

Mythos

Biotechnology Fund

December 2019

To the Partners of Mythos Biotechnology Fund:

Our fund has been in operations for nearly 1000 days! Roger and Clayton, the founding management partners, did a tremendous job establishing the foundation of the fund and launching us into positive returns over the previous years. With their departure this year, we will need to work hard to continue this success. Enclosed in this letter to the partnership are reflections of 2019 and what's to come in 2020.

Fund operations

This year was a significant year for the partnership. We made significant changes to the management team commensurate to our rapid growth. This includes the expansion of the team with new management partners. We recognize the amount of work necessary to keep the fund operational and therefore strategically paired management partners to specific responsibilities. We also expanded the management team to have business development officers.

A fundamental change to our operations includes accelerating our investment decision making. From the beginning, our fund executed trades based on votes reaching quorum. The growth of our partnership has increased our capital, but unexpectedly slowing our trades. Slow trades limited our ability to make timely investments and often increased our cost basis. To address this (June 2019), we implemented a new policy to executing trades based on time-limited votes. This achieved a nearly equivalent frequency of votes as with waiting for votes to reach quorum.

Furthermore, we explored a pilot program to train partners in developing investment theses and practice pitching. These investment analyst teams presented market opportunities and diligence across various therapeutic spaces, including immuno-oncology, neuroscience, and rare disease. The partnership benefits from having a broader overview of the biotechnology landscape, as well as increasing active participation among new and experienced partners. We intend to continue the program into the next year.

Online presence

We saw our first mention on a [Business Wire press release](#), describing that one of our partners joined Vida Ventures. We also established a [LinkedIn page](#) and a [company website](#) for the public to learn about our fund. The website contains information to help new biotech investors, including diligence resources and case studies. For current and alumni partners, we have a [LinkedIn group](#) to keep connected. We continue to use Slack channels for day-to-day discussions and email lists for important updates.

Benchmarking performance

Our fund began operations nearly 1000 days ago in May 2017. We have observed outstanding returns and consistently outperformed biotech market indexes and mutual funds. This is amazing considering that our partners have full-time employment elsewhere, our portfolio typically has less than 10 positions, and we do not use leverage. We attribute our performance to the quality of our diligence and discussions.

Fund	Total Return (12/3)	Annualized IRR
Mythos Biotechnology Fund	36.4%	12.7%
SPDR S&P 500 ETF (\$SPY)	29.6%	10.6%
SPDR S&P Biotech ETF (\$XBI)	32.1%	11.4%
iShares Nasdaq Biotechnology ETF (\$IBB)	19.8%	7.2%
T. Rowe Price Health Sciences Fund (\$PRHSX)	24.0%	8.7%
Fidelity Advisor Biotechnology Fund Class A (\$FBTAX)	24.8%	8.9%

Investment risk statement: Past performance is not indicative of future results. Any investment involves considerable risk. Individual partners are not liable for capital losses incurred by the Mythos Biotechnology Fund.

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Current Holdings

Stock	Return (12/6)	Portfolio
\$BBIO	29.5%	8.6%
\$DNLI	-7.2%	4.4%
\$MDGL	-11.7%	4.5%
\$MGTA	-9.0%	4.4%
\$MRUS	3.3%	4.9%
\$NBIX	53.4%	7.8%
\$STRO	-2.8%	4.2%
\$XNCR	3.5%	4.9%
Cash	---	56.2%



Our current holdings are diverse across biotechnology. In the immuno-oncology space, we have positions in Merus (\$MRUS), Sutro Biopharma (\$STRO), and Xencor (\$XNCR). These companies have drug candidates in early clinical trials for various cancer diseases and strong pharma partnerships. In the neuroscience space, we have positions in Denali Therapeutics (\$DNLI) and Neurocrine Biosciences (\$NBIX). These companies have extensive therapeutic pipelines for numerous neurological indications. In particular, Neurocrine Biosciences has multiple assets at the NDA or commercial phase. In the rare disease space, we have a position in BridgeBio Pharma (\$BBIO). BridgeBio is led by an experienced management team and has a unique approach in drug development: leveraging debt financing and amassing precision medicine startups. We have a position in Madrigal Pharmaceuticals (\$MDGL), which is investigating novel therapies for metabolic diseases. We have a position in Magenta Therapeutics (\$MGTA), which is developing integrated solutions for transplantation. The fund has a sizable cash position and thus ready to make several investments in the next year. Notably, our fund is resistant to market downturns.

Noteworthy investments

Aravive (\$ARAV) was this year's position with the largest annualized IRR (>150%). Aravive is a startup spun out from Stanford University and is developing a decoy biologic for the treatment of cancers and fibrotic diseases. Aravive recently announced [positive data](#) from the phase 1b trial with platinum-resistant ovarian cancer patients ([additional data](#)).

Array BioPharma (\$ARRY) was the fund's longest held position (initiated in October 2019) and yielded the greatest total return (>230%) after the [Pfizer acquisition](#) in July 2019. Array BioPharma is commercializing a combination therapy for unresectable or metastatic BRAF mutant melanoma and is developing other assets for multiple cancer indications.

BridgeBio Pharma (\$BBIO) is a biotechnology business with numerous single-asset subsidiaries, including startups spun out from Stanford University. We took the opportunity to lower our cost basis after the [terminated merger](#) with subsidiary Eidos Therapeutics (\$EIDX), which BridgeBio Pharma retains greater than 60% ownership. We currently hold the position with long-term prospects of higher total return.

Future direction

In late January, Mythos will reach 1000 days of operations. After this cycle of partnership transactions, we will rebalance the portfolio and explore investment opportunities across clinical-stage and commercial-stage biotechnology companies. We will work on improving the [investment analyst program](#) and continue to create opportunities to learn about biotech investing and network with professionals in the Bay Area. We will also further develop our website to include more [diligence resources](#) and [case studies](#).

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As the fund matures, we will develop more sophisticated investing strategies. The investment analyst program supports this goal, as it enables the partnership to learn broadly about investment opportunities from partners with strong domain expertise. Through the investment analyst teams, partners can build closer professional connections and learn from one another. While strengthening our partnership, we will have a systematic approach to identifying and de-risking investments in the life sciences. We will also begin to deviate from our customary practice of allocating 5% of the fund in a new position based on the depth of diligence. The size of the investment will be proportionate to our conviction.

We envision building a strong foundation for a rising biotechnology community at Stanford University and the surrounding Bay Area. Our alumni will go on to work at or build startups, consulting firms, and investment funds, so the partnership will have extensive professional connections. Mythos will serve as fertile grounds for the next generation of biotechnology innovation.

As always, please reach out to the management team if you have questions or concerns.

Sincerely,

Mythos Management

Vandon Duong
Fund Manager

Naomi Pacalin
Executor

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Executor

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