



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 - MONTHLY REPORT

PORTFOLIO PERFORMANCE

July 2021

	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)
Holon Photon Fund	-5.3	1.7	2.5	33.2	29.4
MSCI AC World	2.9	8.9	18.6	29.9	15.4
Outperformance	-8.2	-7.2	-16.1	3.3	14.0

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

- Proposed reforms in the Chinese education sector triggered a broad sell-off in Chinese Markets, with investors genuinely misunderstanding the purpose of the government's policy shift.
- We believe this sell-off created a good opportunity to add to our China names.
- The current reporting season has continued to highlight the strength of our portfolio holdings and the strong value proposition they create for their customers.
- We remain confident in the portfolio's ability to generate long-term compounding returns despite the short-term volatility we are currently experiencing in equity markets.

MARKET COMMENTARY

The Holon Photon Fund (the Fund) fell 5.3% in July, underperforming the broader market return of 2.9%. The underperformance was largely attributable to the sell-off in Chinese markets (-7.9%), following the broad set of policy reforms, including steps that may require private education companies to become not-for-profit entities. Our U.S. equities continued to perform (+2.3%), underpinned by robust earnings growth, while a 2% fall in the Australian dollar aided performance.

The Chinese regulatory reforms for private education aimed to address the rising costs of education and after school tutoring by private and publicly listed education providers in China. This followed a series of policy announcements from the Chinese government targeting anti-competitive behaviour within its domestic economy, which triggered concerns of a broad policy clampdown impacting additional sectors including technology.

While foreign investors continue to misunderstand the intention of Chinese regulator policy adjustments, Chinese equity markets will likely remain volatile (see our [insight](#) on China's recent series of policy adjustments). With the recent addition of Hover Chen (20 years of experience in Chinese equities) to the Holon investment team, we have high confidence that panic selling creates a great opportunity to add high-quality Chinese technology businesses in the Fund's portfolio.

Two of our U.S. holdings, Visa and Mastercard, are amongst the main beneficiaries of the global economic recovery from Covid lockdowns and the resumption of international travel. Both companies were up 5% in July. The trend away from cash transactions towards digital and card payments, coupled with the ongoing shift to ecommerce should benefit both Visa and Mastercard. With cross-border transactions currently 80-90% of 2019 transaction levels (pre-Covid peak), these payment networks are well positioned to benefit from the accelerating vaccination rates across the globe and the return of international travel in 2022.

Alibaba's stock price continued to fall in July, hitting US\$180 (a level seen as long ago as 2017), a victim of ongoing stock specific negative news as well as the broad sell-off in Chinese equity market. Alibaba's Q2 2021 earnings results also fell short of analyst revenue and active user base expectations, but better-than-expected profit margins led to a stronger net profit.

Alibaba also increased their share buyback plan to US\$15 billion. Holon believes that Alibaba remains an attractive long-term investment opportunity that will be a key beneficiary of rising consumer wealth, with a low risk of the current anti-competition reforms impacting long-term shareholder value.

Since inception, the Fund has returned 71.2%, outperforming the MSCI AC World Index return of 34.8% over the same period. The annualised performance of 29.4% is substantially above our internal return objective of 10.0% per annum over the long-term.

While we remain confident in the outlook for global equity markets given central banks commitment to supportive monetary policy, we believe the pandemic has created an inflexion point to accelerate online adoption. As we believe that many of our holdings are likely to be material beneficiaries of this shift in consumer behaviour, we remain confident in our ability to outperform the benchmark on a long-term horizon.

Finally, we note that the Fund has outperformed Gold (+23.2%), increasing investors purchasing power by approximately 48%. This is important as we believe that monetary debasement will likely be the dominant central bank tool for the foreseeable future.



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

During July, there were no new positions added to the Fund. The Fund held 3.9% in cash, well below recent months given our level of conviction around the portfolio names and their respective valuations. We remain well positioned to benefit from accelerating digitalisation and continue to actively look to add to the portfolio companies in the global and exponential bucket.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE	
Software Services	14.7
E-commerce	14.4
Web 3.0	11.7
Entertainment	11.5
Cloud Computing	10.8
Payments	10.3
Advertising	7.2
Energy	5.6
Hardware	3.2

GICS SECTOR WEIGHTS	
Information Technology	39.9
Consumer Discretionary	30.8
Communication Services	25.4

TOP HOLDINGS	
MicroStrategy	9.0
Roku	8.8
Tesla	8.7
Alibaba	8.4
Amazon	8.2
Alphabet	6.8
Xero	6.4
Tencent	6.4
Afterpay	4.8
Intuit	4.4

GEOGRAPHICAL WEIGHTINGS	
China	30.5
United States	28.7
Europe (ex. UK)	7.8
Australia	9.8
United Kingdom	3.5
Global	8.5
Other	7.3

PORTFOLIO CHARACTERISTICS (as at 31 July 2021)

Weighted Average Market Capitalisation	A\$435bn
Current (12mth) Operating Cash Flow Yield	2.9%
Forecast growth p.a. (3-5 years) in Operating Cash-Flow	10-15%
Net cash as a % of Market Capitalisation	4.3%
Percentage of Fund in the Top 10 Holdings	69.8%
Number of Positions	17
Cash Weighting	3.9%

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 633 803 457) 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 129 237 592). 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.