

01 March 2021

## INVESTMENT STRATEGY UPDATE

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The company last provided shareholders with an update on the investment strategy at the AGM in 2020.

We have continued to pursue the same strategy we articulated at that time.

In order to provide shareholders with a greater understanding of the investment style and opportunities we are focusing on, we have detailed some of the investments we have made in each of the investment categories below.

We continue to maintain a wide mandate and we remain of the view that the ongoing volatility requires our investment focus to be flexible. To date, we have been gradually allocating funds to investments to ensure capital preservation.

The primary strategies we have targeted are as follows:

- Discount Capture – The Company aims to take advantage of large discounts to NTA among Listed Investment Companies. Examples of this have been investments in:
  - Australian Leaders Fund Ltd (ALF),
  - L1 Long Short Fund Ltd (LSF) and
  - Ellerston Global Investments Ltd (EGI).
- Arbitrage – Typically companies in the later stages of a takeover providing shorter term trade opportunities to benefit from lower risk arbitrage trades. Depending on our view of the stock, we may look to short stocks\* in order to hedge out risk or retain the underlying investment exposure. Examples of this have been investments in:
  - Amaysim (AYS)
  - Xplore Wealth Ltd (XPL)
- Deep Value Investments – Overlooked and out of favour investments where we expect an eventual re-rating of the share price. Examples of this have been investments in:
  - Scentre Group (SCG) and

- Unibail Rodamco Westfield (URW).

Investor sentiment was at all time lows following on from pandemic induced lockdowns globally and provided an opportunity to invest in high quality shopping malls at significant discounts to the underlying asset values.

- Event Driven – Our preference has been to take a position with an expected Event leading to an increase in the share price. Examples of this have been:
  - EGI's delisting in August 20, allowing BHD to benefit from a 6-8% uplift in 6 weeks in addition to the underlying exposure and,
  - URW's short interest ahead of the anticipated capital raise late last year. The stock was up over 65% within a month of entry.

We continue to hold the majority of both these positions.

Our expectation in the current climate is to continue to focus on these strategies. The Company's investment style is best described as **Opportunistic with an absolute return focus**.

### Ongoing Litigation

The loans to John Bridgeman and JB Financial Group remain outstanding. Although both companies ability to repay these loans looks questionable, a recovery for BHD would provide a significant uplift to shareholders. As a result, we have continued to pursue the outstanding debts.

By authority of the Board

**Michael Glennon**



Chairman / Company Secretary

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*\* The initial prospectus stated that the Company will not short physical assets in order to manage risk, but allowed leveraged shorting through derivatives. The Company has since resolved to allow shorting on individual stocks, the current intention is to utilise this to mitigate risk through hedging.*