

Returns

| As at 30 June 2023 | 1m % | 3m % | 1y % | 3y % pa | 5y % pa | Since inception % pa (Nov 13) |
|---------------------------|------|------|------|---------|---------|-------------------------------|
| Castlereagh Equity | 0 | -0.1 | 3.5 | 6 | 12.8 | 11.5 |
| All Ordinaries | 1.8 | 0.4 | 9.7 | 7.2 | 3.3 | 3.1 |
| XBI | -4 | 9 | 2.7 | -7 | -3.6 | NA |

Portfolio Composition

| NAV per share | % in cash | % shares in USD | % shares in AUD |
|---------------|-----------|-----------------|-----------------|
| 1.65* | 52 | 17 | 31 |

Commentary

We were net sellers again in June, mainly to lock in losses to offset gains made throughout the financial year. Whilst prices of our target businesses in life sciences continue to drift lower, we remained on the sidelines mostly for reasons based on valuation and required returns.

The biotech/life sciences sector is down 50% since its peak on February 2021, which is over 2 years ago. This has been one of the longest downturn periods for biotech over the last few decades. General sentiment in this sector continues to be lacklustre. This is a good environment for us to hunt for good businesses at attractive prices.

Unlike the world of IT and technology, trends in biotech/life sciences are much longer and durable. These trends persist despite constant technological breakthroughs and innovations. The heavy regulatory structure within the industry plays an important part. This is supported by conservative and change-adverse cultures and incentives. Habits and preferences of doctors, surgeons, nurses, professors, and hospital administrators are built and nurtured over long periods of time. Underpinning the long duration character of this industry, the major pharmaceutical companies such as Pfizer, Glaxo, Novartis, Eli Lilly, Merck and Sanofi have all been in business for over 100 years. The support cast such as Abbott and Thermo Fisher are equally as impressive in terms of longevity.

In short, this is an industry where patience is rewarded in spades.

In stark contrast to the current bearish conditions in the life sciences sector, the quality technology sector continues to surge. Particular excitement surrounds the concept of AI, as evidenced by the steep price trajectory of Nvidia stock. Advances in the US stock market indices are supported by only 8 major stocks, whilst the rest of the market is either decimated or languishing. In a world of rising and persistent inflation, rising interest rates, war in Europe, and rearrangement of global supply chains due to geopolitical tensions, we are also witnessing the ASX market getting to within all time highs, and similarly supported by a narrow cast of characters, with the broader market and smaller end being ignored.

Being a permabear is an unprofitable endeavour, and I have no inclination to be such. However being hasty when encountering unfamiliar terrain is a recipe for disaster. The current environment is unprecedented.

I have stated for a couple of months that we are beginning to see some opportunities to deploy capital, especially in the area of bioprocessing. But the life sciences sector is now a stock pickers' market, and we can afford to be picky and choosy with our precious capital, especially in light of the long and durable trends inherent in this industry.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Portfolio Manager

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 | -1.2 | 1.8 | -2.3 | 0 | | | | | | | 2 | 2.5 | 2 |

XAO = All Ordinaries Index

XBI = S&P Biotech ETF

Appendix 2: Top 5 Holdings = 35% of total portfolio

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

*note: holdings not ranked in any particular 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 gross dividends paid by CE since inception is \$1.10.