

Portfolio Commentary

During May, the pre-tax NTA of HM1 decreased 2.1% to \$2.86, compared to the MSCI World Index which was down 6.1% for the month. Since inception the pre-tax NTA is up 14.4%, while the MSCI World Index is up 1.5% for the same period. The HM1 share price increased by 3.5% for the month to \$2.93.

Macroeconomic news was the dominant driver in May, with trade tensions between the US and China worsening, new tariffs being introduced and current ones increased, and the British Prime Minister announcing her resignation, all of which led to the S&P 500 having its worst month of the year, and its second worst May since the 1960's (-6.5%). The US 10 year bond yield also hit a 20 month low of 2.14% at the end of the month, showing the demonstrable shift away from riskier asset classes.

Last month we mentioned how one of our conference stocks, Pagueguro (PAGS.US), a Brazilian money merchant business, experienced some share price weakness following an industry announcement. We noted the recommending manager (Beeneet Kothari of Tekne Capital Management) maintained his conviction in the stock. We are pleased to report that his analysis of the events was spot on and during May, Pagueguro rallied 20%, and has now increased 42% since he recommended it to the audience at the conference last November.

Another of our conference stocks, Bandai Namco (7832.JP), a Japanese video game development company and publisher ([profiled in this report](#)) has also been performing solidly in these tumultuous markets.

Of course, not all stocks have performed so well. Our NTA did fall by 2.1% this month. Against a 6% fall in global equities, whilst this is pleasing on a relative basis, it is still a decline in NTA. Even the highest conviction stock ideas of the best managers will be affected by macroeconomic concerns in the short term.

We remain in regular contact with all of our managers (both Core and Conference), ensuring that their investment theses remain intact in the event of unexpected announcements. Of the positions we closed out early due to industry / regulatory changes, 2 of 3 have continued to fall heavily, one of these being a further 25% decline, which we thankfully have managed to avoid.

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.

2019 SOHN HEARTS & MINDS INVESTMENT LEADERS CONFERENCE HM1 SHAREHOLDER PRE-SALE TICKET OFFER

Held at the iconic **Sydney Opera House** on **Friday 22 November**, the Conference is a unique opportunity to hear first hand **insights from leading fund managers** and learn more about some of the companies HM1 invests in. The 2019 international keynote speakers will be announced shortly.

All ticket sales go direct to Australian Medical Research

Access to this special HM1 shareholder ticket price is strictly limited and is available until June 14.

To secure your seat at this year's conference:

1. [Click here: special offer](#) and then click "Get Tickets"
2. Select desired number of HM1 Shareholder tickets
3. Proceed to checkout (payment via credit card*)

Tickets & tax deductible receipt are emailed to you by Humanitix
**If you wish to pay via invoice please contact ir@hm1.com.au*

Performance

	1 month	3 months	6 months	Since Fund inception
Pre-tax NTA ¹	-2.05%	0.35%	13.04%	14.40%
MSCI World Index	-6.06%	-1.87%	0.24%	1.54%

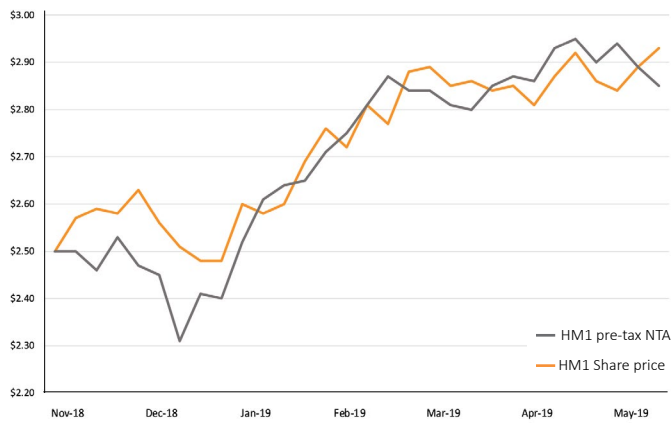
Source: Citco Fund Services and www.msci.com. Fund inception 14 Nov 2018

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

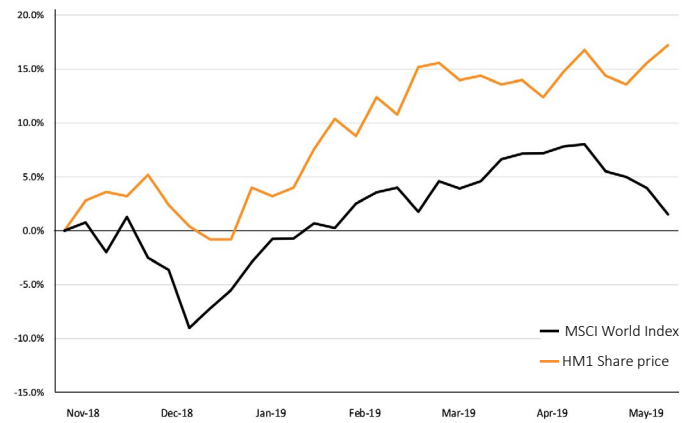
¹Pre-tax NTA is calculated before the provision for tax on realised and unrealised gains and losses on the investment portfolio. ²Post-current tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. ³Post-tax NTA is calculated after the provision for tax on realised and unrealised 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 May 2019 unless otherwise stated.

