

## Returns

As at 30 September 2023	1m %	3m %	1y %	3y % pa	5y % pa	Since inception % pa (Nov 13)
<b>Gross</b>	-3.0	-3.7	4.3	2.7	12.2	10.8
<b>Nett of Fees</b>	-3.0	-3.7	4.3	1.5	10.7	9.6
<b>S&amp;P Biotechnology Select Industry Index (converted to AUD)</b>	-7.0	-9.4	-6.6	-9.9	-3.1	10.5

## Portfolio Composition

NAV per share	% in cash	% shares in USD	% shares in AUD
1.59*	52	17.5	30.5

## Housekeeping

We have made some changes to our monthly reports.

We have included returns after fees which is self-explanatory.

We have also changed our comparison index from SPDR S&P Biotech ETF (“XBI”) to S&P Biotechnology Select Industry Index (“SPSIBI”). We also convert the SPSIBI from USD to AUD to allow for like and like comparison with the CE portfolio.

The objective of choosing a passive index is to compare whether an active manager such as myself adds any value to investor partners over and above what investor partners could achieve by just buying an ETF or mutual fund that tracks the SPSIBI. We have chosen the SPSIBI over the XBI as the more appropriate comparison benchmark for the CE portfolio. The XBI contains more speculative and early stage companies whereas our focus are on commercial or near commercial picks and shovels.

Lastly, we have removed comparison with the All Ordinaries Index as it is no longer a relevant comparison given our focus on global life sciences and healthcare.

## Commentary

The bear market in the life science, healthcare and biotech sector continues in the month of September. Starting in early 2021, the current downturn is now close to 3 years, which is the longest biotech bear market on record. Prices are virtually unchanged from levels nearly 5 years ago.

Low sentiment and confidence were manifested clearly. Firstly, the lack of enthusiasm towards positive developments. Abcellera (\$ABCL), one of the stocks in our industrialised drug discovery basket, announced a collaboration agreement with Incyte, and the market responded by dropping the share price. A similar thing happened post end of month with Recursion (\$RXRX) achieving a milestone in its collaboration with Roche Genentech.

Secondly, even moderately bad news are punished severely. Once again, we were unfortunate to be on the receiving end with Avita Medical (“AVH”). AVH announced a 6 month delay in the approval and launch of its automated device RECELL GO. Even without this device, AVH is poised to grow strongly and forward multiples were not demanding in terms of valuation. The market responded savagely with a 20% price drop.

I have experienced a number of bear markets in my career. At this point, the current biotech bear market is nothing out of the ordinary. Having said that, I keep in mind constantly that given the unprecedented experiments in monetary and fiscal policies over the last 20 years, we should not expect history to keep repeating prior patterns. When we encounter unfamiliar circumstances, I think it is prudent to be cautious and to overprepare for any eventualities, especially when I need to make decisions that are not easily reversible.

In terms of capital deployment, I am responding cautiously, as I have stated repeatedly over the last year or so, as it is not possible for me to forecast the depth and duration of any downtrends (or uptrends for that matter). The short to mid term objective is to build up a diversified portfolio of good quality names in this industry. Given the current market conditions, there is no need to take excessive idiosyncratic business risk with concentrated holdings. The long term objective is to let the market concentrate the winners and weed out the losers. Over the next few years, I will expect the CE portfolio to evolve into less than 10 major holdings.

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	SPSIBI
<b>2022</b>	-5.5	0	0.5	-4.5	1.0	-0.5	2.0	-1.0	-5.0	2.0	4.0	-0.5	-7.5	-20.4
<b>2023</b>	2.0	2.0	-1.2	1.8	-2.3	0.0	5.4	-5.7	-3.0				-1.1	-7.3

SPSIBI = S&P Biotechnology Select Industry Index (converted to AUD)

**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.