



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 – QUARTERLY REPORT

PORTFOLIO PERFORMANCE

June 2022

	3 Months	6 Months	12 Months	Since Inception (p.a. %)
Holon Photon Fund	-20.41%	-30.12%	-35.37%	5.40%
MSCI AC World Net Index	-7.90%	-15.61%	-8.02%	6.44%
Relative Performance	-12.51%	-14.51%	-27.35%	-1.04%

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

- **Equities and fixed income securities were heavily sold in the quarter as investors feared the impact of rising interest rates from central banks continue.**
- **Cryptocurrencies also faced heavy selling following the Terra/Luna stablecoin debacle.**
- **Tencent faces selling pressure as its largest shareholder trims its shares.**
- **MicroStrategy trading at 25% NAV discount, well capitalised with 130,000 BTC holding.**
- **Tesla delivered 255,000 vehicles in Q2, strong rebound in June following China shutdowns.**

MARKET COMMENTARY

The second quarter of 2022 saw heavy selling of equity and fixed income markets on fears of rising inflation followed by a deep recession. Technology stocks were amongst the biggest victims. As a result, during Q2 2022, the Photon fund fell by 20.4%, underperforming its benchmark by 12.5%.

Much of Photon's losses occurred in April and May, as investors sold equities, fixed income, and digital assets in response to the US Federal Reserve's decision to raise interest rates in the hope of taming US official inflation which reached 8.6% in June, the highest since 1981.

Photon recovered some of its losses in June, with performance led by strong gains from the Chinese stocks in the portfolio. Notably, Alibaba, one of Holon's highest convictions positions, rebounded 20% in June as China emerged from its recent Covid-lockdowns. Despite the selloff in Photon throughout the 2022 calendar year so far, we remain confident in our portfolio holdings given their individual balance sheet strength, dominant market share and long-term growth prospects.

Shopify completed a 10-for-1 stock split and launched a new partnership with Twitter during Q2, which will allow Shopify merchants to better manage their inventory data and sell directly to on Twitter's social media platform to its 400 million consumers. This adds to Shopify's existing sales channels on, Instagram, TikTok, Snap and Pinterest.

Tencent's largest shareholder Prosus, spun out of South African internet conglomerate Naspers, announced plans in June to sell a portion of its Tencent stake (28.8% owner) to fund the buyback of Prosus shares. Prosus CEO Bob Van Dijk suggested they are looking to reduce the NAV discount of Prosus to below 25% of the value of its Tencent stake, creating some selling pressure on Tencent over Q3 2022.

MicroStrategy's (MSTR) share price struggled in Q2 as a result of heavy selling in cryptocurrency markets. Heavy short selling, equivalent to 35% of the total free float of MicroStrategy shares in late June, also contributed. Holon believes an impending recession in the US and Europe will force global central banks to stabilise fears of a sovereign debt crisis through yield curve control, possibly as early as August 2022. We think a return of money printing by central banks should inject a rebound in investor sentiment in bitcoin, with MicroStrategy's 130,000 bitcoin holding likely to make them a key beneficiary of improving sentiment.

Poor sentiment and heavy short selling have likely driven the current 25% discount of MicroStrategy to its bitcoin holdings value. While the company has US\$2.4 of debt outstanding, 75% of its bitcoin position is uncollateralised, providing significant financial protection if bitcoin's price continues to decline on global recession fears.

Tesla reported Q2 EV vehicle sales of 255,000, roughly in line with market analyst expectations. The shutdown of its Shanghai factory in April and May resulted in a big slowdown in EV production, but a strong rebound in June suggests over 150,000 EV's were produced in that month alone. As Tesla continues to ramp up production in its new manufacturing plants in Berlin and Texas over the remainder of 2022, they are well positioned to surpass 2.5 million vehicles in 2023 if they can manage supply shortages in key components like semiconductors. With energy prices continuing to remain elevated, we see demand for EV's as almost certainly remaining strong as consumers look to trade in their ICE models in favour of an EV.



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

Throughout the quarter no new positions were added to the fund, with Holon's cash position sitting at 10.7% at the end of June. With several of the companies in the portfolio currently trading at very attractive valuations we will be looking to re-allocate some of the cash accumulated over the past three months into some of our core holdings during Q3.

PORTFOLIO BREAKDOWN

INNOVATION EXPOSURE %	
Ecommerce	16.5
Cloud Computing	12.7
Cash	10.7
Advertising	10.2
Vertical software	9.1
Gaming	7.8
Payments	6.8
Streaming	6.0
Other	4.8
Autonomous vehicles	4.8
Web 3	4.5
IoT	3.6

GICS SECTOR WEIGHTS %	
Consumer Discretionary	34.5
Communication Services	28.3
Information Technology	26.9
Financials	1.7

TOP HOLDINGS %	
Alibaba	13.7
Tencent	10.4
Tesla	7.5
Meituan	7.5
Alphabet	5.7
Xiaomi	5.5
Meta Platforms	5.5
Amazon	4.9
Visa	4.0
Xero	3.9

GEOGRAPHICAL WEIGHTINGS %	
Asia	36.3
North America	22.2
Europe	12.9
Cash	10.7
Oceania	6.2
South America	5.4
Africa	3.1

PORTFOLIO CHARACTERISTICS (as at 30 June 2022)

Weighted Average Market Capitalisation	A\$586.7bn
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	6%
Percentage of Fund in the Top 10 Holdings	69%
Number of Positions	19
Cash Weighting	10.7%

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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