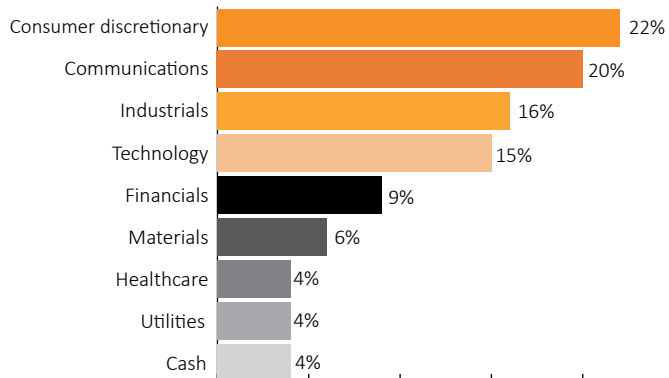
HM1 share price vs pre-tax NTA backing



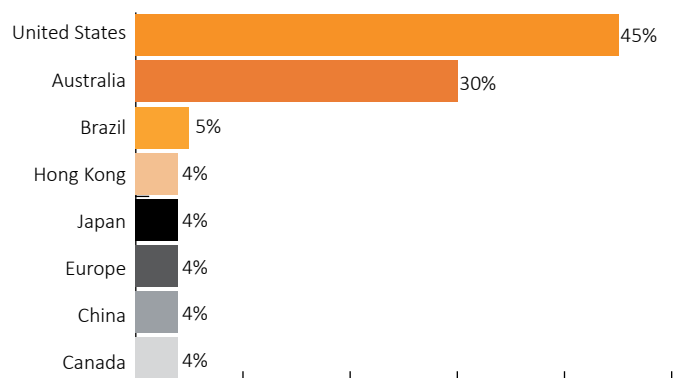
HM1 share price vs MSCI World Index



Sector allocation



Business domicile⁴

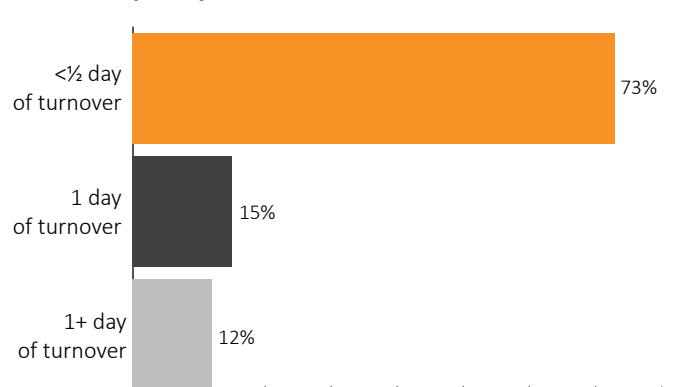


Key details

Pre-tax NTA ¹	\$2.86
Post-current tax NTA ²	\$2.85
Post-tax NTA ³	\$2.75
ASX code	HM1
Share price	\$2.93
Percent invested	94%
Listing date	14 Nov 2018

All numbers as at 31 May 2019 unless otherwise stated.

Portfolio liquidity⁵



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

¹Pre-tax NTA is calculated before the provision for tax on realised and unrealised gains and losses on the investment portfolio. ²Post-current tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. ³Post-tax NTA is calculated after the provision for tax on realised and unrealised gains and losses on the investment portfolio.

** All 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.

⁵The 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 May 2019 unless otherwise stated.

Sohn Hearts and Minds Investment Leaders Conference

Manager recommendation in focus

Wilson Asset Management - Geoff Wilson

Wilson Asset Management has a strong track record of delivering risk-adjusted returns for shareholders and making a difference for investors and the community for more than 20 years. Established in 1997 by Geoff Wilson AO, Wilson Asset Management is responsible for investing more than \$3 billion in undervalued Australian and international growth companies on behalf of 80,000 retail investors across six listed investment companies (LICs).

Wilson Asset Management created, and is the lead supporter of, the first LICs to deliver investment and social returns: Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company Limited (ASX: FGG).

Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and provides all team members with \$10,000 each year to donate to charities of their choice.



Geoff Wilson AO

Founder, Chairman and Chief Investment Officer

Recommendation: Bandai Namco Holdings (7832:JP)

Bandai Namco is a Japanese-listed company specialising in gaming, entertainment and toy manufacturing. Formed from the merger of Bandai and Namco in 2005, it is the owner of a large catalogue of intellectual property and is exposed to future revenue opportunities through the growth of the mobile and Chinese gaming industries.

What Geoff says about Bandai Namco

- Bandai Namco generates the majority of its profits from the steadily growing \$100bn+ global video gaming market. We believe the global video gaming market is in the early days of a long growth story, given demographic shifts whereby younger customers are more inclined towards computer gaming as a form of entertainment, and because of the per-hour cost difference between video gaming (c. \$1-\$2 per hour) and other forms of entertainment such as movies or sporting events.
- China is a market dominated by mobile gaming and Bandai Namco is currently notably underpenetrated. China is the world's largest video gaming market, yet even off this large base it is growing at double digit rates annually. To win in China, outside firms team up their intellectual property with local distributors like Tencent. Again, Bandai Namco is well positioned with strong internal intellectual property in names such as Dragon Ball, Pacman and Gundam ready to leverage into the Chinese market.
- From a risk-management perspective, the company runs a conservative, strongly net-cash balance sheet which will serve to cushion the stock price should turbulence in global markets continue.
- The company is trading at a very reasonable 8x earnings before interest, tax, depreciation and amortisation (EBITDA), which compares favourably

to other firms in the video gaming industry including EA (13x), ActivisionBlizzard (14x), and Take-Two (17x). We see catalysts ahead to drive the share price higher as the company continues to deliver positive earnings surprises and its valuation moves closer its global peers.

Company information

Ticker code	7832 JP
Market capitalisation	¥ 1.15bn
Average daily volume	715,000
52-week range	¥ 5,570- ¥ 3,825
Bloomberg consensus	9 Buys, 5 holds, 0 Sells
Average price target	¥ 6,055

7832 JP: 5 year share price history



Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

