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Mid-2025 Micro-Cap Portfolio Re-Evaluation

Portfolio Strategy Overview

This portfolio remains focused on **alpha generation** through concentrated micro-cap positions with imminent catalysts and strong fundamentals. Following the recent rebalance, we have **minimal cash ($31.58)** left, reflecting full deployment into high-conviction ideas. We will **hold a small cash reserve** for flexibility, but no major new positions are added at this time. Each current holding was selected for clear upcoming catalysts, positive momentum, or turnaround potential. The thesis behind each is revisited below, incorporating the latest developments and confirming the rationale (or identifying any red flags). Overall, the strategy continues to prioritize **event-driven upside** while managing risks via position sizing and stop-loss orders.

Abeona Therapeutics (ABEO) – *De-Risked Gene Therapy Launch*

Thesis: Abeona is now a commercial-stage biotech after achieving **FDA approval** in April 2025 for ZEVASKYN™ (prademagene zamikeracel), the first and only gene-corrected cell therapy for **recessive dystrophic epidermolysis bullosa (RDEB)** [1]. This **de-risks** the company significantly, as the product's efficacy is proven and it addresses a critical unmet need in RDEB. The **launch is underway** in 3Q 2025, with the first treatment centers (QTCs) activated and the first patient expected to be treated in the coming weeks [2].

Catalysts & Financials: Abeona's upside now hinges on **commercial execution** – each RDEB patient treated could validate demand and drive revenue. Importantly, Abeona is **well-capitalized**: upon approval, the company was granted a Rare Pediatric Disease Priority Review Voucher, which it has **sold for $155 million** [3] [4]. According to the CFO, the **proceeds from the PRV sale will fund operations for over two years, through early 2026 when ZEVASKYN sales are expected to bring profitability** [5]. As of Q1 2025, Abeona also had ~$84.5M in cash (before the voucher sale) [6], so **cash runway exceeds two years** – *no need for dilution* before the business turns cash-flow positive. This financial strength and the **"first-to-market" status** in RDEB give Abeona a strong chance to deliver alpha as sales ramp up. We will monitor initial uptake (patient enrollments, payer coverage) closely; early signals of adoption could quickly re-rate the stock upward. In summary, **ABEO remains a high-conviction holding**, offering a rare mix of *reduced downside* (FDA-approved product, ample cash) and *significant upside* (launch into an untapped market).

Risks: The main risk is the pace of commercial adoption – RDEB is ultra-rare, so revenue build might be slow. However, Abeona's proactive efforts (signing up multiple treatment centers and value-based reimbursement agreements [7] [8]) mitigate this. With the thesis intact and downside protected by cash, we retain ABEO.

Inspira Technologies (IINN) – *Momentum from Contracts and Compliance*

Thesis: Inspira is a medical device/tech company that has recently entered a **"full revenue execution" phase** [9], marking a turning point from R&D to commercial sales. The catalyst was a **major $22.5 million purchase order** secured in July 2025 for its FDA-cleared ART100 respiratory support system [10]. This single order, from an international partner, is a **game-changer**: full payment of $22.5M is due in 2025 [11], which for a micro-cap is substantial revenue. It validates Inspira's technology and signals broader market demand. Indeed, management noted this order likely represents only a **small fraction of the total addressable market**, and they are already in advanced talks with additional healthcare and government buyers to deploy the ART100 globally [12].

Recent Developments: The flurry of positive news has significantly **boosted market confidence**. Inspira's stock, which was in danger of Nasdaq delisting, **regained compliance with Nasdaq's $1 minimum bid price** in mid-July [13]. The company's CEO attributed this to a "transformative shift" in trajectory, citing the large order and ongoing government partnership discussions as validation of their strategy [14]. In parallel, Inspira has been engaging in **high-level government talks** aimed at national adoption of its technology [15] – suggesting that further contracts (possibly even larger, multi-center or country-wide deals) could be announced in the near future.

