

Returns

As at 30 June 2022	1m %	3m %	1y %	3y %pa	5y %pa	Inception %pa (Nov13)
Castlereagh Equity	-0.5	-4	-14.3	15	13.5	13
All Ordinaries	-9.5	-13.4	-11	0.23	3.2	NA
XBI	8	-17	-45	-5.3	-0.7	NA

Portfolio Composition

NAV per share	% in Cash	% shares in USD	% shares in AUD
1.71	48	20	32

Commentary

Month of June witnessed a bear market worldwide. Curiously, the Biotech Index staged a rally against the trend. The effects of both sort of cancelled each other. This is somewhat reflected by the CE portfolio which stayed flat for the month.

We continued selling our ASX positions, redeploying the proceeds into US life sciences companies. Together with the mini rally in biotech, our USD exposure increased from 12% to 20%, and AUD shares exposure decreased from 36% to 32%. We were net buyers in June, and this resulted in a slight decrease in our cash holdings.

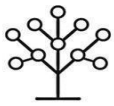
I continue to be wary of a bear market rally, and I have continued to resist the urge of chasing higher prices. The swift and brutal flight of capital from the life science sector, and niggling supply chain issues, are likely to impact the near-term business performance of most companies in the sector. We will get confirmation of this in the next quarterly reporting period in late July and early August. My expectation is that the best in breed companies that we own will weather these short-term headwinds better than their lesser quality counterparts, and emerge stronger once these conditions pass.

Life Sciences Portfolio

We got lucky in June when one of our holdings, Turning Point Therapeutics (TPTX), announced a takeover bid by Bristol Myers Squibb at a large premium to the traded share price. My investment rationale for TPTX some 9 months ago was based on a bullish outlook for their capabilities in developing smaller second generation oncology drugs (small molecule inhibitors) to address increasing resistance to first generation drugs. If executed well, TPTX could create a platform-like technology.

TPTX was a smallish position which generated 30% returns over 9 months, resulting in about 1.5% returns to the CE portfolio. I did not make the position bigger because I was waiting for further evidence that a platform-like technology was emerging. Otherwise, this would be another binary drug-developer play with all the attendant risks, an approach ill-suited for CE.

ABCL (part of the industrialised drug discovery basket) continues to accrue royalties from the sale of COVID treatment drugs. The US government ordered a further 150,000 doses worth \$275m, from which ABCL royalties will be roughly \$55m. This is on top of over \$200m of royalties earned last quarter. The current cash balance of ABCL stands at over USD\$1.1b.



I have also commenced a small position in a company operating in a sector I broadly classify as cell engineering. The company is attempting to create a master bank of human cells which are modified to exhibit desired therapeutic characteristics, such as immune evasion and immune suppression. The objective is to be able to take cells from the master bank and then further modify them for specific treatments, for example blood cancer or inflammation. Once again, the investment rationale is based on the ability to create a platform-like technology. The position is very small, as the company is still at a very early stage, with human trials due to start in the next few months. Our entry price is below the current cash backing for the company.

I continue to investigate software companies, specifically those involved in providing solutions to achieve better, faster and cheaper human clinical trials. Together with the industrialised drug discovery area, these software solutions address the major issues of costs, delay and efficacy in the drug discovery and development chain. As a recap, to date, discovery and development of a new drug takes about 10-15 years and costs between USD\$1b to USD\$2b. The failure rate in drug discovery is an abysmal 95%, which is not much better than random choices.

Apart from the above, I await further news of the IPO of LanzaTech (conversion of waste gases into hydrocarbons using microbes) and PivotBio (nitrogen fixing microbes as a supplement or replacement for fertilisers). Given the state of the capital markets, further delays are expected.

I believe conditions continue to favour deployment of CE capital into the US life sciences sector. For any investor partners with spare capital, I believe the time is right to consider adding to your shareholding. Please note that the contrarians are now getting into this sector. ARCH has initiated a \$3b fund, and Platinum's CEO has also started a special EU fund to capitalise on opportunities in this sector.

Thank you for your trust and confidence in us.

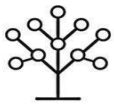
Regards
Peter Phan

Portfolio Manager



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Appendix 1: Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	XAO	XBI
2022	-5.5	0	0.5	-4.5	1	-0.5							-8	-13	-34

XAO= All Ordinaries Index

XBI= S&P Biotech ETF

Appendix 2: Top 5 Holdings= 36% of total portfolio

Company
Beamtree
Smartpay
Industrialised Drug Discovery Basket
Fiducian
Suppliers of Tools Basket

*note: holdings not ranked in any order