

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Coverage Termination



Aethlon Medical

(NASDAQ: AEMD)

Report Date: 05/23/23

Closing Price at Coverage Termination (Closing Px: 05/22/23) \$.32

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Disclosure: Portions of this report are excerpted from Aethlon Medical's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We initiated coverage of Aethlon in July 2020 at \$2.14, in what was the emergence of the pandemic. About 11 months later, with the stock trading at \$10.79 we downgraded the allocation based on the price appreciation. We later re-upped the allocation, which turned out to be a mistake. That noted, we have some observations.

Recognize, we covered Aethlon for some time under a prior label, several years ago, but our thesis has largely been the same throughout. That is, we believe they have a technology that can save the lives of people who have been exposed to viruses, which we believe likely includes all glycosylated viruses which we think in turn includes all the viruses known to infect man. The Company's Hemopurifier has demonstrated efficacy in treating moribund patients with (differing) highly lethal viruses and saving their lives. In retrospect our enthusiasm for the stock over much of our history with the name has centered on the notion that someday the world would likely have to face a viral pandemic and the Hemopurifier could play a marked role in helping mitigate that disaster. In short, unfortunately that scenario played out but unfortunately for what we think are a variety of reasons, none of which have much to do with the Hemopurifier's efficacy, Aethlon was unable to demonstrate the technology in any measurable or meaningful clinical scale. Again, we think there are several reasons for that, but the fact remains the pandemic created an opening for Aethlon to gather clinical results that we think could have led to an FDA approval for their technology. As it turned out, that opening (enrollment) never occurred and our fear is that their opportunity to demonstrate the efficacy of the technology to treat viruses may have come and gone. Granted we recognize they are still currently treating COVID patients in India but again we are skeptical about those efforts providing the necessary basis for clinical results that could lead to an approval. By the way we hope we're wrong about that, but historically, from our vantage point, they have not been able to get meaningful cooperation from the industry, so we are not sure why or how that is going to change.

In short, we think the roadblocks that have ostensibly been placed in front of their technology are a shame. In our view, if the Company had been allowed to deploy the technology in some of the dire COVID hotspots around the world during the worst of the pandemic, it would have saved lives. Frankly, it is disheartening.

On the other hand, as we have also covered in prior research, the Hemopurifier has also demonstrated success filtering exosomes out of the blood, and exosomes have been implicated in various diseases including perhaps cancer. The Company is currently conducting combination clinicals with other approved cancer therapies to see if they can improve outcomes with those combinations. It is certainly possible that Aethlon could achieve success in that regard, which would of course create a marked valuation catalyst for the shares. However, our sense is that path will require more time and it will require more money which unfortunately probably means considerably more dilution. As a result, while we have been big fans of Aethlon Medical for a very long time, our patience and corresponding frustration have run their course. We are terminating our coverage of Aethlon Medical.

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.