Momentum & Outlook: We trimmed the IINN position earlier to lock in some profit, but **strong catalysts remain**. The $22.5M order will begin contributing to financials in 2025, marking the **first meaningful revenue** for the company [9]. If additional orders or a government-backed rollout materialize, Inspira could see **explosive growth** from this low base. The stock's recent compliance and upward momentum indicate increasing investor attention. We will maintain our position to capture this potential **second wave of upside**. IINN provides a nice balance to the portfolio (a medtech hardware play, as opposed to purely biotech/pharma) and is *riding a clear inflection point*.

Risks: Execution risk exists – Inspira must manufacture and deliver the ART100 units and scale up production for new orders. Also, the identity of the big buyer (currently undisclosed) and the outcome of government negotiations remain unknowns. We mitigate risk by having already reduced our cost basis (via profit-taking) and will consider a stop-loss if momentum unexpectedly reverses. For now, **the thesis is stronger than ever**, with tangible validation of commercial viability fueling our optimism.

Axogen (AXGN) – *FDA Decision Imminent on Nerve Repair Therapy*

Thesis: Axogen is on the cusp of a **major FDA binary catalyst**. The company has developed **Avance® Nerve Graft**, a regenerative implant for peripheral nerve repair, which has been sold under a special allowance and is now under formal FDA review. The FDA **accepted Axogen's Biologics License Application (BLA)** and set a decision (PDUFA) date of **September 5, 2025** [16] – barely a month from now. This creates a classic *event-driven trade*: if Avance is approved, AXGN's stock could **spike rapidly**, as Avance would become the first FDA-licensed biologic implant for nerve repair. Approval would likely expand adoption (e.g. more hospitals using it) and perhaps attract partners or acquirers, given Axogen's leadership in this niche.

Fundamentals Cushion Downside: Unlike many binary biotech events, Axogen has an **ongoing business with growing revenue**. In Q1 2025, Axogen reported $48.6M in revenue (+17.4% year-on-year) [17], and a

gross margin ~72%. The company is near break-even: net loss was only $3.8M for the quarter, with **adjusted EBITDA turning positive** [18]. Axogen even **expects to be net cash-flow positive for full-year 2025** (helped by one-time cost efficiencies around the BLA) [19]. This means that even in a downside scenario (e.g. if the FDA decision were delayed or negative), Axogen isn't a zero – it's a growing, almost-profitable medtech business. Their cash on hand was $28M as of Q1 [20], which is sufficient given the anticipated turn to positive cash flow.

Catalyst Outlook: The **September 5 FDA decision** is the key near-term catalyst. All signs so far are encouraging: Axogen completed all required regulatory steps (mid-cycle review, facility inspections) without issues [16]. We assign a favorable probability to approval. If approved, Avance's decades-long regulatory saga ends, potentially unlocking **fast upside** as investors re-rate AXGN from a device maker to a growth company with a new FDA-approved product. *At the same time, downside risk is moderated* – even without approval, Axogen would likely continue selling Avance (possibly under an extended humanitarian exemption) or work with FDA on additional data, all while sustaining its existing revenue base. Thus, **risk/reward skews positive**. We added AXGN as a new position in the rebalance and continue to **hold into the decision**, with a mental stop on any severe unexpected downturn. This event-driven play exemplifies our strategy of **seizing timely catalysts**.

Risks: The binary nature of FDA decisions means there is still risk of a negative surprise (e.g. a delay or request for more data). Additionally, Axogen's cash, while adequate, isn't huge if a long delay occurred – but the expectation of being cash-flow positive in 2025 mitigates financing concerns [19]. We will monitor FDA communications closely as the date approaches. For now, AXGN remains a top "high-upside catalyst" holding.

Esperion Therapeutics (ESPR) – *Cardiovascular Turnaround Story*

Thesis: Esperion offers a **turnaround investment** in the cardiovascular space, diversifying our portfolio beyond devices and rare diseases. The company's cholesterol-lowering drugs – **NEXLETOL® (bempedoic acid)** and NEXLIZET® (combo with ezetimibe) – are **already FDA-approved** and on the market, addressing the large population of statin-intolerant patients. After a tumultuous 2023 (due to a partner dispute over milestone payments), Esperion entered 2025 on much firmer footing with **real revenue growth** and cost controls in place. The thesis is that ESPR is deeply undervalued relative to its commercial potential, and that as it progresses toward breakeven or announces a strategic deal (e.g. ex-US partnership or even acquisition), the stock could **easily double** from current levels.

