

## Portfolio Commentary

We can now reflect on the first quarter of HM1's existence.

Since listing in late November last year, the NTA of the fund has increased from \$2.50 to \$2.85 as at February 28. That represents a 14% return in just over three months. To put this in perspective, the World MSCI Index has risen less than 3% over the same period.

Three key factors have contributed to this outperformance:

### Firstly: timing

You may recall at the time of the IPO, we highlighted that we were investing our capital at a time just after a sharp sell off in equity markets. Fortunately for us, the markets rebounded soon after we deployed our capital and we have benefitted from this bounce.

### Second: currency

A large part of our portfolio (c65%) is invested in USD denominated companies. As the USD strengthens (vs the AUD), these holdings become more valuable in Australian dollar terms. We have also benefitted from the prospect of further interest rate increases in America coupled with softening conditions in Australia (particularly in housing).

### Thirdly: great stock ideas from very smart fund managers

We have a portfolio of high quality investment ideas across many regions and sectors.

### Here are a few quick facts about the portfolio:

- 80% of the shares in our portfolio are up since we bought them;
- one of our holdings is up nearly 100% in just three months;
- 9 stocks are up over 25%; and
- we have benefitted from receiving a takeover offer on one of our holdings.

We cannot expect this sort of outperformance to continue. Many factors have been in our favour since we deployed your capital. We always said that this would be a more volatile portfolio than the broader market and it will be. There will be times when we have bad performance and we should expect that.

We remain in regular contact with the managers and risk management is a key focus for us. To that, if the investment thesis of a manager plays out, we will, and have, realised some or all of the profits. Similarly, if a thesis shows itself to be wrong and a manager loses conviction in their recommendation, we will, and have, cut some or all of the losses. The sale proceeds may then be redeployed across some or all of the other stocks in the portfolio, or can alternatively be held in cash. Again, regular dialogue with the managers helps us make the decisions that are in the best interests of our shareholders.

Our view remains that over the medium to long term, our strategy and portfolio will deliver strong returns for shareholders. We thank you for your ongoing support.

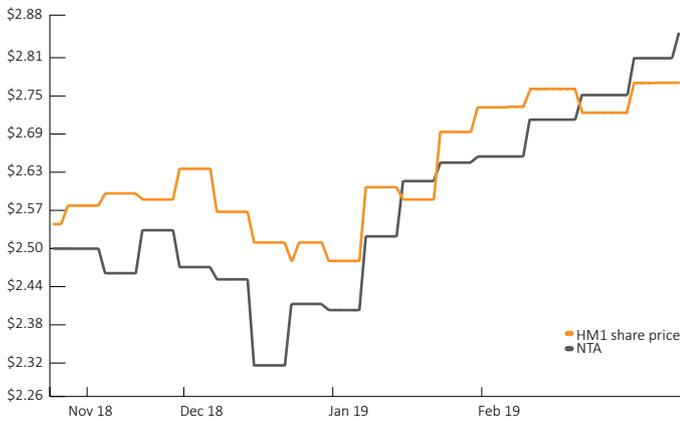
## Performance

	1 month	3 months	1 year	Since Fund inception
Pre-tax NTA <sup>1</sup>	7.95%	12.65%	-	14.00%
MSCI World Index	2.81%	2.16%	-	3.47%

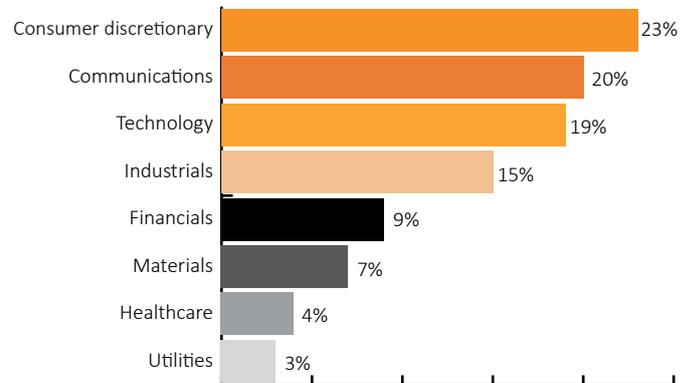
Source: Citco Fund Services. Fund inception 14 Nov 2018

