

## Returns

As at 28 February 2023	1m %	3m %	1y %	3y %pa	5y %pa	Inception %pa (Nov13)
Castlereagh Equity	2	3.5	2	6	12.7	11.6
All Ordinaries	-3	0	2	4.6	4	3.6
XBI	-7.6	0	-7.7	-2.4	-2	NA

## Portfolio Composition

NAV per share	% in Cash	% shares in USD	% shares in AUD
1.68*	52	14	34

## Commentary

CE enters its 10<sup>th</sup> year in February 2023. Together with our initial 3 years incubation period, 13 years have elapsed since the idea of CE was first germinated and actioned. This milestone took place in tumultuous circumstances, both externally and internally.

The external conditions were unprecedented. In the wake of the worldwide Covid pandemic, and in the middle of rising geopolitical tensions and war in Europe, we note the ending of a long bull market, and a global economic environment faced with recession and rising interest rates. Internally, CE shifted its focus from ASX small caps value towards the global life sciences sector.

In our world, it appears that the only constant is change. Yet, paradoxically, the more things change, the more they stay the same.

The month of February is reporting season on both the ASX and the NASDAQ. I provide a brief summary of the various life sciences investments within the CE portfolio.

### Industrialised Drug Discovery

Our group of companies in this basket comprise of \$EXAI, \$RXRX, \$ABCL and \$SDGR. All 4 have continued to report steady business progress, and more importantly, the start of human testing on drug candidates developed using their respective platforms. Their balance sheet remained strong with plenty of cash. Support from industry partners remain very strong.

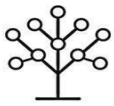
### Genomic Sequencing

CE's exposure to this area is Oxford Nanopore (\$ONT). It is still in its early stages of cashburning explosive growth, therefore the position remains small.

### Supplier of Tools

After a slight hiccup in late 2022, our holding in \$TXG continues to perform well with the release of several new products. \$TXG is operating in a nascent growth segment of the life sciences industry. It is operated by a passionate and capable group of owner founders. It is well funded with a strong balance sheet, and its business model of installed base and consumables is resilient.

I have sold our holding in \$TWST late last year. We broke even on this position. Despite drastic changes in the funding environment, it does not appear that management is able or willing to adapt from a strategy of costly growth. A bombastic short report late last year raised valid issues as to business model and expense/cost classification. Whilst I was initially bullish and optimistic on \$TWST, I am now much more cautious on its prospects. \$TWST is now down nearly 40% since our sale, but things can change fast in this sector, so I continue to keep it on watch.



### Cold Chain Logistics

Products in the life sciences industry such as biological drugs, chemical reagents, human/animal tissues, blood etc require accurate and consistent temperature controls as they are moved from point to point. This gives rise to the cold chain logistics industry. It is easy to see a massive tailwind for players in this industry. CE's exposure is via a small ASX company named Cryosite (\$CTE).

Business progress for \$CTE is satisfactory. It is still hampered by a lack of scale, and a lack of funding in Australia. It is a minnow compared to some of its giant global counterparts, which we keep on our watchlist for investment at the right price.

### Software

CE's largest exposure in this sector is \$BMT, another minnow on the ASX. \$BMT provides software and services to pathology labs and hospitals. I will provide more detail in later memorandums. The main idea is that biology and healthcare are both hampered by a lack of data. Recent technological advances (such as genomics) have caused an avalanche of data in the life sciences industry. The harnessing and parsing of biological/healthcare data will require specialised software.

Apart from \$BMT, we keep an eye on several other software providers in the life sciences sector. Price is usually what keeps us apart.

### Cell Engineering

CE's exposure in this sector is via Century Therapeutics (\$IPSC) and Avita Medical (\$AVH). Briefly, the idea we are interested in is the engineering and manipulation of living cells to achieve specific objectives. For \$IPSC and \$AVH, the objective is human therapy. \$AVH has been performing strongly recently. Despite the price increases, I continue to be optimistic on its long term prospects.

We are also watching other businesses in this area who are adapting living cells for other purposes such carbon capture or nitrogen fixation. This will be a major industry in the future.

Thank you for your trust and confidence in us.

Regards

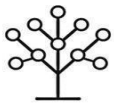
**Peter Phan**

Portfolio Manager



+61 2 9283 3359 | [castlereaghequity.com.au](http://castlereaghequity.com.au) | [linkedin](#) | [twitter](#)

601/ 233 Castlereagh Street, Sydney NSW 2000, Australia



**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	2	-1	-5	2	4	-0.5	-7.5	-7.2	-29
2023	2	2											4	3	0

XAO= All Ordinaries Index

XBI= S&P Biotech ETF

**Appendix 2: Top 5 Holdings= 37% of total portfolio**

Company
Beamtree
Cryosite
Industrialised Drug Discovery Basket
Avita Medical
Suppliers of Genomic Tools Basket

\*note: holdings not ranked in any order

**Appendix 3: CE NAV**

CE commenced on 1 November 2013 with shares issued at \$1 per share, backed by \$1 of cash per share. 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,
- (f) 2.03 to 1.77 in Feb 2022,
- (g) 1.77 to 1.65 in Feb 2023.

Total grossed dividends paid by CE since inception is \$1.10.