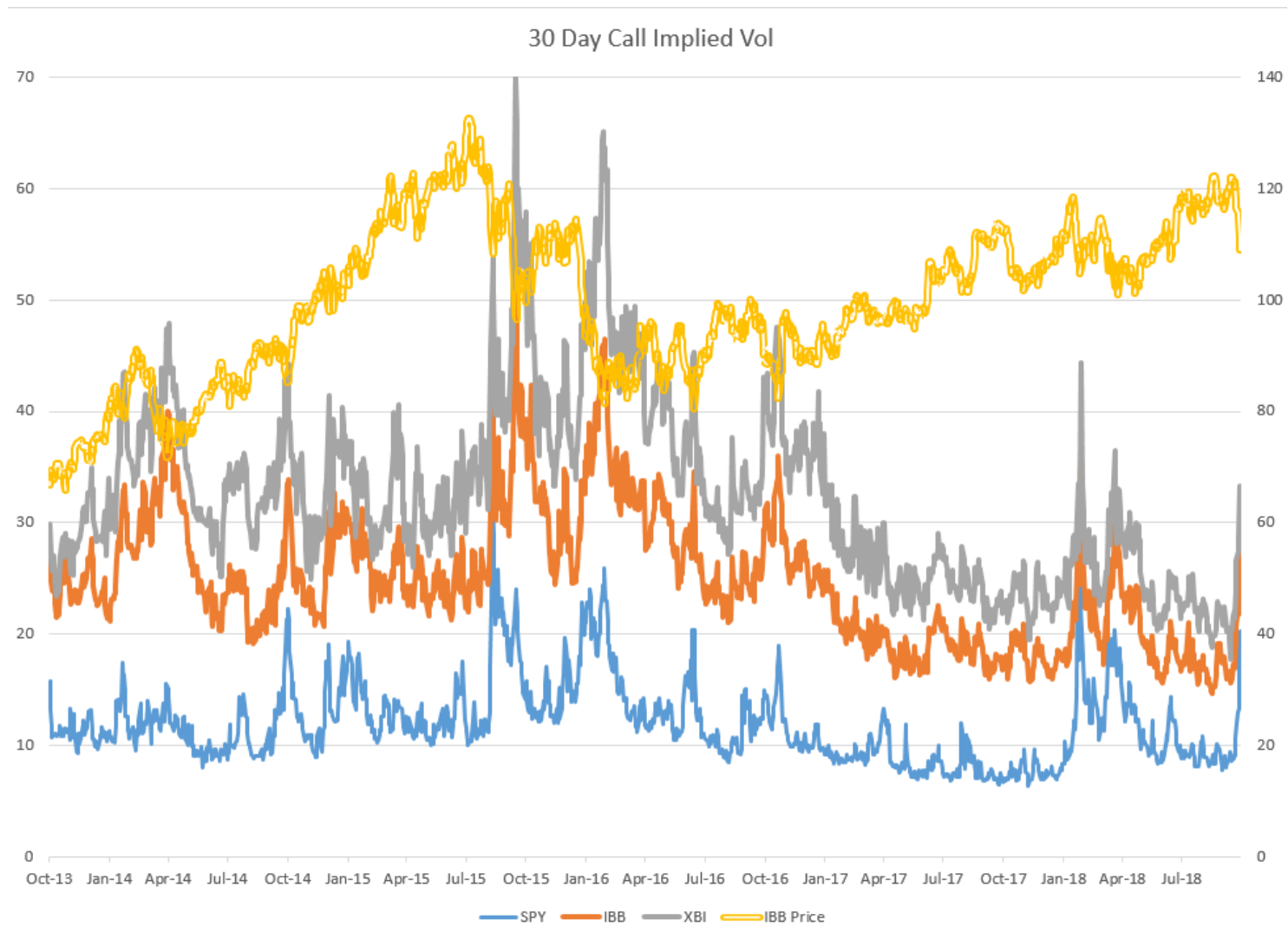
IN RESPONSE TO FALLING PRICES, WIDER BID-ASK SPREADS, DECREASED LIQUIDITY, 30-DAY IMPLIED VOLATILITY OF IBB & XBI CALL OPTIONS HAVE SURGED FROM 15% -> 27%, & 17% -> 35% RESPECTIVELY



% Implied Volatility (Left Scale) vs IBB (Right scale)

Source: Bloomberg Data, Concept: Next Edge Capital Corp.

