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Week 14 Portfolio Reassessment and Action Plan

Restated Rules

- **Budget Discipline:** Use only existing portfolio value (no new capital). Track cash carefully; after each trade, update the cash balance.
- **Execution Limits:** Trade **common stocks only**, in whole share quantities. **No** options, shorting, leverage, margin, or derivatives. Long-only positions.
- **Micro-cap Universe:** Focus on U.S. micro-cap stocks **under $300M market cap**. Must **verify market cap** is below $300M at last close for any new buy. (Existing holdings that have grown beyond $300M may be held or sold, but not added to.)
- **Risk Control:** Adhere to stop-loss levels and prudent position sizing. Every long position should have a stop-loss order set. Immediately flag if any position violates risk constraints (e.g. oversize weighting or stop hit).
- **Trading Cadence:** This is the weekly deep-research review. We may add new positions, exit or adjust current holdings, or rebalance as needed. All decisions aim to optimize **risk-adjusted returns** under the above constraints.
- **Autonomy:** We have full discretion to make portfolio changes in the best interest of generating alpha (excess returns) while respecting the rules above.

Research Scope

For this week's analysis, we performed extensive research on both current holdings and potential new candidates:

- **Portfolio Events:** Reviewed recent news on current holdings. In particular, we examined the **Fortress Biotech (FBIO)** outcome: The FDA issued a **CRL (Complete Response Letter)** for FBIO's Menkes disease drug on Sept 30, causing the stock to plunge ~33% [1] and trigger our stop-loss exit. We also updated information on **Aldeyra (ALDX)** – confirming its upcoming FDA decision date and partnership dynamics [2] – and on **Spero Therapeutics (SPRO)** – confirming progress with its GSK-partnered antibiotic [3].
- **Catalyst Scan:** Searched FDA calendars and biotech news for **upcoming catalysts** (PDUFA dates, trial readouts, etc.) among sub-$300M market cap companies. We consulted sources like RTTNews FDA calendar and CheckRare's orphan drug list to identify Q4 2025 regulatory decisions. We also scanned investor news and company releases for Phase 2/3 data timing. This led us to consider names like **Capricor Therapeutics (CAPR)** (DMD therapy data due mid-Q4) [4], **OKYO Pharma (OKYO)** (strong Phase 2 data in ocular pain) [5], **Tiziana Life Sciences (TLSA)** (novel intranasal immunotherapy with multiple Phase 2 programs) [6] [7], and others.
- **Liquidity & Fundamentals:** For each candidate, we verified market caps, trading liquidity (average volume, spreads), and any recent financing or risk factors. We cross-checked that selected tickers have sufficient daily volume to enter/exit without excessive slippage given our small order sizes.
- **Risk Assessment:** We revisited our risk management approach post-FBIO loss. We evaluated the binary event risk of ALDX's upcoming FDA decision versus more incremental catalyst plays. We

looked to diversify the catalyst calendar (so not all positions hinge on one event) and to adjust stop levels to protect against outsized drawdowns.

All information gathered has informed the decisions and orders below, with citations to key data points where relevant.

Current Portfolio Assessment

Ticker	Role in Strategy	Entry Date	Avg. Cost	Current Stop	Conviction (1-5)	Status / Notes
ALDX (Aldeyra Therapeutics)	*Mid-term FDA catalyst + buyout potential.* Lead drug **Reproxalap** NDA accepted; FDA decision due Dec 16, 2025 [2]. AbbVie holds option to license post-approval [2].	~Jul 2025	$4.95	$4.00 (old) *(Proposed update: $5.00)*	4 (High)	**Hold/Trim:** PDUFA in ~10 weeks. Stock ~$5.74 now after NDA acceptance momentum. Market cap ~$345M [8] (above micro-cap threshold, so no add-ons allowed). Conviction remains high for approval (JonesTrading assigns ~85% success probability [9]), but we plan to **trim to reduce binary risk**. Stop raised to $5.00 to lock in profits and limit downside.