Recent Performance: The latest results underscore the *improving fundamentals*. In Q1 2025, Esperion reported **$65.0M in total revenue** [21]. Adjusting for a one-time milestone in Q1 2024, this represented **63% year-over-year growth** [21]. Notably, U.S. net product revenue grew 41% to $34.9M [21], indicating accelerating prescription demand. The company has surpassed **1 million prescriptions** of its drugs in the U.S. to date [22], and recent inclusion in major cardiology guidelines (ACC/AHA 2025) recommending bempedoic acid for high-risk patients has started to boost uptake [23] [24]. Internationally, Esperion's EU partner Daiichi Sankyo is growing European sales (royalties to Esperion were $10.5M in Q1 and rising) [25].

Financial Position: Crucially, Esperion now has **sufficient cash runway for several quarters**. As of March 31, 2025, cash and equivalents were **$114.6M** [26]. The company is guiding for full-year 2025 operating expenses of ~$215–235M [27], which implies a quarterly burn rate around $50–60M. With ongoing revenue contributions, this cash should last into **late 2025 or early 2026**. Management has noted they have *multiple*

quarters of runway, giving time to reach profitability or arrange additional financing if needed. This alleviates immediate dilution risk. In addition, Esperion carries a *potential hidden catalyst*: a **legal/strategic resolution with Daiichi Sankyo Europe** over the large milestone tied to cardiovascular outcomes data. Any positive settlement or surprise payment would be a windfall that could send the stock soaring (though we are not banking on it, as the dispute is complex).

Upside Potential: The risk/reward profile is attractive. **If ESPR demonstrates a path to profitability – for example, via continued sales growth and cost cuts by 2026 – the stock (current market cap ~$280M) could re-rate dramatically upward.** Even before full profitability, any *strategic news* (such as a partnership for new markets or an outright sale of the company) could unlock significant value. It's worth noting Esperion's drugs address a **huge market (cardiovascular disease)**; even a small share of statin-intolerant patients yields hundreds of millions in revenue. The stock remains beaten-down from past issues, so there is ample room for a rebound as confidence returns. Our position aims to capitalize on this turnaround, and it **diversifies our portfolio** (providing exposure to a more common disease area with steady revenue, balancing the higher binary risk in other holdings).

Risks: Esperion is not without risk. The company still incurs losses (Q1 net loss was $40.5M) [28] and will need either substantially higher sales or additional capital by late 2025 if it's not yet self-sustaining. Competition in cholesterol drugs (PCSK9 inhibitors, etc.) is also a factor, though Esperion's niche (oral therapy for statin-intolerant patients) is distinct. We have sized the position modestly and will monitor upcoming earnings (Q2 2025 results on Aug 5) for continued revenue traction. So far, the thesis is on track – **ESPR remains a hold** for its asymmetric upside potential.

Actuate Therapeutics (ACTU) – *High-Risk/High-Reward Oncology Play*

Thesis: Actuate is our **moonshot biotech** – a clinical-stage company with a breakthrough hope in one of the toughest cancers. Its oral small molecule, *elraglusib*, targets the GSK-3β pathway and has shown exceptional promise in **metastatic pancreatic cancer** (mPDAC). We retain ACTU because it epitomizes high risk/high reward: the upside, if they succeed, could be a *multi-bagger* (or even an acquisition by a larger pharma), whereas failure would mean a sharp drop – *hence we have a strict stop-loss in place*. The key development supporting our thesis is the **positive Phase 2 trial data** Actuate reported earlier this year, which significantly **de-risks the science** and attracted notable investor interest.

