

**To: Investor Partners of Castlereagh Equity Pty Ltd**

**From: Peter Phan**

**Date: 30 September 2021**

**Re: Monthly Update**

---

	CE	CE ex-fees	XAOA	CE ex fees vs XAOA	XAO	CE vs XAO	CE Net Asset Value
1/11/13 to 30/9/21	206%	183%	94%	89%	41%	165%	232 cents*
1/11/13 to 31/1/15	6.2%	6.2%	7.7%	-1.5%	2.4%	3.8%	106.2 cents
1/2/15 to 29/1/16	19.4%	16.4%	-4.7%	21.1%	-9.2%	28.6%	126.8 cents
1/2/16 to 31/1/17	19.7%	16.3%	17%	-0.7%	12.5%	7.2%	151.8 cents
1/2/17 to 31/1/18	9%	8.3%	13%	-4.7%	8.3%	0.7%	146 cents
1/2/18 to 31/1/19	0%	0%	0.6%	-0.6%	-3.4%	3.4%	139 cents
1/2/19 to 31/01/20	65%	51.7%	25%	26.7%	20.3%	44.7%	229 cents
1/2/20 to 29/1/21	20%	16.5%	-0.7%	17.2%	-3.8%	23.8%	253 cents
1/2/21 to 30/9/21	3%	3%	14.5%	-11.5%	11%	-8%	232 cents

To aid in understanding the tables above:

1. CE commenced on 1 November 2013 with shares issued at \$1 per share, backed by \$1 of cash per share.
2. The first row of the table above provides a summary of CE's performance since its commencement on 1 November 2013 until the date of this memorandum. It also compares CE's performance with the benchmark All Ordinaries index (XAO) and the All Ordinaries Total Return Index (XAOA) over the same period.
3. The second row of the table provides a summary of CE's performance for its first reporting period (15 months period from 1 November 2013 to 31 January 2015).
4. The third row of the table (and subsequent rows) provides a summary of CE's performance for its reporting period (12 months period from 1 February to 31 January).
5. The last row of the table provides a summary of CE's performance for its current reporting period (period commencing 1 February 2021 to the date of this memorandum).
6. \*CE NAV is after payment of dividend and director fees in calendar month February of each year. These payments "reset" the NAV as follows:
  - (a) 1.52 to 1.34 in Feb 2017,
  - (b) 1.46 to 1.39 in Feb 2018,
  - (c) 1.39 to 1.39 in Feb 2019.
  - (d) 2.29 to 2.10 in Feb 2020.

(e) 2.53 to 2.25 in Feb 2021.

The XAO started at 5420 on 1 November 2013 and ended at 7630 on 30 September 2021. In percentage terms, the XAO gained 41% for the 95 months period since the start of the CE fund.

The XAOA started at 44054.2 on 1 November 2013 and ended at 85502 on 30 September 2021. In percentage terms, the XAOA gained 94% for the 95 months period since the start of the CE fund.

CE's performance over the same 95 months period is 206%.

For the month of September 2021, the XAO dropped 2.5% and the XAOA dropped 1.5%. CE dropped 1.3% for the month.

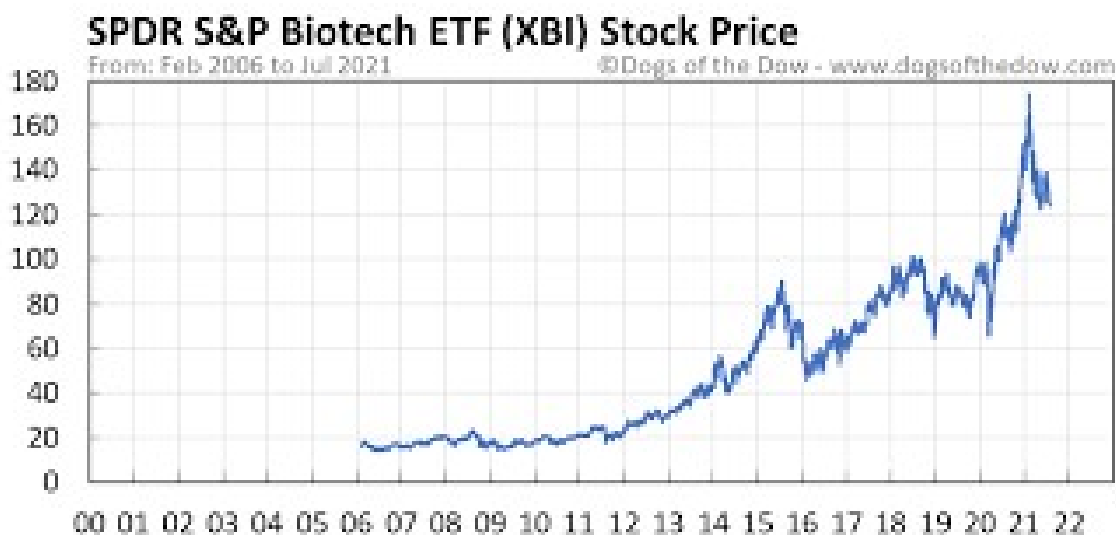
The cash component of the CE fund is 42%.

### **Commentary**

September 2021 continued in lockdown with some light at the end of the tunnel. At the time of writing, NSW double dosed vaccinated stood at 64%. I look forward to the end of lockdown so that I can commence meetings with domain experts.

I continued ploughing ahead in the life sciences. It is very clear that a lollapalooza confluence of events has placed biological life sciences as one of the major trends ahead. Computing, machine learning and miniaturisation have all enabled useful tools and techniques in turbocharging the quest for knowledge and operational mastery of living matter. Harnessing the efficient processes of biology to live sustainably is now urgent in view of continued climate change and pollution coupled with population growth.

My view of the importance of the life sciences is not unique. In fact, it has been recognised by the market for quite some time. Below is the chart for the S & P Biotech Index ETF, which will be an increasingly relevant benchmark for CE's performance:



Inevitably, a veritable cornucopia of IPOs and capital raisings occurred. As at the time of the writing, the market is still digesting the IPO of Ginkgo Bioworks, now trading at a market capitalisation of USD\$22 billion supported by a measly USD\$100m of revenue.

As you can see from the chart, the biotech index has been steadily falling since the start of the year and continues to fall as I write. This is fortunate for us as valuations are becoming more reasonable. I have been able to nibble bits and pieces here and there as prices continue to drop from stratospheric levels. Many names are still very expensive. Pre-revenue businesses are regularly valued in the billions, and revenue generating businesses command lofty sales multiples of 50x to many hundreds (Ginkgo Bioworks is on 220x sales).

Many of the stocks on our radar are absolutely fantastic businesses with dedicated and capable management. They range from DNA manufacturers, computational drug discovery platforms, hospital analytics software providers, to unique drug developers. The runway for most of these businesses will be multi-decadal. The potential impact of their activities for the wellbeing of humankind will be significant.

You and I will be part of this.

Thank you for your trust and confidence in us.

Regards  
Peter Phan  
Director, Castlereagh Equity Pty Ltd