Ticker	Role in Strategy	Entry Date	Avg. Cost	Current Stop	Conviction (1-5)	Status / Notes
SPRO (Spero Therapeutics)	*Longer-term turnaround with Big Pharma backing.* Developing oral antibiotic **tebipenem HBr** for cUTI, partnered with GSK [10]. Phase 3 trial met endpoint early [3]; NDA filing expected in H2 2025 (FDA decision likely 2026).	~Aug 2025	$1.89	$1.65	4 (High)	**Hold:** Steady progress; stock ~$2.05. Market cap ~$115M, ample room. GSK partnership de-risks funding and increases approval odds. We see upside as NDA submission/ acceptance news approaches. Current stop $1.65 (≈20% below) remains in place to safeguard against unexpected dips, while allowing volatility. Conviction is high given strong Phase 3 data and undervaluation.

Ticker	Role in Strategy	Entry Date	Avg. Cost	Current Stop	Conviction (1-5)	Status / Notes
~~FBIO~~ (Fortress Biotech)	*Near-term binary FDA bet (Menkes disease)* – **Position was fully exited** on 10/1 after FDA **rejection (CRL)** of CUTX-101.	Sept 2025 (exit 2025-10-01)	$2.85 (est.)	$2.50 (triggered)	–	**Exited: Stop-loss hit** as stock fell ~30% on CRL news [1]. Position closed to prevent further downside. This outcome underscored portfolio risk in binary catalyst plays. Capital from the sale (~$16) is now redeployed into new opportunities with more favorable risk/ reward.

Key: Conviction is our confidence level (5 = highest). "Status" notes any rule exceptions. (ALDX is >$300M cap now, allowed to hold/sell but not to buy more.)

Overall, the portfolio prior to new moves consists of two biotech positions (ALDX, SPRO) totaling ~$61 in value, plus ~$20.33 cash. The **portfolio value** has rebounded to about **$101.7** (from ~$57 at the drawdown low on 10/1), but still trails the ~$108 if fully in S&P. Our aim is to close this gap by year-end through careful catalyst plays while **mitigating risk** after the FBIO loss.

Candidate Set

After research, we identified several micro-cap stocks with upcoming catalysts or strong upside potential. Below is our candidate list with thesis and notes:

- **OKYO Pharma (OKYO)** – *Ocular pain Phase 2 winner.* Developing **ostensibly first-in-class therapy** (URK (Urcosimod)) for neuropathic corneal pain and dry eye. **Catalyst:** Posted **strong Phase 2 topline data** in July for corneal neuropathic pain [5]. FDA granted Fast Track status [11]. Planning an FDA meeting on next steps (possible Phase 3 or accelerated path) and recently secured ~$1.9M non-dilutive funding [5]. **Liquidity:** Market cap ~$120M, ~100k avg volume (moderate). Thesis is that positive Phase 2 results plus Fast Track could attract a partner or further regulatory designations. High upside if development progresses; risk is that it's still early-stage (needs Phase 3).
- **Tiziana Life Sciences (TLSA)** – *Innovative neuro-immunology play.* Lead asset **Foralumab** (intranasal anti-CD3 mAb) for CNS diseases. **Catalysts:** Multiple Phase 2 trials ongoing – in **non-active**

progressive MS (dosing commenced at academic centers) [6], and an IND cleared for **ALS** (with ALS Association support) [12]. Also reported an **Alzheimer's patient case** where intranasal foralumab markedly reduced neuroinflammation on PET scan [7] and showed an "unexpected" increase in amyloid-clearing cells [13]. These findings hint at broad potential. Stock is +228% YTD [14] (momentum from these developments), now ~$1.97 (~$220M cap). **Liquidity:** ~200k avg volume. Thesis: TLSA offers a platform-like approach with multiple shots on goal (ALS, MS, Alzheimer's) and novel delivery; further trial updates or partnerships (the ALS trial is partly funded by grants) could drive another leg up. Risk: data is early and the path to approval is longer-term; stock volatile with past swings ($0.78 to $2.50 this year [12] [15]).

