



2020 YEAR END REVIEW: BEST 70 TECH & HEALTHCARE

The BEST 70 portfolio invests in the most dynamic growth sectors in the global economy; these are technology and healthcare. These two sectors account for \$35 trillion of market cap value of a total world market cap of \$100 trillion (Dec. 11th2020). Technology accounts for more than \$25 trillion and healthcare more than \$10 trillion. However, in this century, technology and healthcare stocks produced about 50% of the best stock market performers in each year. This is a formula for constant stock market outperformance and success; that is why we created Best 70.

OUR FOCUS WITH BEST 70

Most tech and healthcare ETFs have become mainstream and cap weighted to the largest stocks. We concentrate on a universe of about 500 stocks—we are actively selecting exactly 70 stocks from that group.

We don't weight 30-40% of the portfolio heavily into mega caps that everybody owns directly or through ETFs: examples: Apple, Google, Facebook, Amazon, Alibaba, Microsoft, NVIDIA, Netflix, TSM, Tencent, Abbott, Medtronic, Illumina, Danaher, Amgen, Gilead, Merck, or Johnson and Johnson.

OUR FAVORITE SECTORS IN TECH & HEALTHCARE

We concentrate positions in software, internet services, semiconductors, biotechnology, medical technology, genomics, and pharmaceuticals. There is constant rotation within tech and healthcare; we are finding winners while following this internal change.

PORTFOLIO CHARACTERISTICS

Best 70 starting positions are at either 1% or 2%. Technology is about 65% and Healthcare is about 35% of the mix, currently. We use NO LEVERAGE, SHORTS, OPTIONS or FUTURES. We change weightings or positions based on our best views. Most of the stocks we select have a market cap above \$5 billion. Trading liquidity is high.

TECH & HEALTHCARE TIMING

It is never too late for progress and innovation never sleeps in medical sciences and technology. Most of the best performers are usually companies that have been public for less than five years. ETFs and mutual funds include new stocks when they are already maturing or their best performance is behind them; Best 70 invests in winners early. New companies grow faster and exploit larger market opportunities better than mature ones; they, also, are more productive—as measured by sales per employee.

VALUE INVESTING VERSUS GROWTH & MOMENTUM

Value candidates tend to be established, multi- decade old, low productivity companies. Investors love value long shots. Management in value companies are usually not entrepreneurs. We have not seen consistent returns in value investing for more than two decades. Value companies rarely can grow sales more than 15 % per year. That happens all the time in biotech, genomics, med tech, and software. Investors should have a good concentration of their portfolios in stocks where high growth potential exists—that is not the case for value.

20/TWENTY OF OUR WINNERS IN 2020

MEDIA: Snap, TradeDesk, Zoom Video

HEALTHCARE : 10X Genomics, Arcturus Therapeutics, BioNTech, Idexx Labs, Twist Bioscience, VeevaSystems.

TECHNOLOGY: Shopify, Cloudflare, CrowdStrike, Docusign, AMD, Inphi, Marvell, Lattice, ACM Research, Slack, ZScaler