

Returns

As at 31 January 2024	1m %	3m %	1y %	3y % pa	5y % pa	Since inception % pa (Nov 13)
Gross	1.2	14.2	1.8	-2.5	13	10.8
Net of Fees	1.2	14.2	1.8	-2.5	11.2	9.6
S&P Biotechnology Select Industry Index (converted to AUD)	1.8	28.3	6.3	-12.5	5.1	11.9

Portfolio Composition

NAV per share	% in cash	% shares in USD	% shares in AUD
1.68*	40	25	35

Commentary

Continuing in the aftermath of the great biotech bubble of 2020, the necessary cleansing and consolidation continues with bankruptcies of former high flying darlings such as Amyris, Nanostring and Invitae (peak valuation exceeded USD\$10b at one stage). Weaker companies are also being bought up by their stronger rivals, In the meantime, markets in US, Japan and Australia are making new highs whilst the Hong Kong and Chinese markets plumb new lows.

Amidst this confusing and challenging environment, I continue to build the CE portfolio. As a quick recap, the current strategy is to build a diversified portfolio comprising of the best in class companies in their respective fields. Over the next few years, with careful management and monitoring, this portfolio is likely to resolve itself into a concentrated portfolio of 10 or less holdings.

This month I manage to add 3 new names to the CE portfolio.

Evotec (\$EVT.DE) is a German based company which provides drug discovery services for biotech and pharmaceutical companies. \$EVT also provides exposure to biologics manufacturing. The share price has retreated to near 5 year lows and it is on an attractive multiple compared to peers such as \$CRL and Wuxi (this is also falling like a stone together with all Chinese equities). The retreat in biotech funding, recent bad publicity on a cyberhack attack, insider trading causing CEO resignation- these factors have also played a part in getting us to an attractive entry price.

West Pharmaceuticals (\$WST) manufactures containment and delivery systems for medicines. Think syringes and vials- but with special plastic for the rubber stoppers and special coating for the glass (with some help from Corning). All these to make sure the medicine content does not react with, and get contaminated by, the container materials. With scale, reputation for reliability and quality, WST gets nice juicy margins with long term contracts. WST products are written and specified in documents filed by pharma companies in support of drug regulatory approvals. Heavy switching costs and delays, and being a small component in overall costs, entrenches WST products within the drug development and manufacturing ecosystem.

Rapid Micro Biosystems (\$RPID) provides products for the detection of microbial contamination in the manufacture of pharmaceutical, medical devices, and personal care products in the United States, Germany, Switzerland, and internationally. RPID is still a relatively early stage company, revenue generating but not scaled up yet. The downside risk is an order of magnitude smaller than the upside potential, and our entry price is attractive, being at a market cap of nearly half its cash balance.

\$WST and \$RPID are your quintessential picks-and-shovels in the field of biologics, especially cell and gene therapy, whereas \$EVT.DE is the picks-and-shovels supplier for drug discovery and development.

In these heady days of fancy Synbio, CRISPR and AI, we make our money from good old fashioned electric zappers (\$MXCT), rubber stoppers (\$WST), disinfectant (\$RPID) and valves (\$EW).

Housekeeping

We currently have minimal franking credits, therefore no dividend is necessary for this year. As we have underperformed our benchmark of 6%, no directors fees are payable for the last 12 month period. For existing investor partners, the deficit of 4.2% will be brought forward into the current period. For new investor partners, the applicable benchmark is 6%.

We look forward to 2024 with some optimism as the life sciences and healthcare sector continues to stabilise.

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	6.4	2.9	6.9
2024	1.2												1.2	1.8

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.