- **Capricor Therapeutics (CAPR)** – *Near-term pivotal data (DMD).* Developing **Deramiocel**, a cell therapy for Duchenne muscular dystrophy. **Catalyst:** After a July 2025 CRL (FDA requested more data), CAPR **completed its HOPE-3 Phase 3 trial** and expects **top-line results by mid-Q4 2025** [4]. Positive data could enable BLA resubmission and a clear path to approval (FDA signaled "regulatory flexibility" to review HOPE-3 data quickly [16]). Market cap ~$335M (just above our $300M limit), stock ~$7.36 with high recent volatility. We love the setup – a binary event with potentially strong upside if results replicate earlier trials – but **Rule Check:** CAPR's cap is slightly >$300M [17], so **we cannot initiate a new position** per our micro-cap mandate. We will monitor it from the sidelines as a reference.
- **IO Biotech (IOBT)** – *Pivotal trial miss (not selected).* Developer of cancer vaccines (Keytruda combo in melanoma). It had a major Q3 catalyst: Phase 3 readout in advanced melanoma. **Outcome:** Trial did **not meet the primary endpoint significantly**, though a subset showed benefit [18]. The stock collapsed (from ~$2.40 in July to ~$0.48 now [19]). We considered a contrarian buy (they still plan to seek approval despite the miss [18]), but **elected to pass** – the catalyst passed and the thesis now hinges on FDA leniency, which is highly uncertain. Liquidity is okay, but risk of further decline or dilution is high. We prefer candidates with clearer positive catalysts.

Other Notables: We also screened a few non-biotech micro-caps to potentially diversify (e.g. small-cap tech or specialty pharma). However, none offered as compelling near-term catalysts or were outside our circle of competence. Given the short timeframe remaining, we stick to our biotech catalyst strategy but with improved risk management.

Portfolio Actions

Based on the above, we propose the following actions on the portfolio:

- **Keep SPRO: Maintain** our position in Spero Therapeutics. Rationale: Continued conviction in its undervaluation and upcoming NDA catalyst (with GSK's backing). The stock is trending upward post-Phase 3 success. No change to holding size. Stop-loss $1.65 remains (no trigger; allows the thesis to play out).
- **Trim ALDX: Reduce** Aldeyra Therapeutics from 6 shares to 3 shares. Rationale: ALDX has run up (+16% from our cost) and now exceeds our micro-cap size criterion. We still believe in the December PDUFA approval potential (and possibly an AbbVie deal) [2], so we **keep a half-position** to participate. However, this catalyst is a binary event that could cause a large drop if negative. Trimming locks in some profit and cuts exposure to an FDA surprise. We will also **raise the stop** (from $4.00 to $5.00) on the remaining shares to protect gains.
- **Exit FBIO:** *[Already executed]* – Fortress Biotech was fully **exited** when its stop hit on 9/30 post-CRL. No further action needed except to reallocate freed cash (addressed below). This is noted for completeness and learning – the planned stop did its job limiting downside.

- **Initiate OKYO: Buy** a new position in OKYO Pharma. Rationale: Add exposure to an *early-stage catalyst winner*. OKYO's Phase 2 data in corneal pain de-risks the program and fast-track status could expedite development [11]. We expect news on FDA guidance or a partnership in coming months. The stock pulled back from highs, offering a reasonable entry (~35% below its Aug peak [20]). This diversifies our catalyst timeline (OKYO's next catalyst likely Q4 2025/Q1 2026, after ALDX's PDUFA). We will size it modestly given clinical stage (approx 20% of portfolio) and set a stop to cap risk.
- **Initiate TLSA: Buy** a new position in Tiziana Life Sciences. Rationale: Diversify into a multi-catalyst **platform-like** story in neuro/autoimmune diseases. TLSA's intranasal foralumab has shown proof-of-concept signals in MS and Alzheimer's patients [7]. With multiple trials ongoing in 2025 and significant YTD momentum, the stock could continue to re-rate on any positive interim updates or external validation. We view it as a **high-risk, high-reward** addition, balanced by our other holdings. Position size will be similar to OKYO (slightly under 20% of portfolio). A wider stop is set due to volatility.
- **No Action on SPRO Add:** We discussed potentially adding to SPRO (given its solid fundamentals and moderate risk). However, with limited cash, we prioritized new names to broaden the portfolio. SPRO remains ~one-quarter of the portfolio – a healthy weight. We will **hold steady** and revisit adding if future cash is freed or if conviction grows even further.
- **No Other Adds:** We considered CAPR and IOBT, as noted, but ruled them out (CAPR fails size criteria; IOBT catalyst passed with disappointing results). No non-biotech adds met our criteria this week.
- **Cash Management:** These trades will nearly utilize our available cash (we project a minimal ~$1 residual cash after orders). This is intentional to put idle cash to work. We retain a very small cash buffer; going forward, any *new* buys would likely be funded by trimming another position or if a stop-loss hits and frees capital.

