



OBJECTIVE

Long-term capital growth and a return objective to outperform the MSCI AC World Net Index 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

May 2022

	1 Month	3 Months	6 Months	12 Months	Since Inception (p.a. %)
Holon Photon Fund	-7.34%	-16.28%	-32.87%	-24.50%	6.69%
MSCI AC World Net Index	-0.82%	-4.81%	-10.40%	0.59%	8.31%
Relative Performance	-6.52%	-11.46%	-22.48%	-25.08%	-1.62%

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

- Concerns over a rising global interest rates into a rapidly slowing global economy saw heightened volatility in equity and bond markets in May.
- Global tensions from the Russia/Ukraine conflict have kept oil and gas prices high, while diesel shortages in the US and Europe risk impacting transport and logistics markets.
- A splinter is emerging in the EU, as political will to cut off income from oil and gas purchases collides with rapidly collapsing economies. Expect this to continue, possibly creating a permanent political fracture in Europe.
- China is reopening after more two-months of Covid lockdowns. Fiscal and monetary stimulus announcements should support recovering Chinese equity markets.
- Technology stock report mixed earnings as US financial conditions begin to soften.

MARKET COMMENTARY

The Holon Photon Fund returned -7.34% in May underperforming the broader market return by 6.52%. The lack of direct exposure to rising commodities prices remains a drag on Photon's performance relative to its benchmark MSCI Global index.

The aggressive selloff in global equity markets in April, with the US Nasdaq index down 13.3%, continued through May before a late rebound saw the Nasdaq down 1%. A return of investors to US and European bond markets in May suggests that central bank efforts to slow the global economy and inflation (ex Food and Energy) are showing success. While 2 or 3 additional 50bp rate increases look likely over Q3, rising yields (US 10-yr bond at 2.75%) suggests that bond investors believe the US Federal Reserve tightening cycle will be capped at 2.5-3%. Further evidence of an economic slowdown over Q3 may see a rotation back into heavily oversold technology names on expectations of an interest rate easing cycle returning in Q4 2022.

Cryptocurrency prices also fell in May and remain down 30% since January. As a result, leading cryptocurrency exchange Coinbase's saw a 50% decline in its quarterly revenue and a US\$430 million net loss. Despite this quarter's financial results, Holon expects a sharp rebound as investors return to invest in cryptocurrencies through a safe, global custody platform like Coinbase. Their long-term focus on building out the digital asset ecosystems to include stable coins, custody, wallets and NFTs should magnify the firm's transaction volume over the next few years.

Shopify formally announced the acquisition of Deliverr for \$2.1 billion in May, accelerating their long-term Fulfilment Network plans. Q1 2022 results highlighted a normalisation of growth rates following strong customer demand over the Covid lockdown period, pressuring operating margins from higher capital expenditure costs associated with new products. Despite being in line with Holon's Q1 estimates for Shopify, the stock fell heavily on concerns of a broader global economic slowdown and higher interest rates. Shopify is also adding new cryptocurrency payment channels for its merchants, through its recent partnership with Crypto.com. This is in addition to its existing partnerships with Coinbase, Bit Pay and Strike. Insider buying from company executives, including US\$10m from Shopify founder Tobias Lutke, should provide encouragement for Shopify shareholders following the steep share price selloff over 2022.

Despite facing ongoing lockdowns across China's major financial and manufacturing hubs, Alibaba finished May positively, reporting better than expected fourth quarter FY2022 results. Revenue for the March quarter grew 9% to 205 billion yuan, above analyst estimates, and by 18% for FY 2022. Alibaba's domestic and international customer base grew by 25 million and 3.7 million, respectively, with the company customer base now 1.31 billion users, a new record for the company. Alibaba's annual active customer base across its domestic retail e-commerce platforms also surpassed 1 billion users in Q4 2022. Over 68% of China's population are now Alibaba customers, highlighting Alibaba's dominant position within the domestic online retail sector. In addition, Alibaba's cloud computing segment reached its first profitable fiscal year, with a 2% EBITDA margin, up from -6% in FY2021. Looking to FY2023, Alibaba should continue to improve the profitability of its new retail and cloud computing businesses as they begin to generate meaningful operating leverage. Loosening financial conditions in China should also stimulate consumer spending and customer sales growth across Alibaba's offline and online retail verticals.



Photon
global innovation fund

**Invest
different**

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.

We believe innovation drives wealth creation, and everyone should have access to investing in the best companies globally that are driving innovation 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 May no new positions were added to the Fund, with our cash position sitting at 8.2% at month end. We remain well positioned to benefit from accelerating global digitalization and continue to actively look to add to the portfolio companies in the emerging global and exponential bucket.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE %	
Ecommerce	15.3
Cloud Computing	12.6
Advertising	11.2
Vertical software	10.1
Gaming	7.8
Payments	7.1
Web 3	7.0
Streaming	5.7
Autonomous vehicles	5.2
Other	4.2
IoT	3.1
Energy	2.4

GICS SECTOR WEIGHTS %	
Consumer Discretionary	31.4
Information Technology	29.4
Communications Services	28.4
Financials	2.5

TOP HOLDINGS %	
Alibaba	11.2
Tencent	10.3
Tesla	8.1
Meituan	6.8
Meta Platforms	6.4
Alphabet	5.8
Amazon	5.3
Xiaomi	4.7
Xero	4.5
MicroStrategy	4.5

GEOGRAPHICAL WEIGHTINGS %	
Asia	33.3
North America	25.0
Europe	13.9
Oceania	6.4
South America	5.6
Other (Global)	4.2
Africa	3.3

PORTFOLIO CHARACTERISTICS (as at 31 May 2022)

Weighted Average Market Capitalisation	A\$592bn
Current (12mth) Operating Cash Flow Yield	5%
Forecast growth p.a. (3-5 years) in Operating Cash-Flow	10-15%
Net cash as a % of Market Capitalisation	4%
Percentage of Fund in the Top 10 Holdings	68%
Number of Positions	19
Cash Weighting	8.2%

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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