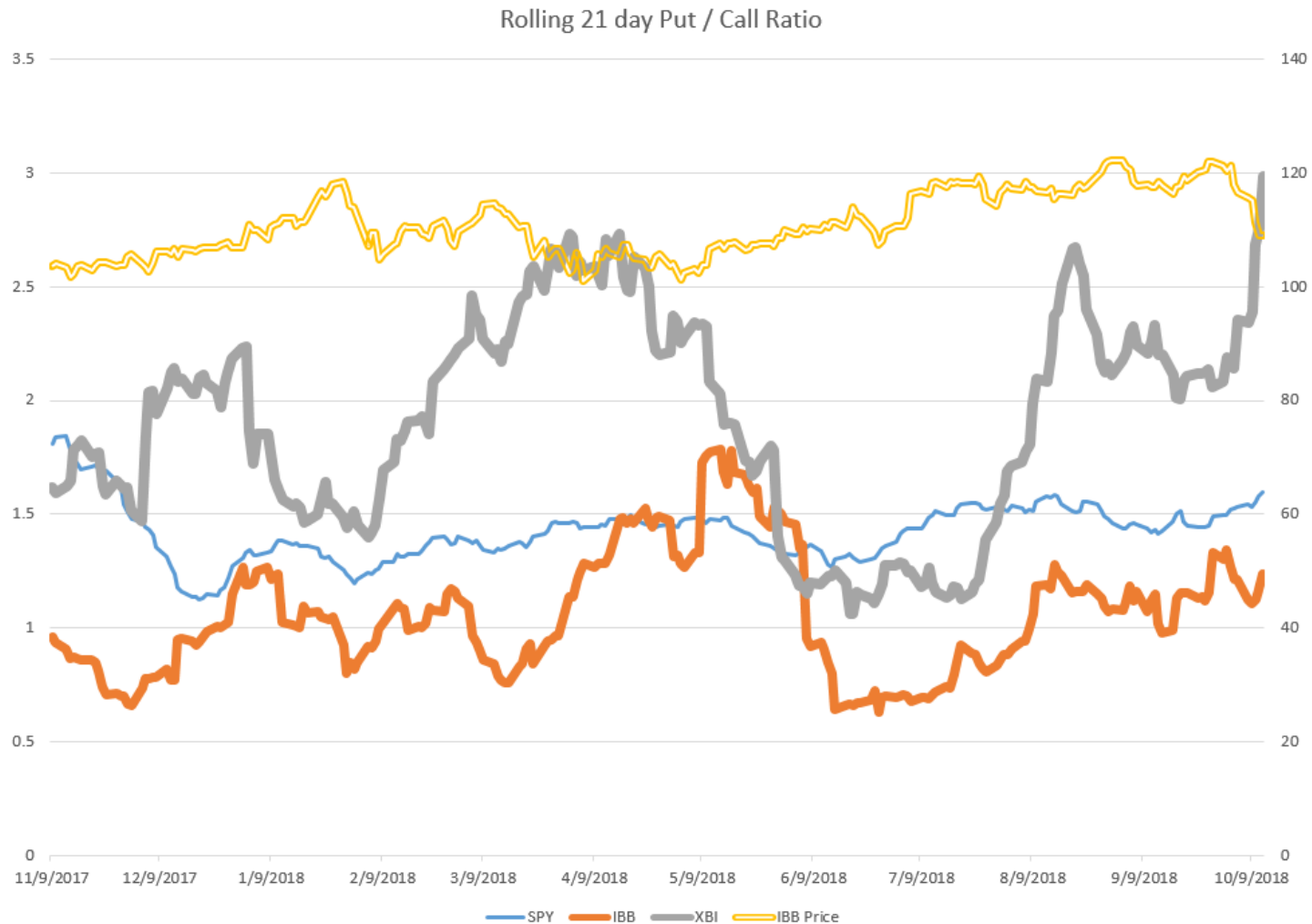
DURING BEARISH PERIODS, 30-DAY IMPLIED VOLATILITY TYPICALLY MOVES INTO THE 40%- 50% RANGE



% Implied Volatility (Left Scale) vs IBB (Right scale)

Source: Bloomberg Data, Concept: Next Edge Capital Corp.