In summary, the portfolio will transition from 2 holdings to **4 holdings**: retaining a slimmer ALDX and our full SPRO, and adding OKYO and TLSA. This spreads our bets across multiple catalysts (FDA approval, NDA filing, Phase 2/3 updates) rather than one binary event, aligning with a more balanced risk approach.

Exact Orders

Below are the **exact trade orders** for the above actions. All limit orders are set close to current market prices to seek execution on the next trading day without overpaying or underselling. We use **DAY** orders (expire end of day if not filled) for agility, except stop orders which remain in force until triggered or manually adjusted (noted as GTC where applicable):

Action	Ticker	Shares	Order Type	Limit Price	Time in Force	Intended Execution Date	Stop Loss (if applicable)	Instructions / Rationale
Sell (Trim)	ALDX	3 shares	Limit (DAY) – Sell	$5.60	DAY	2025-10-06	*(Stop GTC on remaining 3 @ $5.00)*	Trim half of ALDX position to take profit and reduce binary risk. Limit $5.60 is slightly below last close ($5.74) to ensure execution if price softens. The new stop-loss $5.00 (GTC) on the remaining shares locks in a gain and will trigger if ALDX falls ~13% from current levels (protecting from any pre-PDUFA rumors or sell-off).

Action	Ticker	Shares	Order Type	Limit Price	Time in Force	Intended Execution Date	Stop Loss (if applicable)	Instructions / Rationale
Buy (Initiate)	OKYO	10 shares	Limit (DAY) – Buy	$2.10	DAY	2025-10-06	$1.60 (Stop GTC)	Initiate a position in OKYO Pharma. Limit $2.10 is just above last trade (~$2.05) to allow for any small uptick at open and still fill. Stop-loss at $1.60 (GTC) is ~23% below entry – below recent support levels – to cap downside. This stop is wide enough given OKYO's volatility, yet protects against a return to pre-news price.

Action	Ticker	Shares	Order Type	Limit Price	Time in Force	Intended Execution Date	Stop Loss (if applicable)	Instructions / Rationale
Buy (Initiate)	TLSA	8 shares	Limit (DAY) – Buy	$2.00	DAY	2025-10-06	$1.50 (Stop GTC)	Initiate position in Tiziana Life Sciences. Limit $2.00 aligns with last closing price (~$1.97) for a reasonable fill. Stop-loss at $1.50 (GTC) is ~24% below entry, beneath the mid-summer pullback low (~$1.62 in May [13]). This wider stop accounts for TLSA's volatility and ensures we don't get whipsawed on normal fluctuations.

Action	Ticker	Shares	Order Type	Limit Price	Time in Force	Intended Execution Date	Stop Loss (if applicable)	Instructions / Rationale
Stop-Loss Update	ALDX	*(3 sh remain)*	**Modify Stop** (GTC)	$5.00 (stop)	GTC	–	–	Raise stop on remaining ALDX shares from $4.00 to **$5.00**. This order will sell those 3 shares at market if ALDX touches $5.00, securing a profit. Rationale: ALDX has moved up, and $5 is a logical support/ round-number – a breach would signal weakening momentum, so we'd exit. (This replaces the prior $4 stop.)

