



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

Gain exposure to **global innovation and disruption** on listed markets that are underestimating its 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 – QUARTERLY REPORT

PORTFOLIO PERFORMANCE

March 2021

	3 Months	6 Months	12 Months	Since Inception (p.a.)
Holon Photon Fund	3.7	15.9	55.1	31.6
MSCI AC World	5.9	12.8	24.2	11.2
Outperformance	(2.2)	3.1	30.9	20.4

Note: All percentage 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

- The bond market continues to sell-off on rising inflation fears, pushing 10-year US Treasury yields higher and triggering some profit taking in technology shares following strong 2020 gains.
- The stimulus-induced boost to consumer spending and economic reopening in the US has accelerated the economic recovery with many economists raising economic growth forecasts.
- Despite this sell-off, the reporting season affirmed our investment thesis for several holdings supported by strong structural tailwinds underpinning solid earnings results.
- Overall, we are less optimistic on the broader market and believe our portfolio holdings will be long-term beneficiaries of the fundamental shifts in consumer behaviour as a result of Covid-19.

MARKET COMMENTARY

Volatility of the Holon Photon Fund (the Fund) increased in Q1 2021, with our fund up 3.7% against the MSCI AC World index benchmark up 5.9%, resulting in underperformance of 2.2%. MicroStrategy (+75%), the newest addition to the Fund, was the biggest contributor, while Chinese technology company Xiaomi (-23%) was the largest detractor.

Unprecedented amounts of government stimulus were injected into the US and global economies during Q1. Central bankers followed the same playbook as incoming US President Biden's approach of flooding financial markets with liquidity to kick-start a rapid economic rebound out of the Covid-19 slowdown. Rising commodity and hard asset prices (esp. housing) continued to stoke investor fears of surging inflation, triggering a broad sell-off in global bond prices. Rising 10-yr US bonds from 1% to 1.79% during Q1 2021 triggered profit taking in 'growth' and technology shares, with many investors rotating into inflation-sensitive 'value' stocks following their underperformance over the past 12 months.

Strong 2020 results across the Fund's portfolio holdings continues to support our thesis that global innovation leaders will be the largest beneficiaries of the world shift online, particularly for technology platforms, products, and online services. For example, Tesla expects to achieve 50% average annual growth in vehicle deliveries over a multi-year horizon. Profit taking in the technology sector during Q1 provided an opportunity for us to add to our existing holdings, and we remain confident that the Fund will generate sustainable long-term growth underpinned by structural tailwinds across several sub-industries.

MicroStrategy appreciated 75% through the quarter as institutional adoption of the emerging asset class continued to rise to hedge against the devaluation of fiat currencies as a result of monetary debasement. In August, MicroStrategy adopted bitcoin as its primary treasury reserve assets and now holds more than 90,000 bitcoin worth over US\$5 billion or 80% of its total market capitalization. MicroStrategy is well placed to benefit from the consequences of continual debasement of money brought about by profligate governments and excessive money printing by central banks. We also believe the broader market is substantially underestimating the long-term opportunity for MicroStrategy to generate income on its bitcoin as the digital asset ecosystem matures and investors are able to generate interest income through digital asset lending.

Following a strong run (+61%) through the previous quarter, Xiaomi shares pulled back (-23%) in the March quarter. The share price fall was partly attributed to the US Department of Defense adding Xiaomi to a US blacklist of companies due to allegations of its affiliation to the Chinese military. However, a US federal judge has temporarily halted the blacklisting in March, labelling the original decision "deeply flawed" due to insufficient evidence. Xiaomi's dual listing on the Hong Kong and US stock exchanges likely means there would be little impact on Xiaomi's ability to raise capital through future share offerings. More importantly, this blacklisting does not prohibit Xiaomi from procuring smartphone components from US firms, which would materially disrupt its supply chain. While we assign a relatively low probability to this outcome, we will continue to monitor the situation and dialogue between Xiaomi and respective regulatory bodies.

As the world prepares and adapts to a post-pandemic environment, we believe that two things are becoming clearer – digital infrastructure is becoming essential for business and consumers, and governments and central banks will continue to spend and print money, respectively. Both are happening at an accelerated rate. On the first point, our investment team continues to monitor the performance of existing investments while researching new opportunities that benefit from structural changes in consumer and business behaviours. On the second point, we believe that central banks have little options outside of quantitative easing and yield curve control to keep interest rates low on a historical basis.



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 find 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

Throughout the quarter, no new positions were added to or removed from the Fund. As at 31 March 2021, the Fund had 14.8% in cash, providing a level of investment flexibility to deploy into future opportunities given the volatility in markets at present. We remain well positioned to benefit from accelerating global digitalisation trends through the Mega Cap global leaders. Further, we continue to actively look to add emerging global and exponential opportunities and Web 3.0 companies to the portfolio.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE	
Payments	12.8%
E-commerce	12.5%
Software Services	12.5%
Cloud Computing	10.5%
Entertainment	10.4%
Web 3.0 (bitcoin)	6.9%
Advertising	5.7%
Energy	4.8%
Hardware	3.2%

TOP HOLDINGS	
Alibaba	8.8%
Amazon	8.4%
MicroStrategy	7.7%
Tencent	7.6%
Tesla	7.3%
Xero	6.2%
Google	5.8%
Roku	5.4%
Visa	3.9%
Afterpay	3.9%

GICS SECTOR WEIGHTS	
Consumer Discretionary	31.9%
Information Technology	31.2%
Communication Services	22.1%

GEOGRAPHICAL WEIGHTINGS	
China	32.3%
United States	23.1%
Europe (ex. UK)	6.9%
Australia	5.8%
United Kingdom	3.4%
Global	6.9%
Other	6.6%

PORTFOLIO CHARACTERISTICS (as at 31 March 2021)

Weighted Average Market Capitalisation	A\$309bn
Current (12mth) Operating Cash Flow Yield	3.3%
Forecast growth p.a. (3-5 years) in Operating Cash-Flow	10-15%
Net cash as a % of Market Capitalisation	4.9%
Percentage of Fund in the Top 10 Holdings	62.5%
Number of Positions	16
Cash Weighting	14.8%

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

Disclaimer: The responsible entity for the Holon Photon Fund (ARSN 633 803 497) is One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) (OMIFL). The investment manager for the Holon Photon Fund is Holon Global Asset Management Pty Ltd (ACN 629 590 585) (Holon) that is a wholly owned subsidiary of Holon Global Investments Limited (ACN 129 237 559). Holon is an Australian Financial Services Representative (No. 1276082) of Atlas Funds Management Pty Ltd (ACN 612 499 528) which holds an Australian Financial Services Licence (No. 491395). The information contained in this document was not prepared by OMIFL but prepared by other parties. All of the commentary, statements of opinion and recommendations contain only general advice and have not taken into account your personal circumstances. This document contains general financial product advice only. Any investment in OMIFL products need to be made in accordance with and after reading the Product Disclosure Statement (PDS) and Additional Information Booklet (AIB), and investors should consider the PDS before deciding whether to invest in the Fund or continue to hold units in the Fund. The opinions, advice, recommendations and other information contained in this document, whether expressed or implied, are published or made by Holon in good faith in relation to the facts known at the time of preparation. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. Past performance is not indicative of future performance. The PDS and AIB can be obtained by visiting www.oneinvestment.com.au/photon. **Limitation of liability:** Whilst all care has been taken in preparation of this document, to the maximum extent permitted by law, neither Holon or OMIFL will be liable in any way for any loss or damage suffered by you through use or reliance on this information. Holon and OMIFL's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at Holon's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.