

Returns

As at 30 November 2023	1m %	3m %	1y %	3y % pa	5y % pa	Since inception % pa (Nov 13)
Gross	6.1	-10	-3.5	0	13.7	10.8
Net of Fees	6.1	-10	-3.5	0	11.7	9.6
S&P Biotechnology Select Industry Index (converted to AUD)	9.8	-9.5	-8.8	-14	-0.5	10.5

Portfolio Composition

NAV per share	% in cash	% shares in USD	% shares in AUD
1.56*	45	22	33

Commentary

For the month of November, biotech/healthcare and life science sectors staged a recovery. CE portfolio participated in this upward swing, tempered somewhat by a strengthening AUD.

Further to our additions in Sophia Genetics and Maxcyte last month, I added Veeva Systems Inc (VEEV) and Edwards Lifesciences Corporation (EW) to the CE portfolio this month.

Veeva supplies cloud-based software and data products to the life sciences industry. Due to heavy regulations and specialised requirements of the industry, Veeva's customers have high switching costs. Gross margins hover near the 70% mark. The share price has come down in recent time as the market ponders on the driver's for Veeva's future growth. The current battleground is in data products, and Veeva is a newcomer against the industry incumbent IQVIA. These concerns, together with poor macro backdrops and the biotech downturn, have given us a good entry price. My view is that IQVIA's current dominance in data stems from historical quirks which will be increasingly irrelevant going into the future.

Edwards Lifesciences provides products and technologies for structural heart disease, and critical care and surgical monitoring. Its main products are replacement heart valves (TAVR). EW has the largest market share in TAVR, and is also the leader in new replacement heart valve products. Penetration of EW's products in the global market is still low. I am expecting 10% revenue growth for a very long time to come, underpinned by long term aging demographics shift. The share price has come down in recent time due to fears of the impact of GLP1 (weight loss drugs) on the structural heart disease market. This has given us an attractive entry price. My view is that the GLP1 risk will need a period of time to exert its impact to a significant degree (if it ever does) on the structural heart disease market. EW is an innovative company with a long operating history, and I think it is a good bet that they will continue to be ahead of the curve.

I will continue to build up the CE portfolio. At this stage, it is populated with strong quality companies operating in specific segments/niches. Just some select examples:

Abcellera- platform for industrial development of antibodies (part of industrialised drug discovery basket)

Avita Medical- wounds company with "spray-on skin" technology

Edwards Lifesciences- leader in innovative products for structural heart diseases

Maxcyte- leading provider of electroporation technology to the cell/gene therapy industry
Oxford Nanopore- decentralised/portable genomic sequencing platform
Sophia Genetics- bioinformatics platform for interpretation of output of genomic sequencing
10x Genomics- leader in single cell/spatial biology
Veeva Systems- cloud based software and data products for life sciences and biopharma

Thank you for your trust and confidence in us.

Regards

Peter Phan

Portfolio Manager

Appendix 1: Gross Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	SPSIBI
2022	-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
2023	2.0	2.0	-1.2	1.8	-2.3	0.0	5.4	-5.7	-3.0	-7.5	6.1		-2.9	-7

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.