

Monash Investors Small Companies Fund

(APIR MON001AU)



High Conviction
Fund



Australian Small
Companies



Proven Track
Record¹

October 2023 Fund Update

October was the third consecutive month of market declines, and the worst of the three. The S&P/ASX Small Ords was down 5.5% for the month and 10.5% for the three months. After fees the Fund fell 9.5% for the month and 11.0% for the three months. At the time of writing the Fund is up 5.1% so far this month, which is ahead of the market.

Our portfolio is not usually so sensitive to falls in the market, and our long term record remains strong. Apart from it being a weak month for the market, and growth stocks in particular, in October two of our larger holdings cost us 4% collectively. Both the falls were unrelated to their current business activity.

Impedimed (ASX: IPD) fell 34%. It sells a medical device which has become the standard of care in the USA to monitor post-operative cancer patients for lymphedema. It is in the early stage of its product roll out and making good progress.

Ironically, the fall was due to the success of a board spill that was driven by private and institutional investors who wanted a board more focused on costs as well as growth, in order to improve shareholder returns.

Four independent directors were replaced with four new independent directors and the new Chairman is the ex CFO of Nanosonics. Nothing problematic occurred at an operational level, management has welcomed the new Board and it has a strong balance sheet. Our valuation of the stock is well in excess of double the current share price. Impedimed's share price has recovered 22% since the beginning of November.

Telix (ASX: TLX) fell 22%. We first invested in Telix at the equivalent of \$0.17 per share 7 years ago, and the stock has had multiple 20% drawdowns on its way to \$9.20

Return Summary¹ (after all fees)

1 Month	3 Months
-9.5%	-11.0%
1 Year	3 Years
-11.7%	+2.4% _{pa}



Our Investment team: Sebastian Correia, Simon Shields and Shane Fitzgerald

This fund is appropriate for investors with "High" and "Very High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the [TMD](#) for further information.

¹ Inception date is 2 July 2012. Past performance is not indicative of future performance.

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today. It sells radiopharmaceuticals for cancer patients. It is a cash flow positive business with sales already over \$500m pa for its prostate cancer imaging product and growing strongly.

Telix's drugs may also be used to treat cancer using higher doses of radiation. Last month it released the results of its Phase 1 study for a potential prostate therapy drug.

The trial successfully met its endpoints however there was a lower reduction in patient PSA levels observed than for competing products. The market reacted as if this would be an indicator of how effective the drug would be and the share price fell.

This will likely be an incorrect assumption as the Telix drug applies a lower dose than competitors but previous studies have shown it results in better patient survival.

This raises the question as to why the drug gave a lower PSA reduction but a much better survivability. The likely answer is that TLX is using an antibody instead of small molecule used by the other drugs. Antibodies are retained in the body longer allowing the radioisotope to have greater effect. Proving this is what phases two and three of trial will be about.

We are confident that Telix's business operations more than justify the current share price, and that it's pipeline of imaging and therapy products will result in a high pay-off to investors. Telix's share price has recovered 8% since the beginning of November.

Despite the outsized level of volatility in these two stocks, their outlook over the next few years is strong with our valuations for both stocks well above 60% upside from here.

The Fund's major exposures are to Healthcare, Consumer Discretionary, Energy (via Uranium), and IT.

Return Summary Since Inception (after fees)²

	MAIF	Small Ords
CYTD	-8.67%	-6.05%
FYTD	-10.45%	-7.28%
1 month	-9.52%	-5.45%
3 Month	-10.96%	-10.45%
6 Month	-13.69%	-10.28%
1 Year	-11.74%	-5.10%
2 Years pa	-10.50%	-11.95%
3 Years pa	2.43%	0.52%
4 Years pa	4.30%	-0.22%
5 Years pa	8.23%	2.55%
7 Years pa	5.24%	4.19%
Since Inception pa	8.33%	4.72%

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For more information about MAIF and the strategy, please refer to the Monash Investors website at www.monashinvestors.com. You can also [follow us on Livewire here](#) or [subscribe to our updates here](#)

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