

# Monash Investors Small Companies Fund

(APIR MON001AU)



High Conviction  
Fund



Australian Small  
Companies



Proven Track  
Record<sup>1</sup>

## July 2024 Fund Update

The Fund rose 1.2% after fees for the month of July, lagging the S&P/ASX Small Ords return of 3.5%. The unit price for 31 July was \$1.6356. During the month the annual distribution of 6.9c was paid out to unitholders (4% yield).

The merger with DMX Asset Management has now been completed and we welcome Michael Haddad officially as a Co-Portfolio Manager. Michael hits the ground running, having sat in and participated as a non-voting member of our daily investment meetings since January – part of our very well considered due diligence process ahead of the merger completing. Together with the broader DMX team including Steven McCarthy & Chris Steptoe, the investment capability of our merged firm has expanded materially. With DMX's strong track record of successful investing in the smaller end of the ASX, we're excited about the benefits our broadening coverage will have for the Fund as we continue to deliver for clients a well-diversified portfolio of highly prospective Australian smaller companies.

The month of August is reporting season when most stocks report their results. As always this is an important period when we can assess the progress of our investments. Going into the reporting season we are confident in the prospects for all our positions and are looking forward to them presenting their results. It is also a great time to discover new investment ideas.

**Telix Pharmaceuticals (TLX-ASX)** has had a very busy month, with six meaningful announcements including business, regulatory and FDA updates. With regards to the business, TLX announced its 2Q234 highlights, reporting revenues of A\$189m in 2Q24, resulting in its

Unit Price

**\$1.6356**

## Return Summary<sup>1</sup> (after all fees)

1 Month	1 Year	3 Years
<b>+1.2%</b>	<b>+12.7%</b>	<b>+2.9%<sub>pa</sub></b>

management upgrading full year revenue guidance to A\$745-776m, a 10% increase on previous guidance. This implies that TLX is continuing to grow its market share, which is a clear positive. It should also be noted that the revenue guidance is almost exclusively based on the US prostate imaging product Illuccix - it excludes potential rest of the world revenues from Illuccix and all other potential revenues from currently unapproved products. TLX also raised A\$650m via a convertible bond. We were surprised by this move, as TLX already had a strong balance sheet and is generating significant cashflows from the prostate imaging asset Illuccix. We had assumed that TLX would fund its numerous R&D programs from internal cashflow over the next 1-6 years. Now that this additional capital is on the balance sheet, it is clear that management plan to accelerate these programs.

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.

<sup>1</sup> Inception date is 2 July 2012. Past performance is not indicative of future performance.

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It also has capital for acquisitions, and we would not be surprised to see TLX make acquisitions to further enhance its vertical integration.

On the regulatory front, the Center for Medicare & Medicaid Services (CMS) proposed a rule change where diagnostic radiopharmaceuticals with a cost greater than US\$630 per day would continue to be paid for individually and not subject to bundling once pass through ends. This impacts TLX's Illuccix (prostate imaging) product and means that a potential pricing drop is now off the table. Some of the more conservative analysts in the market had factored in significant price reductions to their forecasts. The changing of these assumptions resulted in significant upgrades to future earnings.

The combination of the 4Q update, P&L impact of the converting bond and most importantly the CMS pricing change saw FY26E consensus EPS increase 57% to \$0.80 per share.

On the FDA front there were three announcements. The most meaningful was the FDA not accepting the Biologics License Application (BLA) for TLX250-CDx, the renal cancer imaging product. The issue identified by the FDA is that a filter used in the manufacturing process to ensure sterility requirements had not been certified for the manufacturing process that TLX is using. We would point out that this filter is commonly used in the industry in other sterility processes. Critically, the FDA indicated that there are no issues with the clinical and nonclinical data relating to safety or efficacy. As such, this should be a relatively easy fix and it just delays the commercial launch of the product. The other two FDA related announcements were the filing of a new cold kit for prostate imaging that will dramatically extend the geographic distribution radius of the product, and the opening of an expanding access program for the glioma (brain cancer) product TLX101-CDx.

After all this news, TLX was up 2.3% for the month.

## Return Summary Since Inception (after fees)<sup>2</sup>

	Monash	Small Ords
CYTD	12.3%	6.3%
FYTD	1.2%	3.5%
1 month	1.2%	3.5%
3 Month	3.4%	2.0%
6 Month	12.0%	5.4%
1 Year	12.7%	9.3%
2 Years pa	6.5%	4.9%
3 Years pa	2.9%	-0.6%
4 Years pa	10.6%	6.7%
5 Years pa	9.4%	3.5%
7 Years pa	10.6%	6.6%
10 Years pa	7.6%	6.3%
Since Inception pa	9.9%	6.2%

The stocks that have driven our outperformance over the years come from across the market, but they have some attributes in common. They are typically undergoing a step change in their future results which we can confidently expect, having been able to identify, in each company, business situations similar to those we have seen in the past. We invest in these companies before the share price fully reflects the opportunity and then we exit once it does. It is our ability to consistently identify these opportunities and apply price discipline when investing and exiting, that creates our long term outperformance.

The Fund's major exposures are to Mining Services, Retail, Energy and Electrification (via Uranium, Copper and Lithium), Healthcare, and IT.

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

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