Latest Data: In May 2025 at ASCO, Actuate presented **top-line results from its Phase 2 trial in first-line pancreatic cancer**. The trial **met its primary endpoint**, demonstrating a **statistically significant improvement in overall survival** for patients receiving elraglusib + standard chemo (gemcitabine/nab-paclitaxel) vs chemo alone [29]. This is *remarkable*, given that pancreatic cancer notoriously yields dismal outcomes – any survival gain is big news. One-year survival rates and median survival were both significantly higher with Actuate's drug combo [29]. These results not only validate the drug's mechanism but also position Actuate for a **potential registrational Phase 3** or a partnership to continue development. The data's importance was underscored by its oral presentation at ASCO and a dedicated KOL event hosted by the company [30] [31]. In short, Actuate has **"excellent data"** in an indication where few others have succeeded, supporting the bull case that **elraglusib could become a game-changer in pancreatic cancer**.

Investor Backing & Financials: Actuate's challenge, as with any micro-cap biotech, is funding. The company has been **raising capital in tranches** – for instance, a $4.7M private placement was completed in late June 2025 to provide working capital [32]. They have also been backed historically by biotech VCs (e.g.

Kairos Ventures, Bios Partners) [33], indicating some smart money confidence. However, Actuate did warn of "substantial doubt" about going concern earlier this year [34] – essentially a signal that more money is needed to progress. The positive trial results will help: the stock price has risen (recently ~$7.3/share, up ~10% week-over-week) [35], and the company filed a shelf for resales which suggests they may tap additional financing. We interpret "strong investor backing" to mean that the trial success should enable Actuate to raise the necessary funds (possibly at improving valuations) to reach the next milestones. If a **larger partner or investor comes on board** (not unlikely, given the ASCO data visibility), that could also spike the stock.

Risk Management: Recognizing ACTU's high risk, we keep a **tight stop-loss** to protect the downside. Essentially, we are risking a controlled small loss for the chance at a very large gain. With the Phase 2 success, the **upside scenario** is that Actuate becomes a buyout target or progresses to Phase 3 with a partner, potentially valuing it many times higher if pancreatic cancer survival improvements are confirmed. The **downside scenario** (e.g. inability to finance further trials or setbacks in data) would likely tank the stock – but our stop would trigger in that case to limit damage. So far, the trajectory is positive: excellent data, share price on an uptrend, and ongoing efforts to finance the next steps. **We continue to hold ACTU** for its lottery-ticket-like payoff profile, carefully managed with risk controls.

Risks: Beyond financing, the usual clinical risks remain – Phase 3 could fail to replicate Phase 2 results, or unforeseen safety issues could arise in larger populations. Pancreatic cancer trials are daunting. Additionally, as noted, current resources are limited; any delay in securing capital could stall the program. This position is only for the risk-tolerant portion of our portfolio. Given our *project's goal of maximizing alpha*, having one or two such high-beta bets is justified. ACTU's inclusion is deliberate and will be regularly re-evaluated as news emerges.

Scan for Other Opportunities

We also **scanned other micro-cap stocks** for potential new opportunities or replacements, ensuring we aren't missing better setups. Our criteria are catalyst-rich situations, similar to what we hold. A few candidates on the radar include:

- *Microbot Medical (MBOT)* – awaiting a possible FDA decision on a surgical robotic system in Q3 2025 (timeline reportedly shifted from Q2), which could be a binary catalyst. However, MBOT's risk/reward did not clearly surpass our current picks, especially given our limited remaining cash.
- *MoonLake Immunotherapeutics (MLTX)* – a small-cap (slightly above micro-cap) with an upcoming Phase 3 readout in hidradenitis suppurativa (a larger biotech event this quarter). While compelling, it's a bigger company and not as under-the-radar as our focused micro-caps.
- *Other biotechs with Q3 catalysts* (from sources like the STAT Q3 biotech catalyst list) were reviewed, but many have already run up in anticipation or have less favorable risk profiles.

