



## **A CASE**

for an actively-managed research-based approach  
to investing in the biopharmaceutical sector.

### **Executive Summary**

While investments in diseases like hepatitis C, oncology, orphan diseases, and generic injectables are among the most compelling today, the only statement we can make with absolute certainty is that the biopharmaceutical sector will continue to evolve, thus creating new and potentially more powerful investment themes. If history is any indicator, many of the future's leading growth companies are likely to have relatively little Wall Street research behind them today, offering the opportunity for a research-based approach to exploit the inefficiencies in the sector. Further, the M&A environment continues to favor innovators. The weak pipelines at large pharmaceutical companies coupled with the tremendous free cash flow being generated by these companies leads us to believe that an acceleration in M&A activity is likely. We continue to believe that the innovation in today's small cap companies is the next leg of growth for the multi-national pharmaceutical sector.

At Emerald, we continue to believe that our actively-managed research-based approach, driven by our 10-step research process that emphasizes meeting with company management, customers, competitors, suppliers, and distributors, positions us to take advantage of the inefficiencies and volatility inherent in the biotechnology sector and consistently generate outperformance for our clients.

Terry M. Smith, PhD, MBA  
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#### **Important Disclosures**

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