Action	Ticker	Shares	Order Type	Limit Price	Time in Force	Intended Execution Date	Stop Loss (if applicable)	Instructions / Rationale
Stop-Loss (maintain)	SPRO	13 shares	*Stop (GTC) – no change*	$1.65 (stop)	GTC	–	–	No change to SPRO stop-loss at $1.65. This GTC stop remains in place from earlier, roughly 20% below current price. It will trigger an exit only if a significant drop occurs, guarding against unforeseen negative developments while giving SPRO room to fluctuate.

Special Execution Notes: All limit orders are **DAY** orders for 10/06/2025, intended to execute during the regular trading session. We chose limit orders to control prices: ALDX trim uses a limit slightly below market to prioritize getting it sold (we don't mind a few cents less to ensure the trade executes). For the buys, limit prices are set at or just above last closing prices to balance getting in promptly versus not chasing if price spikes. Given the low liquidity of these micro-caps, we avoid market orders to prevent any surprise fills at poor prices – instead we're willing to wait intraday for our limit. If any buy does not fill on 10/06, we will reassess and can convert to GTC or adjust the price in subsequent sessions.

Stop-loss orders are set as **Good-'Til-Canceled (GTC)** so that they remain active beyond the trading day, until triggered or manually revised. They are placed below key support levels as described, and sized to liquidate the full remaining position in each respective stock if hit. We will monitor these stops continuously.

After these trades, the portfolio will hold: ALDX (~3 shares), SPRO (13 shares), OKYO (~10 shares), TLSA (~8 shares), and minimal cash (~$1). All positions will have active stops in place.

Risk And Liquidity Checks

Concentration: The new allocation spreads risk more evenly. Post-trades, **no single position will exceed ~35%** of portfolio value. Approximate weights will be: SPRO ~33% (largest holding, ~$26 value), ALDX ~20% (after trimming, ~$17 value), OKYO ~20% (~$20 value), TLSA ~16% (~$16 value), with ~1% cash spare. This is

a healthier balance than last week, when FBIO alone was a large weight. We've reduced correlation among positions by mixing a near-term catalyst (ALDX) with medium-term ones (SPRO's NDA, OKYO's FDA interactions, TLSA's trial progress). This diversification lowers the portfolio's reliance on any single binary event.

Market Cap and Universe Compliance: We confirm that **all new buys are under $300M** market cap. OKYO ~$117M [21] and TLSA ~$220-250M [22] both qualify as micro-caps. (ALDX at ~$345M [8] is above the limit, but it was an existing position – per rules we can hold/trim but not add, and indeed we are only trimming it.) Thus, we remain fully within our defined universe – no rule exceptions taken.

Liquidity & Slippage: The planned trade sizes are **very small relative to average volume** for each stock:

- **ALDX:** 3 shares to sell vs. ~1.0M average volume – negligible <0.001% of ADV. We expect instant fill at our limit (bid-ask spread on ALDX is only a few cents [23]).
- **SPRO:** No trade (hold). Just noting 13 shares held vs. ~0.38M avg volume [24] – exiting via stop should pose no liquidity issue if it triggers.
- **OKYO:** 10 shares buy vs. ~0.1M volume – that is ~0.01% of ADV, effectively zero impact. OKYO's spread around $2 is a few cents; our limit $2.10 provides a cushion to get filled without paying beyond the recent trading range.
- **TLSA:** 8 shares buy vs. ~0.2M estimated volume – also trivial. TLSA trades around ~$2 with decent retail liquidity (the stock surged on news this year, indicating active trading interest). A $2.00 limit should fill without needing to hit any extreme ask.
- **Stops:** If triggered, the stop orders convert to market orders. Given the small share counts (e.g. ~10 shares OKYO, etc.), even a gapping scenario should get us out close to stop price. We acknowledge micro-caps can gap below stops on bad news, but our position sizes are so small that we accept the residual gap risk as a cost of doing business in this space.

Overall, **portfolio liquidity is robust** relative to our trade sizes. The **per-order volume multiples** are well under 0.1x daily volume for each trade, so we **do not expect any slippage or difficulty executing**. We also note that by using limit orders we avoid any surprise execution outside our acceptable price range.

