



OBJECTIVE

Long-term capital growth and a return objective to outperform the MSCI benchmark.

STRATEGY

Invests in global business models at the forefront of innovation that capture large scale opportunities in public markets through the leaders, enablers and beneficiaries of transformative innovation of today, tomorrow and the future.

WHY INVEST

Get exposure to global innovation and disruption on listed markets that are underestimating their impact.

Reduce concentration risk in Australian share portfolios that are heavily skewed towards banks, resources and the Australian dollar, while underweight global innovation and disruption.

Diversification benefits because of minimal overlap with traditional index-based strategies and complement traditional value/ growth strategies.

Growth potential aims to capture long-term alpha+, with low correlation of relative returns to traditional growth strategies and negative correlation to value strategies.

Grounded in fundamentals with focused bottom-up investment research to identify innovative companies and convergence across markets.

Investor aligned wealth management as the investment team invest in their strategies and control the investment manager.

PORTFOLIO MANAGER

Heath Behncke
Managing Director
Holon Global Investments Limited

COMPANY DETAIL

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HOLON PHOTON FUND - MONTHLY REPORT

PORTFOLIO PERFORMANCE

May 2020

	1 Month	3 Months	6 Months	CYTD	Since Inception 1 July 2019
Holon Photon Fund	3.7%	6.7%	10.3%	10.6%	18.8%
MSCI World	2.9%	(2.9%)	(4.1%)	(3.8%)	3.2%
Outperformance	0.8%	9.6%	14.4%	14.4%	15.6%

Note: All returns are net of fees and in AUD terms. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation.

KEY POINTS

- **World is going digital** and our portfolio companies are likely to be material beneficiaries.
- **Management teams of our Mega Cap Companies** are investing heavily to capitalise.
- **Our investment team** remains focused on assessing the impact of the structural change.
- **Overall, we are not optimistic on the broader market** as the "COVID-19 shock" is absorbed.

MARKET COMMENTARY

The Holon Photon Fund's (the Fund) resilience during the sharpest sell off in market history over Q1 2020 highlighted the strength of the business models invested in. Our major portfolio companies fell on average by 7% (in local currency terms) versus the broader 20-25% fall for major equity markets globally. However, we believe the quarter to date return of 14.0%, leading to the Fund outperforming the market by 7.5%, provides a glimpse of what's ahead: **a world going online at an accelerated pace.**

Q1 2020 management updates from our portfolio companies during May, reinforced April's commentary, where management indicated significantly higher levels of user engagement across their platforms, products and services. In many cases the metrics quoted were in the millions and hundreds of millions.

Alibaba's CEO, Daniel Zhang, summarised the change on the Q4 2020 earnings call, saying *"During the pandemic, many, many older people moved to online to buy everyday needs. So it's not only about the category penetration, it is also about the user penetration. So we do see this changing the lifestyle of many, many people". He went on to say, "So I think this is all about change of lifestyle, change of the way of working, change of way of education. So this is a very, very fundamental -- these are very fundamental changes, that will stay even after the pandemic".*

Daniel's comments have been echoed by the management teams of all our major portfolio companies. Therefore, it is not surprising to see they are continuing to **invest heavily for the long term.** The balance sheet strength differentiating our Mega Cap companies during the Q1 2020 will also **capture an accelerating digital future.**

While we expect near term earnings of our portfolio companies to be impacted due to the "COVID-19 shock", the picture of the medium to longer term earnings is increasingly positive. This bodes well for the Fund's future returns and is exactly what we wanted to hear from our portfolio companies: **strengthening their market positioning through this period of accelerating change.**

Since inception eleven months ago, the Fund is up nearly 19%, outperforming the 3.2% rise in the global benchmark by 15.6%. While we have exceeded our internal absolute return objective of 10.0% for the year, we remain **cautious about equity markets in general.**

The many decisions made by consumers and businesses during April & May in response to the pandemic will only start to reveal themselves in the coming months. We expect **sobering news** in leading into the end of the calendar year. The **substantial liquidity injection** provided by the Federal Reserve at the end of March combined with significant government support for many businesses and individuals directly impact by the pandemic is masking a picture of **significant structural change.**

Our investment team is busily accessing the volumes of 'new daily information' to quantify the extent of behavioural change in consumers and businesses. The **move to remote work** and the **accelerating shift to online retail** are prime examples. If these early positive trends become persistent, the structural changes are likely to be more material than first envisaged. The Fund remains uniquely positioned to capture these positive structural changes.



HOLON GLOBAL INVESTMENTS LIMITED

WHY?

Holon's mission is to help protect and grow your wealth in a world where the new normal is accelerating innovation (or change).

We believe innovation drives wealth creation, and everyone should have access to investing in the best companies globally that are driving innovation (or change) today, tomorrow and in the future.

HOW?

We invest in global companies with compelling valuation propositions, managed by competent and capable people of integrity.

We put ourselves in the shoes of those managers, and think deeply about the probabilities of the businesses achieving our investment objective and your wealth goals.

We fund the businesses that we can't live without today and search for the game-changing businesses of tomorrow and the future.

WHAT?

Holon Photon fund is a managed fund that provides simple access, open to everyone to invest in the best businesses the World has to offer.

We are your trusted investment partner for wealth creation.

INVESTMENT ACTIVITY

No stock changes during the money. At month end, the Fund had 22% in cash to deploy into future opportunities. We remain well positioned to benefit from accelerating global digitalisation trends through the Mega Cap global leaders. We are actively looking to add to the portfolio companies in the Emerging Global & Exponential bucket.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE	
Cloud Computing	11.6%
E-commerce	11.0%
Payments	17.0%
Energy	4.7%
Software Services	22.1%
Entertainment	5.1%
Advertising	8.1%
Hardware	1.8%

TOP HOLDINGS	
Alibaba	11.3%
Amazon	9.2%
Xero	8.7%
Google	7.6%
Visa	7.3%
Tesla	6.8%
Tencent	6.5%
MasterCard	4.7%

GICS SECTOR WEIGHTS	
Information Technology	32.3%
Communication Services	14.2%
Consumer Discretionary	27.6%
Financials	5.3%
Industrials	2.6%

COUNTRY WEIGHTINGS	
Australia (includes cash)	35.9%
United States	22.1%
Europe	8.2%
United Kingdom	5.6%
China	21.1%
Other	7.0%

PORTFOLIO CHARACTERISTICS (as at 31 May 2020)

Weighted Average Market Capitalisation	A\$462bn
Current (12mth) Operating Cash Flow Yield	4.8%
Forecast growth p.a. (3-5 years) in Operating Cash-Flow	10-15%
Net cash as a % of Market Capitalisation	2.67%
Percentage of Fund in the Top 10 Holdings	71.6%
Number of Positions	11
Cash Weighting	23%

VISIT THE WEBSITE

Holon Global Investments Limited's website is www.holon.investments

STRUCTURE AND TERMS

Distribution Reinvestment Plan	Distribution Reinvestment Plan
Legal Domicile	Australian
Fees	Management Fee 1.35% Performance Fee 15%
Reporting and Correspondence	Monthly; Quarterly and Annual
Responsible Entity & Unit Registry	One Investment Group
Unit price and performance	www.holon.investments

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