

Returns

| As at 31 July 2023 | 1m % | 3m % | 1y % | 3y % pa | 5y % pa | Since inception % pa (Nov 13) |
|---------------------------|------|------|------|---------|---------|-------------------------------|
| Castlereagh Equity | 5.4 | 3 | 6.3 | 6.3 | 13.6 | 11.5 |
| All Ordinaries | 3 | 1.6 | 6.3 | 8 | 3.7 | 3.6 |
| XBI | 1.6 | 5 | 6 | -8 | -2.3 | NA |

Portfolio Composition

| NAV per share | % in cash | % shares in USD | % shares in AUD |
|---------------|-----------|-----------------|-----------------|
| 1.74* | 51 | 18.5 | 30.5 |

Commentary

AI mania continued in the month of July. This rising tide lifted our basket of industrialised drug discovery stocks. Apart from share price increases, there are no significant fundamental progress to either confirm or disconfirm our thesis on this basket. I am resisting the temptation to “rebalance.” We are invested on the basis that it “works”, not on the basis that it is “cheap”.

The overall landscape of life sciences and healthcare continues to be impacted by the squeeze in funding dollars, belt tightening by big pharmas and hospitals, and inventory bloat from COVID disruption. These factors are dragging out sales cycles and timelines, ranging from drug discovery programs, tools and equipment sales, cold chain logistics, to bioprocessing and manufacturing.

Progress continues to be made in the field of single cell genomics and nanopore sequencing. We have exposure to these two themes via 10x Genomics and Oxford Nanopore, both of which make up our basket in Supplier of Genomic Tools. We are keeping our eyes open for signs of adoption in clinical workflows, which will be our signal to double the position sizes to ride out an expected decade long trend. Looming dark clouds for this sector are also present in the form of potential budget spending reductions by the US government.

Medical device technology continues to provide interesting exposure. Our holding in Avita Medical (skin-in-a-spray-can technology) continues its interesting course as it attempts to embed itself as the standard of care in the US, Australia and Japan. It is due to report in the second week of August, and we wait for more comments on sales traction in the wake of expanded FDA approvals in June. We are also keeping an eye on medtech players involved in organ transplants, cardiac surgery, brain surgery, robotic surgery and NASH screens. We are not buyers as yet for these either due to valuation or lack of maturity.

Software providers in healthcare and life sciences, especially quality SaaS, have ridden up in sympathy with general high quality tech names. Valuation remains frustratingly elevated, so we continue to wait for better opportunities. Over on the ASX, Beamtree provided an interesting trading update, but share price remained flat as the market continues to digest the recent capital raising.

About 10% of the CE portfolio are still invested in financial services and other sectors not in life sciences and healthcare. We are selling these holdings at a leisurely pace as sentiment continues to improve in the small cap sector of the ASX.

August is reporting season both on the ASX and the NASDAQ. I don't expect any major surprises.

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 | | | | -7.5 | -7.2 | -29 |
| 2023 | 2 | 2 | -1.2 | 1.8 | -2.3 | 0 | 5.4 | | | | | | 7.5 | 5.5 | 3.4 |

XAO = All Ordinaries Index

XBI = S&P Biotech ETF

Appendix 2: Top 5 Holdings = 40% 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.