

Investment objective

Provide a concentrated portfolio of long-only positions in 25-35 Australian and globally listed securities based on the highest conviction ideas from leading fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

Portfolio Commentary

During July our pre-tax NTA increased by 4.68% to \$3.13. Again, our performance was helped by positive market sentiment, with the MSCI World Index increasing by 2.3% in AUD terms and 0.4% in USD terms. Our share price finished the month at \$3.15.

Global bond yields look set to stay lower for longer, with the US Federal Reserve unexpectedly cutting the Fed Funds rate target by 25bps on July 31. US 10-year yields ended the month at 2%, while the Australian 10-year bond yielded just 1.2%. Both look to be heading lower still. The US dollar was firmer over the month (+2.5%), which was a tailwind for the portfolio, with 57% of the portfolio value denominated in US dollars. We saw some of the bigger technology companies report positive results in late July, which saw the IT and Communication Services sectors outperform Energy, Materials and Healthcare. Looking at our current sector allocation in the chart below, the reasons for the outperformance becomes more evident.

In the [May update](#), we profiled Bandai Namco Limited ([7832.JP](#)), which is a Japanese listed company specialising in gaming, entertainment, and toy manufacturing. Geoff Wilson (Founder of Wilson Asset Management) pitched Bandai at the [Sohn Hearts & Minds Conference](#) in November last year. During the month, it was announced that Bandai would be included in the Nikkei 225 Index as of August 1. This led to a sharp rally in the share price, such that it no longer justified holding a fully weighted position in our portfolio. For the stock we closed out, we realised a gain of 31% in Australian dollars.

This month we are profiling one of the offshore Conference speakers from 2018, Beeneet Kothari from Tekne Capital Management, and the stock he recommended, PagSeguro Digital Limited ([PAGS.US](#)). This has been the outstanding pick of the Conference portfolio so far, having generated an Australian dollar return of 103% since November.

As always, we continue to express caution to our shareholders. Trump tweets, more tariffs, the on-going trade war between the US and China, a new Prime Minister in the U.K, ultra-low interest rates globally, the Fed sending a clear message that economic growth is more anaemic than investors think, all suggest that we are in for more volatility in equity markets in the months ahead. We continue to monitor our positions regularly, and take comfort in the fact that we only hold companies that the industry's top fund managers have their highest conviction.

Performance

	1 month	3 months	6 months	Since Fund inception
Pre-tax NTA ¹	4.68%	7.19%	18.56%	25.20%
MSCI World Index (AUD)	2.32%	2.91%	13.98%	13.86%

Source: Citco Fund Services and [www.msci.com](#). Fund inception 14 Nov 2018

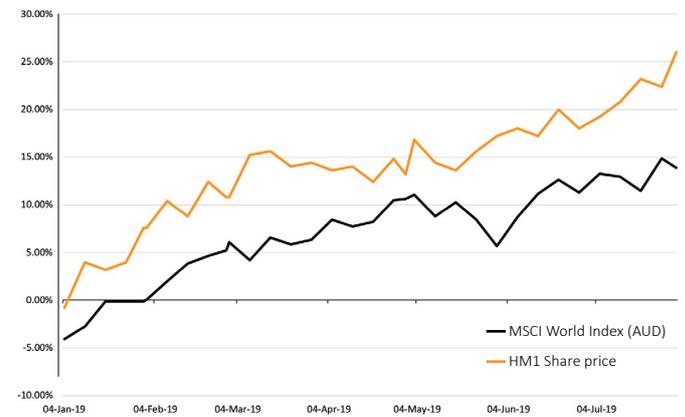
To receive these monthly investment updates via email please [click here](#).

¹Pre-tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. **All NTA figures are unaudited and prepared by Citco Fund Services.
*The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns.
All numbers as at 31 July 2019 unless otherwise stated.

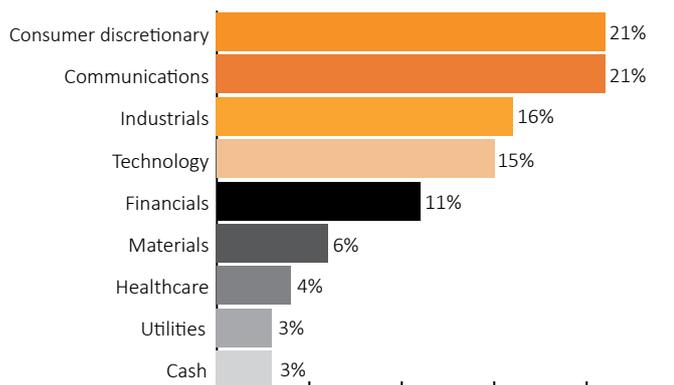
HM1 share price vs pre-tax NTA backing



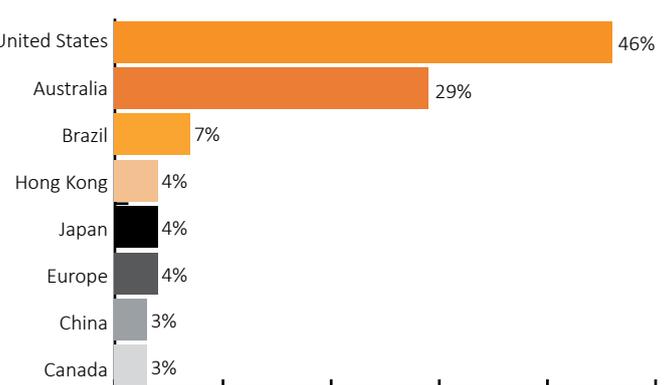
HM1 share price vs MSCI World Index (AUD)