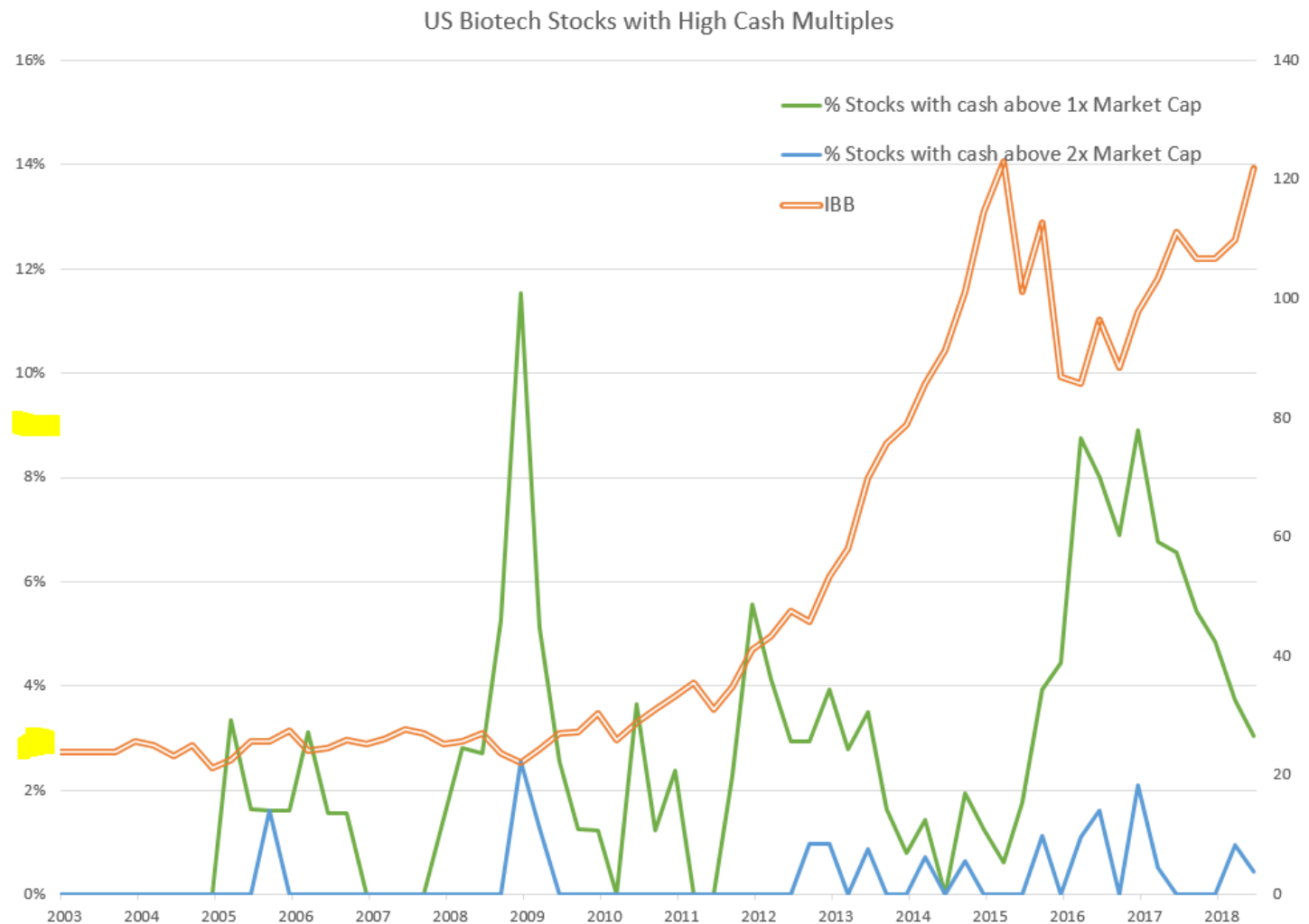
SENTIMENT HAS MANIFEST BEARISHLY IN THE XBI AS THE **RATIO OF TRADING VOLUME IN PUTS VS CALLS ECLIPSES 3-TO-1 OVER A 21-DAY PERIOD. THE SAVAGE -17% DECLINE HAS CONTRIBUTED TO THIS NEGATIVE SENTIMENT.**



Ratio of 21 day volume of Put Options to Call Options (Left scale) vs IBB (Right scale)

Source: Bloomberg Data, Concept: Next Edge Capital Corp.