Stop Risk: All positions now have stop-losses to limit downside. We have intentionally widened the stops on the new positions (20-25%) because of higher volatility; this means in a normal trading range these shouldn't trigger prematurely. However, they will **limit our loss** on each new position to roughly **$4-5** at most if things go wrong, which is about 4-5% of the total portfolio – acceptable single-position risk. The tightened ALDX stop ensures we won't round-trip our prior gain. The SPRO stop remains at a level that limits max loss on SPRO to ~$3 (if it fell to $1.65). We consider these worst-case single-position losses tolerable. No stop is within immediate reach as of now, so no position is on the verge of forced exit absent fresh news.

Risk Flags: With these adjustments, there are currently **no rule breaches** or risk limit issues. We've addressed the one flag (ALDX >$300M) by refraining from adding to it and actually trimming it. Position sizes are moderate, and cash usage stays within the budget. We will continue to monitor that no position grows too large either via price movement (a good problem to have, but we'd trim if one holding exceeds, say, 50% of the portfolio) or via additional buys.

Monitoring Plan

Going into the next week(s), we will actively **monitor news and price action** for each holding and adjust if needed:

- **Aldeyra (ALDX):** Watch for any FDA communications or analyst coverage as the **Dec 16 PDUFA** approaches. Particularly, any signs of regulatory delays or negative sentiment (e.g. FDA requesting an advisory committee or additional data) would be a warning – we might exit early if such risk emerges. Also watch **AbbVie's moves**; AbbVie's option window is tied to approval [2] – any indication AbbVie might exercise or extend its option could move the stock. We have a raised stop at $5.00 to automatically protect us if the stock weakens significantly before these catalysts. If ALDX rises on speculation, we may tighten the stop further or take more profits ahead of the FDA decision to de-risk.
- **Spero (SPRO):** Monitor progress toward the NDA filing. We expect an announcement that **NDA has been submitted** and/or accepted by FDA (perhaps in Q4 2025). Such news could lift the stock and might be a point to add or at least to reassess our price target. We will also track any updates on SPRO's pipeline or GSK partnership (e.g. milestone payments or GSK increasing its stake – all would be bullish). Risk-wise, watch SPRO's cash runway in the next earnings report (to ensure no dilution surprise). Our stop at $1.65 remains the fail-safe if something unexpectedly negative occurs. Otherwise, we plan to hold SPRO into the FDA submission and beyond, as the 2026 approval catalyst looms.
- **OKYO Pharma:** This is early-stage, so **news flow** is key. We are looking out for: scheduling of the FDA meeting (the outcome of which could be announced via press release) and any details on Phase 3 trial design or potential fast-to-market strategy. Also, any **partnership or licensing deal** for OKYO's drug would be a major upside trigger – larger ophthalmology players might show interest given the Phase 2 success. We will keep an eye on investor presentations or conference appearances by OKYO's management that might hint at next steps. On price action, OKYO has been range-bound ~$2 after its run-up; we'll observe if it builds support above $2. If it breaks down toward our $1.60 stop without news, we'll reevaluate whether the thesis is intact or if there's any negative development (e.g. trial delay) prompting the drop. Otherwise, we are prepared to hold through some volatility as long as the fundamental thesis (advancing toward Phase 3/partner) remains on track.
- **Tiziana (TLSA):** We will monitor multiple fronts given TLSA's broad pipeline. Notably: any interim data or updates from the **Phase 2 MS trial** (being run by Johns Hopkins/UMass, which could publish findings or at least safety updates), progress on the **ALS Phase 2 start** (any delays or the first dosing announcement), and additional case studies or expanded trials in Alzheimer's (they've publicized one patient's results; if they treat more patients or start a formal trial, it would be newsworthy). Additionally, we'll watch for any financing moves – TLSA's ambitious programs might require capital, and a dilutive offering could pressure the stock. We have a stop at $1.50 in case of a serious breakdown. Otherwise, we expect the stock could be catalyst-driven by science updates: positive signals could push it higher. We will especially follow the company's press releases and scientific conference presentations for unexpected breakthroughs (or setbacks). Given the stock's volatility, we'll also use technical levels (e.g. if it fails to hold $1.80 support or, conversely, if it breaks above $2.50 resistance) to inform any interim trimming or adding.
- **General Market and Sector:** Although our micro-cap biotechs are more event-driven, broad market sentiment can impact them (especially risk appetite for small caps). We'll keep an eye on indices like the Russell 2000 and any biotech sector news (e.g. regulatory policy changes, biotech funding environment) that could sway investor sentiment. For instance, a surge in biotech acquisitions or

