



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 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 & CEO,
Holon Group

COMPANY DETAIL

Holon Global Investments Limited
www.holon.investments

HOLON PHOTON FUND – MONTHLY REPORT

PORTFOLIO PERFORMANCE

October 2022

	1 Month (%)	3 Months (%)	6 Months (%)	12 Months (%)	Since Inception (p.a. %)
Holon Photon Fund	-6.64%	-13.79%	-19.46%	-41.35%	1.47%
MSCI AC World Net Index TR	6.62%	0.78%	0.67%	-6.31%	7.71%
Relative Performance	-13.25%	-14.57%	-20.13%	-35.04%	-6.24%

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

- China stocks faced heavy selling pressure following the CNPC conference that appointed President Xi to a 3rd term
- Inflationary concerns forcing central banks to keep raising interest rates
- Slight misses in results and lower guidance saw sharp selloffs in leading US innovation companies

MARKET COMMENTARY

The Holon Photon fund underperformed its benchmark substantially in October, principally as a result of heavy selling in our Chinese investments following the CNPC conference that appointed Chinese President Xi Jinping to a 3rd term. The fund closed the month down 6.64% verses its benchmark that was up 6.62%. A substantial portion of this underperformance was driven by rising inflation concerns which have led to strong commodity price gains in our benchmark index verses global technology stocks.

A rising inflationary environment continues to force central banks to raise interest rates at the expense of global growth. This was led by the US Federal Reserve, which lifted rates by 0.75% up to 3.75%-4% from just 0.1% in February 2022. This continues to create enormous uncertainty for global investors, with higher valuation sectors like technology facing the highest selling pressure.

Chinese markets aggressively sold off immediately after the appointment of President Xi and the announcement of his new Politburo committee. Investors worried that the concentration of power strengthened Xi's ability to prioritize China's national goals over private enterprise. The failure to provide a timeline for removing China's aggressive Covid-19 policies also impacted investors growth outlook for 2023.

Tesla announced mixed Q3 results, with the company initially selling off below US\$200 per share before rebounding 15% over the remainder of October. Holon was however very encouraged by Tesla's outlook, which further demonstrated the enormous lead it has over other EV manufacturers. Its strong operating cash flow generation, which we expect could hit US\$30 billion in 2023, places them in a strong position to accelerate production over the next 5 years. CEO Elon Musk discussed his belief that Tesla may achieve Level 5 autonomous capabilities in 2023, while its new factories in Texas and Berlin continue to accelerate production and should hit 250,000 units/yr in 2023.

Meta (formerly Facebook) fell by 25% following disappointing Q3 results. Earnings were 11% below market expectations, but the key concern was a substantial cash burn on their Metaverse R&D costs that consumed 33% of revenue for the quarter. User engagement on traditional products Facebook, Instagram and WhatsApp remained strong, however lower margins in their Reels product impacted revenue growth. Meta discussed lowering headcount and costs but remains committed to its plan to spend US\$250 billion on its Metaverse opportunity over the next 10 years.

Alphabet (Google) produced mixed results, with Q3 revenue up 6% (11% before currency translation impact). Operating margins fell by 7.5% for Q3, with CEO Sundar Pichai announcing plans to lower headcount in Q4 to better manage operating costs. Google Cloud had a strong quarter, with revenue up 38% YOY, while plans to monetise of 1.5 billion YouTube users is progressing well.

Netflix rebounded 20% in October on strong results. They added 2.41 million net new subscribers in the quarter, while also forecasting that they will add 4.5 million new subscribers in Q4. Netflix sounded very confident in their upcoming advertising tier, with positive feedback from brands and agencies. Content spend remains high at US\$17bn, but this remains a key differentiator against smaller competitors lacking Netflix's balance sheet strength.

The scale of the selloff in innovation names over the last 12 months has seen years of price gains removed, with standouts being Facebook (2015 levels), Amazon (2018), Alibaba (2016), Tencent (2016) and Shopify (2019). In all cases, their business operations are substantially larger and globally focussed. A key catalyst that could lead to a sharp rebound in prices is central banks reversing their interest rate tightening stance in 2023 on global growth concerns.



**HOLON INVESTMENTS
AUSTRALIA 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 some of the best businesses the World has to offer.

We are your trusted investment partner for wealth creation.

INVESTMENT ACTIVITY

During October no new positions were added to the Fund, with our cash position sitting at 11.9% 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 %	
E-commerce	13.7
Cloud Computing	11.7
Vertical Software	11.2
Advertising	8.7
Web 3	8.3
Payments	7.5
Streaming	6.1
Autonomous Vehicles	5.8
Gaming	5.5
Other	3.9
IoT	2.8
Energy	2.7

TOP HOLDINGS %	
Alibaba	9.1
Tesla	9.1
Tencent	7.4
Alphabet	6.0
Meituan	5.9
Amazon	5.6
Microstrategy	5.6
Intuit	5.2
Visa	5.1
Xero	4.5

GICS SECTOR WEIGHTS %	
Information Technology	32.2
Consumer Discretionary	29.8
Communication Services	23.2
Financials	2.7

GEOGRAPHICAL WEIGHTINGS %	
Asia	28.8
North America	24.5
Europe	14.3
Oceania	6.1
South America	5.5
Other (Global)	5.4
Africa	3.3

PORTFOLIO CHARACTERISTICS (as at 31 October 2022)

Weighted Average Market Capitalisation	A\$461 billion
Current (12mth) Operating Cash Flow Yield	6.1%
Forecast growth p.a. (3-5 years) in Operating Cash-Flow	10-15%
Net cash as a % of Market Capitalisation	4.7%
Percentage of Fund in the Top 10 Holdings	63.5%
Number of Positions	20
Cash Weighting	11.9%

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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 Limited
Unit Registry	One Registry Services Pty Limited

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