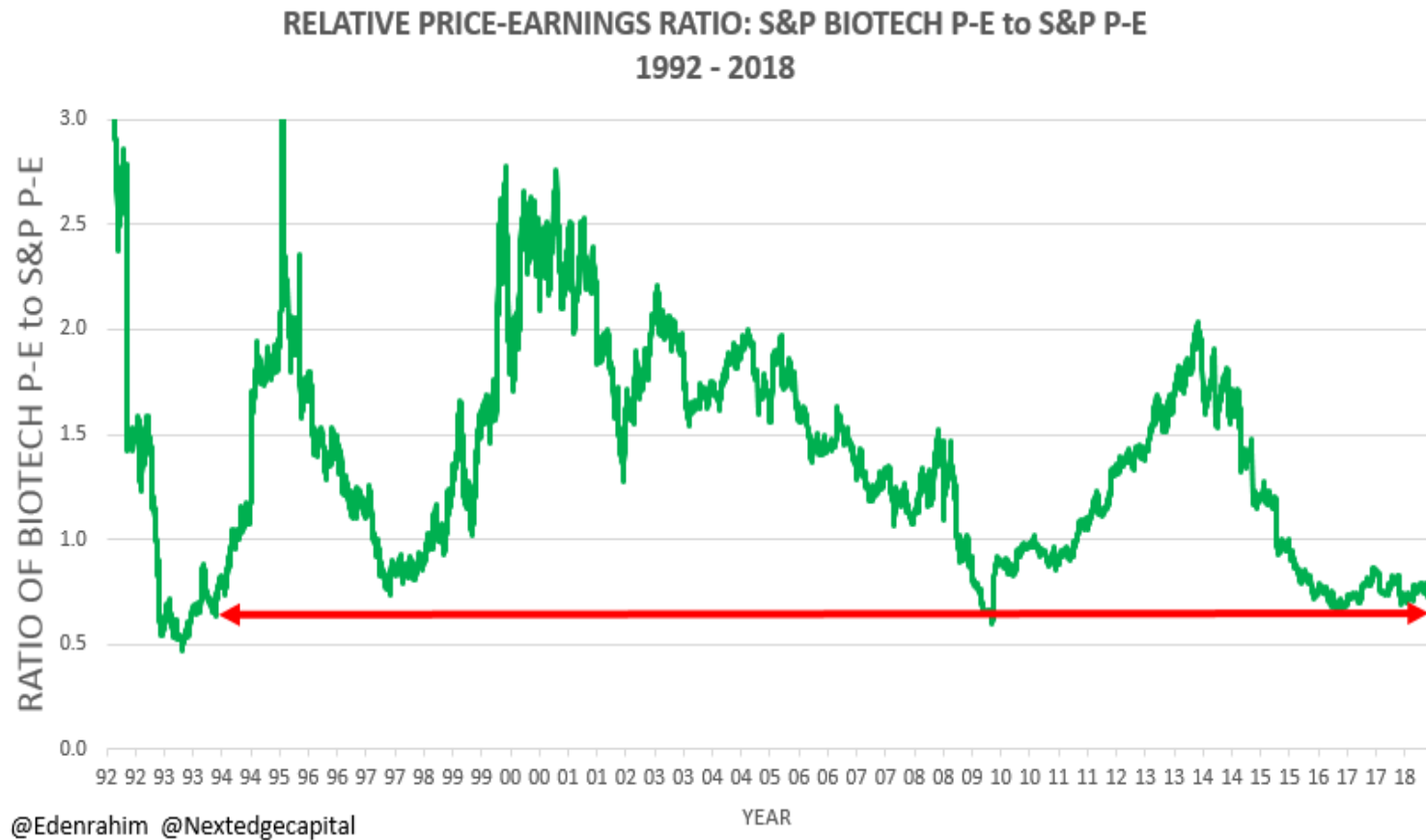
% OF BIOTECHS TRADING BELOW CASH IS 3% vs 9% 2-YEARS AGO. DATA FROM SEPTEMBER QUARTER IS NOT IN YET, WHICH WHEN COMBINED WITH PRICE DECLINE WILL IMPROVE THIS READING.



Quarterly Percent of 250 Biotech companies trading Below Net Cash (Left scale) vs IBB (Right scale)

Source: Bloomberg Data, Concept: Next Edge Capital Corp.

RATIO OF THE PRICE-TO-EARNINGS (PE) OF THE S&P BIOTECH INDEX to THE S&P 500 PE. RELATIVE MULTIPLES OF LARGE-CAP PROFITABLE BIOTECH REMAIN MIRED AMONG THE LOWEST READINGS IN 25 YEARS.



Source: Bloomberg Data, Concept: Next Edge Capital Corp.

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