The Biotechnology Sector Is Clearly Outperforming “Big Pharma”

View from the Observation Deck

1. From 1995-2014, biotechnology stocks outperformed their pharmaceutical counterparts in 13 of the 20 calendar years (see chart).
2. Over that 20-year period, the NYSE Arca Biotechnology Index posted an average annual return of 20.55%, compared to 12.00% for the S&P 500 Pharmaceuticals Index, according to Bloomberg.
3. When you break down the 20-year period into two decades, it shows two things: the outperformance of biotechnology stocks has been consistent and its average annual total returns were fairly consistent.
4. From 1995-2004, the NYSE Arca Biotechnology Index posted an average annual return of 20.80%, compared to 14.24% for the S&P 500 Pharmaceuticals Index, according to Bloomberg.
5. From 2005-2014, the NYSE Arca Biotechnology Index posted an average annual return of 20.29%, compared to 9.81% for the S&P 500 Pharmaceuticals Index, according to Bloomberg.
6. Year-to-date through 7/20, the NYSE Arca Biotechnology Index posted a total return of 28.95%, compared to 11.11% for the S&P 500 Pharmaceuticals Index, according to Bloomberg.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The NYSE Arca Biotechnology Index is an equal-dollar weighted index designed to measure the performance of a cross section of companies in the biotechnology industry. The S&P 500 Pharmaceuticals Index is a capitalization-weighted index that tracks the performance of the pharmaceutical companies in the S&P 500 Index.