



**OBJECTIVE**

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

**Holon Global Investments Limited**  
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[www.holon.investments](http://www.holon.investments)

**HOLON PHOTON FUND – MONTHLY REPORT**

**PORTFOLIO PERFORMANCE**

July 2022

	1 Month (%)	3 Months (%)	6 Months (%)	12 Months (%)	Since Inception (p.a. %)
Holon Photon Fund	4.0	-6.6	-21.2	-29.0	6.6
MSCI AC World Net Index TR	5.4	-0.1	-9.3	-5.7	8.1
<b>Relative Performance</b>	<b>-1.4</b>	<b>-6.5</b>	<b>-11.8</b>	<b>-23.3</b>	<b>-1.5</b>

*Note: All returns are in AUD. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax. Past performance is not indicative of future performance.*

**KEY POINTS**

- Key innovation investments rallied strongly following solid Q2 2022 results
- Web 3.0 investments MicroStrategy and Coinbase bounced on improving fundamentals
- Alibaba and Tencent fell on US accounting issues, -400bp impact on monthly performance

**MARKET COMMENTARY**

The Holon Photon Fund returned 4.0% in July, underperforming the broader market index by -1.4%.

Amazon reported strong results from AWS (up 33% YoY) and advertising (up 17% YoY), with its share price up 27% in July on this news. Amazon expects to see 13-17% YoY revenue growth in Q3 2022. The strong share price move occurred despite a 49% share price fall during the June quarter in EV maker Rivian (Amazon owns an 18% stake), forcing them to take a \$3.9bn balance sheet hit during the quarter. Amazon commented that they expect to see strong growth in its AWS, cloud storage services, while its in-store payments "Just-walk-out" technology, which links a shopper's unique palm print to their personal payment channel, allows customers to shop and then leave the store without passing through a traditional retail checkout. This is being rolled out initially at Amazon Go convenience stores plus other independent sales points like stadiums and retail/hospitality formats. Amazon also recently announced the \$3.9bn acquisition of One Medical, which currently serves over 750k subscribers for 24/7 online and in-person primary care.

Megaport released their Q4 2022 global update which saw the share price rise 85% in July. Megaport is gaining traction through its partner channel strategy, producing a record monthly recurring revenue in June. The update also validated the operating leverage in the business that is now EBITDA positive in both Japan and Canada in less than 3 years (2019 entry to these markets). While Megaport's share price fell by 75% since its peak of A\$21 in November 2021, Holon believes it continues to offer long-term growth, and could reach cashflow positive in 2023 following extensive infrastructure investment over the past few years

Shopify's Q2 2022 YoY subscription and merchant revenue grew 9% and 18% respectively. The outperformance of the merchant segment will continue for the foreseeable future as Shopify continues to convert platform subscribers (merchants) into more value-add (but lower margin) products like Shopify Payments, Capital (lending), Balance (banking), Shipping and the Shopify Fulfilment Network (SFN). Shopify's Gross Merchandise Value (GMV) grew by 11% YoY to \$47bn, with 53% of transactions occurring on Shopify Payments (2.8% gross margin). Going forward, Shopify expects to outperform vs the broader retail market; and we expect to see ongoing investment into SFN. On the negative side, Shopify will be trimming 10% of its headcount, however, this is largely in line with the industry who scaled up rapidly in the past 18 months during Covid.

Netflix reported its Q2 2022 results which saw paid subscriptions fall by 970k, less than the market's expectation of a 2 million decline. Total revenue increased 13% following its efforts to raise subscription prices around the world. Holon expects Netflix to gradually rebuild its subscriber base following the additional of an ad-supported tier in 2023 that is expected to lower subscription costs. Streaming remains a competitive industry, but we believe Netflix to be in the strongest position having scaled both distribution and production and by having the lowest churn in the industry.

MicroStrategy's price continues to move in line with Bitcoin, with its share price up by 72% in July. CEO Michael Saylor continues to build its Bitcoin inventory following the heavy selloff in 2022, purchasing 480 additional BTC at an average price of \$20.817 USD, reiterating the long-term view for the digital asset class. Digital asset exchange Coinbase also experienced a healthy month with its share price recovering by 30% in July, despite the recent SEC probe which has accused the firm of selling securities on the platform. This probe is part of a much broader debate around the definition of certain digital assets and the role of the SEC in regulating them.

Tesla's share price reacted positively in July, up 32% following Q2 results that were largely in line with expectations. Finally, Alibaba fell by 17% in the month, following US regulator action regarding its failure to provide full access to its Chinese accounts. If this continues in FY2023 and FY2024, the regulator can remove Alibaba (and other offenders) from listings on US exchanges.



**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 July no new positions were added to the Fund, with our cash position sitting at 9.9% at month's 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	14.9
Cloud Computing	13.2
Vertical Software	10.4
Advertising	9.6
Web 3	6.8
Payments	6.7
Gaming	6.7
Autonomous Vehicles	5.9
Streaming	5.7
Other	4.3
IoT	3.1
Energy	2.8

TOP HOLDINGS %	
Alibaba	10.8
Tesla	9.4
Tencent	8.6
Meituan	6.5
Amazon	5.9
Alphabet	5.8
Meta Platforms	5.2
Xiaomi	4.8
Xero	4.7
MicroStrategy	4.7

GICS SECTOR WEIGHTS %	
Consumer Discretionary	32.6
Information Technology	30.4
Communications Services	25.2
Financials	2.0

GEOGRAPHICAL WEIGHTINGS %	
Asia	32.5
North America	23.8
Europe	14.2
Oceania	6.4
South America	5.5
Other (Global)	4.5
Africa	3.3

## PORTFOLIO CHARACTERISTICS (as at 31 July 2022)

Weighted Average Market Capitalisation	A\$480.5 billion
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	3.6%
Percentage of Fund in the Top 10 Holdings	65%
Number of Positions	19
Cash Weighting	9.9%

## VISIT THE WEBSITE

Holon's website is [www.holon.investments](http://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	Holon Investments Australia
Unit Registry	One Registry Services Pty Limited

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