After this review, we found **no immediate additions** that would clearly improve the portfolio's expected return. The current holdings each have a strong, *specific* thesis and near-term triggers. We prefer to maintain these positions and a small cash buffer for now. If one of our holdings' theses were to deteriorate, or a new micro-cap catalyst play emerges with exceptional upside, we will **reallocate at that time**. Our active scanning ensures we remain aware of the landscape, but discipline dictates *not to trade for the sake of trading*.

Risk and Strategy Notes

Overall portfolio risk is being managed carefully: we have **5 positions** which provides reasonable diversification within the micro-cap space (spanning gene therapy, medtech, biotech-pharma, and cardio). Position sizes are roughly equal and within our cash means – *no over-concentration* in any single name. Importantly, **stop-loss orders are in place** for the highest-volatility plays (e.g. ACTU) to automatically limit downside if the market moves sharply against us. The recent exit of **Azitra (AZTR)** exemplifies our risk discipline – we cut that laggard due to its weak outlook and dilution risk, freeing capital for better ideas. This nimble approach will continue.

From a strategic standpoint, the portfolio is now aligned with our goal: **maximizing alpha in H2 2025**. We are positioned in stocks with:

- **Clear upcoming catalysts:** (FDA decisions, trial results, product launches) which could each be major value-inflection points.
- **Positive momentum or news flow:** Several holdings have recent good news (contracts, approvals, guideline updates) propelling them, which can attract more investor attention.
- **Fundamental support:** Unlike pure "story stocks," our picks generally have tangible value (revenues, cash, or data) that provide a floor. This should help if overall market volatility hits micro-caps.
- **Insider/Institutional Alignment:** Many of these companies have notable insider ownership or institutional backing (for instance, ACTU's VC investors, ABEO's insider/support from EB advocates [36], etc.), meaning our interests align with motivated stakeholders looking for a big win.

We will monitor each position's progress and adjust if needed, but at this juncture the **new mix appears robust**. It reflects a *focused, evidence-backed*, and **risk-aware** approach – exactly what we set out to do with an LLM-guided micro-cap portfolio experiment. The emphasis is on **quality of ideas over quantity**, which we believe gives us the best shot at outperforming.

Summary of Current Thesis (for Next Week's Review)

- **Abeona (ABEO):** FDA-approved gene therapy **ZEVASKYN** launching now in RDEB. *Well-funded* (sold PRV for $155M) with **2+ years runway**, aiming for profitability by early 2026 [5]. First-mover advantage in a rare disease – **upside as sales roll in**, low downside (already approved).
- **Inspira Tech (IINN):** Secured a **$22.5M order** for its ART100 device (huge revenue inflection) [10]. **Regained Nasdaq compliance** [13] and pursuing global deals (including government partnerships) [15]. Momentum is strong; we trimmed profits but expect **continued upside** from new contracts.
- **Axogen (AXGN): FDA decision on Sept 5, 2025** for Avance Nerve Graft [16] – a binary catalyst. If approved, stock could spike; if not, downside is cushioned by **growing revenue (+17% YOY)** and near-breakeven operations [17] [19]. **High reward, moderate risk** – holding through the event.
- **Esperion (ESPR):** Turnaround play in cholesterol drugs. **U.S. product sales +41%** YOY [21] and rising, with >$114M cash on hand [26] (runway into 2026). **Multiple shots on goal** – if they edge toward profitability or settle the EU milestone dispute, a **double is feasible**. Diversifies portfolio into a commercial-stage biotech.
- **Actuate (ACTU):** *High-risk/high-reward oncology*. **Phase 2 success in pancreatic cancer** (significantly improved survival) [29] gives it multi-bagger potential. However, it's a micro-cap with financing needs

(recent $4.7M raise) and a going-concern warning [34] – *we use a strict stop-loss*. Thesis: **excellent data** + strong KOL support could attract big investors or partners.

Overall, the portfolio is **concentrated in catalyst-rich micro-caps** poised for outsized moves. We have balanced near-term event plays with longer-term turnaround stories, all while managing risk. The only goal remains **alpha generation**, and the current holdings position us well for that in late 2025. We will revisit each thesis next week to ensure they remain on track. [16] [5]

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