Sector allocation



Business domicile⁴

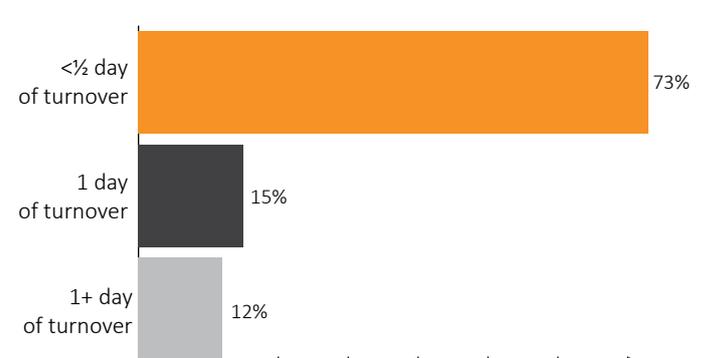


Key details

Pre-tax NTA ¹	\$3.13
Post-tax NTA ²	\$2.95
ASX code	HM1
Share price	\$3.15
Percent invested	95%
Listing date	14 Nov 2018

All numbers as at 31 July 2019 unless otherwise stated.

Portfolio liquidity⁵



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¹Pre-tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. ²Post-tax NTA is calculated after the provision for tax on realised and unrealised gains and losses on the investment portfolio. ³All NTA figures are unaudited and prepared by Citco Fund Services. ⁴Determined by location where primary business takes place. ⁵Based on 20 day average daily turnover. ⁶The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. All numbers as at 31 July 2019 unless otherwise stated.

Sohn Hearts and Minds Investment Leaders Conference

Manager recommendation in focus

Tekne Capital Management - Beeneet Kothari

Tekne Capital Management, LLC ('Tekne') is a fundamental equity manager that focuses on investing in technology, media, digital consumer, payments, and telecommunications businesses globally. Tekne was founded in 2012 by Beeneet Kothari who is its Managing Partner and Principal Portfolio Manager. Tekne manages a concentrated portfolio of global, liquid, publicly-listed securities. The team conducts research and diligence to identify securities which are at a significant discount or premium to their long-term intrinsic business value. The founding partners of the firm have invested substantially all their net worth in the business, thus aligning their interests with that of their investors. The team is based in New York.



Beeneet Kothari
Managing Partner and
Principal Portfolio Manager

<http://www.tekne.com/>

Recommendation: PagSeguro Digital Ltd (PAGS:US)

PagSeguro Digital Ltd. provides financial technology solutions and services for micro-merchants and small and medium-sized businesses in Brazil and internationally. The Company offers multiple digital payment solutions, in-person payments via point of sales devices, prepaid cards services, value-add services and online gaming.

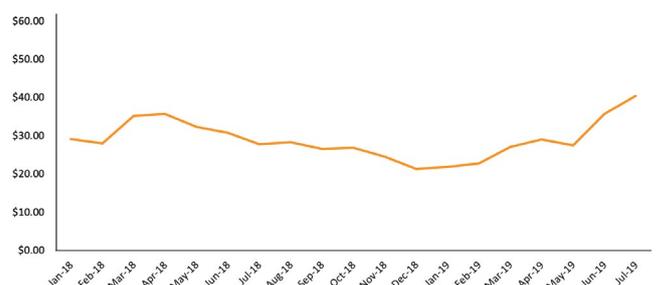
What Beeneet says about PagSeguro

- PagSeguro is the first-mover and market-leader in the micro-merchant segment. It has >10x the payment volume of its closest competitor. PagSeguro has the highest brand awareness (3x more Google search volume than next biggest player) and has preferential access to advertising in Brazil because it is owned by a large Brazilian media conglomerate.
- The micro-merchant segment in which Pagseguro operates is less competitive; >80% of its clients never accepted credit/debit cards prior to PagSeguro, and >50% don't have a bank account. All PagSeguro's clients are digitally acquired and self-onboard to the platform.
- The market opportunity is large and unpenetrated; >20 million small/micro-merchants generating >R\$5 trillion of volume. PagSeguro today services 4 million merchants doing R\$86 billion of volume. Credit/debit cards are only 36% penetrated in Brazil, and less in the micro-merchant segment.
- In the medium-term, PagSeguro has ancillary market opportunities in consumer banking, credit and merchant software, which combined represent a 14x larger opportunity than payments alone.
- PagSeguro is growing very quickly and is highly profitable already. In 2018, the company grew payment volumes 98%, service revenues 87% and net income 115% with 39% EBITDA margins.
- PagSeguro is undervalued and we believe there is upside to consensus estimates. We estimate PagSeguro is trading at <15x future earnings per share after backing out cash on-hand.
- We believe PagSeguro could be worth \$100 per share over a 2-3-year period, which is more than 100% upside.

Company information

Ticker code	PAGS US
Market capitalisation	USD \$15.5bn
Average daily volume	2.2m
52-week range	USD \$17.02 - \$48.88
Bloomberg consensus	14 Buys, 3 Holds, 1 Sell
Average price target	USD \$43.81

PAGS US: Share price history



Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