positive trial results from similar companies could lift our holdings by sympathy. Conversely, if the biotech sector sells off sharply, we might tighten stops temporarily to avoid outsized losses. We will also monitor macro events (interest rate moves, etc.) just to be aware, but our main focus is stock-specific catalysts.

In summary, we have set **automated stops** for downside protection but will actively follow **news catalysts** for upside opportunities. If any stop-loss is hit, we'll immediately review whether to reallocate that capital or stay in cash, depending on the reason (fundamental failure vs. market noise). Our monitoring will ensure we react quickly to both opportunities (e.g. adding on positive developments or new catalyst plays) and risks (e.g. cutting a position if the thesis breaks).

Thesis Review Summary

After the Week 14 adjustments, our portfolio is composed of four micro-cap biotech positions, each with a clear catalyst-driven thesis:

- **Aldeyra Therapeutics (ALDX):** *PDUFA Play (High Conviction).* ALDX is approaching a critical FDA decision for its dry eye disease drug **Reproxalap** (Dec 16 PDUFA) [2]. We expect approval given the additional positive trial data submitted, and a potential **surprise upside** if AbbVie exercises its partnership option shortly after [2]. However, due to the binary nature of FDA outcomes, we prudently trimmed our stake to reduce risk. We still retain a core holding to capture significant upside if approval comes (analysts' average target ~$9.50 [25]), while our raised stop will protect capital in case of any adverse signals. In essence, ALDX remains our **medium-term catalyst cornerstone**, but with risk now balanced relative to the rest of the portfolio.

- **Spero Therapeutics (SPRO):** *Under-the-Radar Value with Catalyst on Horizon.* SPRO provides balance as a **lower-risk, longer timeline** play. The company, with GSK's backing, successfully completed Phase 3 for oral antibiotic **tebipenem HBr**, addressing a big unmet need in complicated UTIs [26]. Our thesis is that this partnership-funded program will culminate in an FDA approval (likely in 2026), but well before then, the stock can rerate upward on intermediate catalysts – notably the **NDA filing and acceptance** news anticipated in late 2025. Meanwhile, SPRO's ~$2 share price and ~$110M market cap don't reflect the de-risking that has occurred. We see a potential for steady gains as the market realizes GSK is essentially validating SPRO's drug (and as any additional pipeline updates or GSK-related developments emerge). We maintain a high conviction here and see SPRO as the **steady compounder** of the portfolio, with less binary risk. The stop at $1.65 shields us from any unexpected negative change (e.g. a regulatory delay or broader biotech sell-off), but otherwise we are content to ride this one through the NDA milestone and beyond.

- **OKYO Pharma (OKYO):** *Emerging Catalyst – Phase 2 Winner in Ocular Disease.* We initiated OKYO as a new position representing the **early clinical catalyst** category. OKYO's compelling Phase 2 results in neuropathic corneal pain demonstrated efficacy in a condition with no approved treatments [5]. This gives the company multiple strategic options: they could advance to Phase 3 on their own, or (what we're hoping) **attract a partner** or buyout from an ophthalmology-focused pharma looking to expand into pain management. The Fast Track designation underscores the FDA's interest [11]. Our thesis is that within the next quarter or two, we'll get **clarity on OKYO's path** – an FDA meeting outcome or partnership announcement could be a catalyst that revalues the stock upward. We have a moderate position here given the higher risk (drug development still in mid-phase), and a well-

defined stop at $1.60 to cap our downside. If the story progresses positively (for instance, if OKYO announces a pivotal trial plan that the market likes, or non-dilutive funding like grants), we could see a substantial upside. In summary, OKYO adds an **asymmetric opportunity** – limited loss potential (small position + stop) versus multi-bagger upside if their program continues to succeed.

