



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

December 2021

	3 Months	6 Months	12 Months	Since Inception (p.a. %)
Holon Photon Fund	1.1	-7.5	7.2	22.6
MSCI ACWI Index	6.0	9.0	25.8	15.1
Outperformance	-4.9	-16.5	-18.6	7.5

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

- **Omicron Variant continues to cause uncertainty for markets, which is further enhanced by inflationary concerns, and we expect volatility to remain high into the future.**
- **Holon believes that a misunderstanding of the Chinese government's reform motives, and investors fear around Tencent divestment of Sea limited, has presented a rare opportunity to buy China's leading technology names at a 70% discount to their US peers.**
- **Tesla continues to execute above markets expectations, with record quarterly deliveries.**

MARKET COMMENTARY

The Holon Photon Fund (the Fund) finished off Q4 2021 up 1.1%. The quarter saw mixed results with a heavy sell off in most growth companies on the back of inflationary fears, whilst the standout was Tesla, our largest position, saw a 36% increase for the period. We remain confident in the Fund's strategy and its exposure, particularly to China, and welcome the volatility as an attractive opportunity to build into our highest conviction investments.

The Fund's 30% exposure to Chinese equities led to it underperforming the MSCI AC World Index over the last quarter and 12 months. As above, we remain confident in the China story.

For context, there are approximately 980 million internet users in China and more than 85 million were added in 2021. This is significantly more than the US which added only 12 million for a total of 310 million internet users. With only 68% of the population in China currently with internet compared to the 93% in the US, we believe there is still significant opportunity that remains in China. Recent regulatory Antitrust crackdowns are important but not as severe as what many would believe, we addressed this in a [note](#) recently.

China fears continued to plague investors in the quarter with selloffs in the technology sector which were amplified when Tencent sold a stake in JD.com and SE within two weeks. As has been consistent with China over the last 12 months, we believe the news' headlines and market fears have diverged from reality. Investors fearing further divestment of Tencent's investment portfolio raced to beat Tencent to the door. However, Tencent's divestment in Sea Limited, for example, was a mere 2.6% a reduction from 21.3% to 18.7%. This reduction raised \$3 Billion USD for Tencent which it will look to redeploy in other investments and social initiatives, consistent with Tencent's investment thesis.

For the last three months of 2021 Alibaba's share price dropped to lows of \$110 and is currently trading at roughly 3x its tangible book value. Alibaba's core China commerce business (as of September 2021) is still the largest in the world based on gross merchandise value and monthly active users, while its cloud, international commerce and logistics businesses continue to grow revenue at 30%+ year-on-year. Subsequently, given Alibaba's strong business economics and growth prospects, the widespread fear, uncertainty and doubt exhibited by western investors should fade as we believe the company's fundamentals will prevail. Moreover, the wide divergence between the company's market price and business fundamentals gives Alibaba an attractive return profile going into 2022.

Roku was another large detractor for the quarter negatively impacting the fund by -1.5%. The fall has been attributed to a slow down in customer growth for Roku. Whilst true, it is worth noting two reasons for the slow down. Firstly, Roku had a significant growth period during the 2020 lockdowns as consumers in isolation looked to upgrade their TV or streaming platform, a follow on from that demand spike would be difficult to replicate. This is further amplified when supply chains of TVs (Roku's largest distribution channel) have been severely disrupted throughout 2021. Simply, less TVs for sale impacts Roku's sales. We have spoken about the strong value proposition and opportunity of Roku in [our insights](#) and are confident that over the long term more customers will join the Roku platform, thus encouraging more advertisers to spend on that same platform. We note that all major advertisers on Roku have committed to increase their spend over the next 12 months and that ARPU for Roku has increased over 40% YoY. With increased advertising spend Roku can bring better content to attract more users.

Finally, Tesla executed it's sixth straight record quarter of deliveries, exceeding analysts' forecasts by 40,000 units to reach 308,600. Tesla finished the year with 936,000 cars delivered and our forecasts have them north of 1.4m for 2022. By comparison GM sold 26 electric vehicles for the quarter, and a reminder of the game of catch-up that legacy manufacturers must now play.



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 the Fund. At 31 December, the Fund held 18.4% in cash, well above recent quarters. We remain well positioned to benefit from accelerating digitalisation and we believe the market is presenting opportunities to add to our high conviction investments.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE %	
Software Services	14.6
Cloud Computing	9.8
Web 3.0	9.7
Entertainment	9.1
E-commerce	8.7
Payments	8.1
Energy	7.7
Advertising	4.8
Hardware	3.0

TOP HOLDINGS %	
Tesla	11.9
Tencent	8.6
Amazon	7.3
MicroStrategy	7.0
Google	6.5
Xero	5.7
Alibaba	5.6
Intuit	4.7
Roku	4.2
Coinbase	3.8

GICS SECTOR WEIGHTS %	
Information Technology	30.9
Consumer Discretionary	29.8
Communication Services	20.9

GEOGRAPHICAL WEIGHTINGS %	
China	28.4
United States	25.3
Global	6.7
Europe (ex. UK)	6.9
Australia	5.6
United Kingdom	2.5
Other	6.3

PORTFOLIO CHARACTERISTICS (as at 31 December 2021)

Weighted Average Market Capitalisation	A\$738bn
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	65.3%
Number of Positions	16
Cash Weighting	18.42%

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

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 129 237 592). The investment manager (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 or webpage was not prepared by OMIFL but prepared by other parties. This document or webpage contains general financial product advice only, and all of the commentary, statements of opinion and recommendations have not taken into account your personal circumstances. Any investment in OMIFL products need to be made in accordance with and after reading the Product Disclosure Statement (PDS), Additional Information Booklet (AIB) and Target Market Determination (TMD), and investors should consider the PDS, AIB and TMD 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 offer of units in the Fund is made in accordance with a PDS dated 11 October 2021 and TMD each issued by OMIFL, and the PDS, AIB and TMD can be obtained by visiting www.oneinvestment.com.au/photon. **Limitation of liability:** Whilst all care has been taken in preparation of this document or webpage, 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.