



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
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COMPANY DETAIL

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HOLON PHOTON FUND – MONTHLY REPORT

PORTFOLIO PERFORMANCE

September 2021

	1 Month	3 Months	6 Months	12 Months	Since Inception (p.a. %)
Holon Photon Fund	-5.7	-8.5	2.3	18.5	25.2
MSCI ACWI Index	-3.0	2.8	12.0	26.4	14.2
Outperformance	-2.7	-11.4	-9.8	-7.9	11.0

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

- Vaccine rollouts and monetary policy continue to support the economic recovery and outlook.
- Rising inflation is becoming a key concern for central banks across the globe.
- Tesla's outstanding Q3 production volumes highlight its strength over traditional automakers.

MARKET COMMENTARY

The Holon Photon Fund (the Fund) fell 5.7% in September against its benchmark index which fell 3.0%. Most of our underperformance over the past six months is due to our China equities exposure, currently 27%.

The Chinese central government's recent regulatory policy shifts had caused heavy selling through most of this year. A quick 15% rebound in both Alibaba and Tencent through early September was quickly sold down through the remainder of September. However, as investors dumped stocks on fears that a collapse of Chinese property developer 'Evergrande' would trigger a systemic financial crisis (with just 28% of total banking system loans), [our research](#) indicates that China's banks carry substantially less exposure to property than banks in the US, Europe and Australia.

A strong recovery in early October could signal that Markets appear to be once again settling as bargain hunters like Charlie Munger increase their holdings.

The US Federal Reserve and other central banks remain trapped between the urgent need to raise interest rates to slow inflation and asset price growth, and their inability to go too far due to its consequence on heavily indebted governments.

As a worldwide economic recovery spreads from higher vaccination rates, demand on already strained supply chains will almost certainly further raise inflation globally. Food prices, up substantially on 2020 levels (corn up 35% yoy, wheat up 24% and beef up 18%) are likely to continue to rise to reflect the impact of higher energy costs across the global food supply chain.

Continued political squabbling with regards to Russia's role in meeting Europe's long-term energy needs has also seen natural gas prices across Europe explode higher, up 315% in Germany and 555% in the UK over the past 12-month. Oil is also up 95% yoy.

Central banks globally may soon be forced to make a hard choice between inflation or government debt. In this uncertain environment, we think Bitcoin should continue to do well, benefiting the Fund's 8% holding in MicroStrategy.

Tesla released very strong Q3 production results of 241,300 vehicles, well above the markets expectation of ~220,000 vehicles. Tesla's share price has rebounded by 40% since May as more investors better understand its substantial position than other automakers.

Bilibili was also a casualty of renewed foreign investor selling on China Evergrande default fears. While it's recent Q2 results showed a larger net loss over the quarter, with the average monthly viewer spending 83 minutes per day on Bilibili's video content platform, Holon remains confident that more advertisers will shift their focus to Bilibili's platform and its 250 million monthly viewers (with 86% under the age of 35).

Since inception, the Fund has returned 65.7%, outperforming the MSCI AC World Index by 30.9%. The annualised performance of 25.2% is also well ahead of our internal long-term return objective of 10.0% per annum.

We believe that many of our holdings are likely to be material long-term beneficiaries of this shift in consumer behaviour and will be able to generate attractive returns for patient investors with a long-term horizon. Our current cash holding of 13% also leaves us well placed to add to our Chinese positions following the selloff.

Finally, we note that the Fund has outperformed Gold (+22.9%), increasing our investors purchasing power by approximately 36.8%. 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 September, no new positions were added to the Fund. The Fund held 13.3% in cash at month end, well above recent quarters due to strong fund inflows. We remain well positioned to benefit from accelerating global digitalisation and continue to actively look to add to the portfolio companies in the emerging global and exponential bucket.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE	
Software Services	14.1
Entertainment	11.1
Cloud Computing	10.6
Web 3.0	10.5
E-commerce	10.3
Payments	8.9
Advertising	6.2
Energy	6.1
Hardware	2.9

TOP HOLDINGS	
Tesla	9.4
Tencent	9.3
MicroStrategy	8.0
Amazon	7.7
Alibaba	7.2
Google	6.4
Roku	6.2
Xero	6.0
Intuit	4.3
Coinbase	3.7

GICS SECTOR WEIGHTS	
Information Technology	31.9
Consumer Discretionary	30.3
Communication Services	24.5

GEOGRAPHICAL WEIGHTINGS	
China	31.7
United States	25.5
Global	7.5
Europe (ex. UK)	6.9
Australia	5.6
United Kingdom	2.9
Other	6.6

PORTFOLIO CHARACTERISTICS (as at 30 September 2021)

Weighted Average Market Capitalisation	A\$407bn
Current (12mth) Operating Cash Flow Yield	3.30%
Forecast growth p.a. (3-5 years) in Operating Cash-Flow	10-15%
Net cash as a % of Market Capitalisation	4.90%
Percentage of Fund in the Top 10 Holdings	66.70%
Number of Positions	16
Cash Weighting	13.30%

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 0.85% Performance Fee 15%
Reporting and Correspondence	Monthly, Quarterly and Annual
Responsible Entity & Unit Registry	One Investment Group

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