- **Tiziana Life Sciences (TLSA):** *High-Reward Pipeline Bet with Ongoing Trials.* TLSA is our **innovative wildcard** play. Its intranasal foralumab approach – modulating the immune system through nasal administration – is a unique strategy that showed hints of promise in early studies (from MS functional improvements [6] to an Alzheimer's case study showing reduced inflammation [7]). We entered TLSA because it sits at the crossroads of multiple major disease areas; any significant positive readout (even interim Phase 2 data in MS or a clear efficacy signal in ALS) could attract major attention (and partnership interest, since Big Pharma is keen on neuroimmunology). The stock has already had momentum this year, which we interpret as validation of its potential. Our thesis is that **news flow will remain strong**: with three ongoing programs (MS, ALS, Alzheimer's), the likelihood of at least one notable update in the coming months is high. Those incremental catalysts can keep a positive drumbeat, and we want to be positioned before the next one hits. We acknowledge TLSA as the riskiest holding (early stage, and the science, while exciting, is unproven at scale). Thus, we sized the position smaller and set a wider stop. If the thesis plays out, even partially (say, a successful interim result in MS), the upside could be significant given the unmet need and the fact it's still under a $300M cap. In sum, TLSA is our **"multiple shots on goal" bet** – we only need one to score for the stock to climb, and we'll manage the risk tightly in case none pan out.

Next Week Outlook: Our portfolio is now positioned with a blend of catalyst timings: one immediate-term (ALDX FDA decision), two medium-term (OKYO FDA meeting/partnership and SPRO NDA news), and one ongoing long-term story (TLSA's pipeline progress). We have **learned from the FBIO setback** – hence the diversification and risk trimming. The overall thesis remains that the small-cap biotech space can deliver outsized gains as catalysts hit, especially in a market that is starting to reward clinical progress again. Each of our holdings embodies that principle in a different way.

We will carry forward with vigilant monitoring and disciplined execution. With proper risk controls now in place (stops and balanced exposure), we aim to participate in the **upside surprises** that these names may deliver, while guarding the downside. The focus is on closing the performance gap with the S&P 500 by the experiment's end, and we believe our restructured portfolio puts us on a stronger footing to do so, as it only takes one or two positive catalysts to significantly boost our equity from here. We are prepared to adjust quickly as news arrives, but confident that our current lineup maximizes the probability of favorable outcomes in the coming weeks.

Confirm Cash And Constraints

After executing the above orders, we **project the cash balance to be approximately $0.63**. This assumes the ALDX trim yields ~$16.80 (3 * $5.60) and the OKYO/TLSA buys consume ~$20.50 and ~$16.00 respectively, starting from $20.33 cash. Essentially, we are deploying nearly all idle cash into the new positions (leaving just a nominal amount). This is within our budget (no new capital introduced). We will track the cash precisely; any small residual cash will remain for emergency flexibility or to cover transaction fees (if any). All positions adhere to the rules: we did not purchase anything above $300M cap (ALDX is above $300M but we only sold it, no additions). We used only limit orders and GTC stops – standard execution practices, no complex instruments.

To reiterate, **all constraints have been respected**: the portfolio is long-only equity, fully within the micro-cap universe (with the one allowable exception of holding an appreciated ALDX), and does not employ margin or short positions. Each trade was sized modestly relative to liquidity to avoid market impact. Risk from any single position has been constrained via sizing and stop-loss placements. We are confident that the portfolio is now positioned to optimize risk-adjusted returns under these strict rules, and we will continue to abide by them in the coming weeks.

The plan above provides a comprehensive roadmap for Week 14's adjustments, and we will proceed with the orders as specified, barring any major overnight news. Let's execute and then vigilantly watch for the catalysts to unfold. [2] [3]

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