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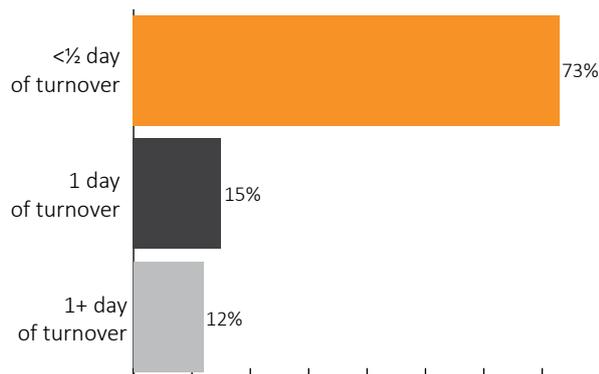
### HM1 share price vs NTA backing



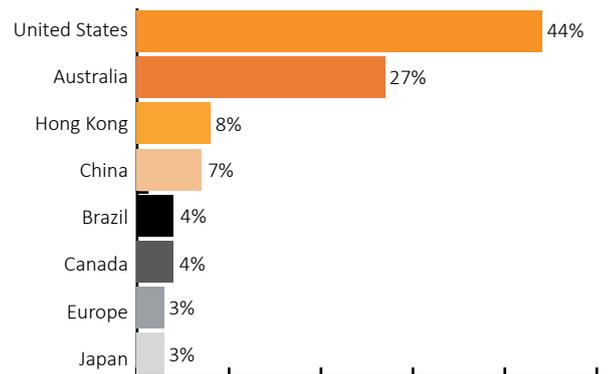
### Sector allocation



### Portfolio liquidity<sup>4</sup>



### Business domicile<sup>5</sup>



### Key details

Pre-tax NTA <sup>1</sup>	\$2.85
Post-current tax NTA <sup>2</sup>	\$2.86
Post-tax NTA <sup>3</sup>	\$2.74
ASX code	HM1
Share price	\$2.77
Percent invested	98%
Listing date	14 Nov 2018

### 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.

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<sup>1</sup>Pre-tax NTA is calculated before the provision for tax on realised and unrealised gains and losses on the investment portfolio. <sup>2</sup>Post-current tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. <sup>3</sup>Post-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. <sup>4</sup>Based on 20 day average daily turnover. <sup>5</sup>Determined by location where primary business takes place.

<sup>6</sup>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 28 February 2019 unless otherwise stated.

## Sohn Hearts and Minds Investment Leaders Conference

### Manager recommendation in focus

#### Tribeca Investment Partners – Jun Bei Liu

Tribeca is a leading boutique fund manager with a twenty year history of creating value for investors through the management of innovative and specialised funds. Headquartered in Sydney with global offices in Singapore and London, Tribeca is wholly owned by its employees and manages \$2.4bn across a suite of actively managed traditional long only and alternative investment strategies focused on Australian and global equities and natural resources. Tribeca’s client base includes leading pension, endowment foundations, financial institutions and family offices.

<https://tribecaip.com>



**Jun Bei Liu**  
Portfolio Manager

### Recommendation: New Oriental Education & Technology (EDU US)

New Oriental is the largest provider of private education services in China with a network of 88 schools and 1,100 learnings centres across 76 cities. New Oriental generates the majority of its earnings from After School Tutoring services for K-12 students and a small contribution from adult test preparation for overseas and domestic exams. The company has been listed on the NYSE since 2006.

### What Jun Bei says about New Oriental

- New Oriental is a high quality business that operates in an attractive industry underpinned by strong structural growth drivers.
- Spending on private education in China is growing exponentially and we expect it to increase by almost 3 fold by 2030 to US\$692b. The After School Tutoring market currently accounts for 37% of the total private education spend and is expected to reach 80% with the rise of Chinese middle-class income.
- Being one of the first entrants in the After School Tutoring market allows New Oriental to build scale and reinvest in staff, curriculum as well as a technology platform.
- New Oriental has been growing at a compounded rate of 20% since listing and we are expecting it to grow between 20-30% over the next 10 years.
- Recent government regulatory reforms to improve teaching standards favour incumbent players such as New Oriental and it is well positioned to take advantage of consolidation opportunities with more than US\$1b in net cash.
- New Oriental is attractively priced relative to its peer group and our target price is US\$90.30.

### Company information

Ticker code	EDU US
Market capitalisation	US \$12.7b
Average daily volume	US \$120m
52-week range	US \$50.80 - US \$108.24
Bloomberg consensus	26 Buys, 5 holds, 0 Sells
Price target	US \$90.30

### EDU US: 5 year share price history



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**Core fund managers**



**Conference fund managers**



**Designated charities**



**Pro-bono service providers**

