

## 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 August the investment portfolio fell 3.8% compared to an increase of 0.2% in the MSCI World Net TR Index (AUD). Since inception, our investment portfolio is up 22.5% while the MSCI World Net TR Index (AUD) increased 15.6% over the same period. Our pre-tax NTA was also down 3.8% in August to \$3.01. Since inception our pre-tax NTA is up 20.4%.

The month of August was dominated by two major themes.

Firstly, the continued rally in US bond prices, which saw the US 10-year bond yield fall another 50bps to around 1.5%. There was renewed talk of 'yield curve inversion', where the US 10-year bond yield falls below the US 2-year bond yield. This is spooking markets, as in the past this has been a very reliable indicator of an oncoming recession. There are now US\$17 trillion worth of bonds yielding a negative return. That means that investors who buy these know they are guaranteed to lose a small portion of their capital. Crazy times indeed! But what it does show is just how nervous investors are in the current climate.

Secondly, it was reporting season, both domestically and in the US, and most of our portfolio companies provided updates on their financial health. As the media has reported, the domestic season was generally a poor one, with more 'misses' than 'beats', and therefore more downgrades by the analyst community. Part of the nervousness comes from what the bond market is telling us, and the rest comes from investor impatience, or short-term thinking, when a quarterly or half yearly update from a company fails to meet analyst expectations.

From the outset, we have spoken about our portfolio being a medium to long term investment prospect (3-5 years) and so we try to understand whether the investment thesis of a holding has truly changed, or whether short term factors caused expectations not to be met.

Many of our holdings experienced large moves over the month, both up and down. JB Hi Fi was one of the highlights and was up over 9% after exceeding analyst forecasts. On the other hand, DocuSign and Lear Corp both fell by around 10%. PagSeguro rallied 15% in USD terms, and even more for us given the falling USD. We are constantly checking in with our managers when there is a large move in a share price (either way) and we remain very comfortable that the companies which 'missed' have been the subject of investor impatience rather than investment analysis error.

These are volatile times. All stocks are driven by both macroeconomic news and company fundamentals. We cannot forecast what will happen in the next month with the US-China trade war, or what bond yields will do for the remainder of the year, let alone what Trump will tweet tomorrow. We are comfortable with our current portfolio of companies and continue to manage risk accordingly.

## Performance

	1 month	3 months	6 months	Since Fund inception
Investment Performance	-3.8%	6.3%	6.8%	22.5%
MSCI World Net TR Index (AUD)	0.2%	7.9%	9.5%	15.6%

Investment performance and index returns are before expenses and taxes. Source: Citco Fund Services and www.msci.com. Fund inception 14 Nov 2018.

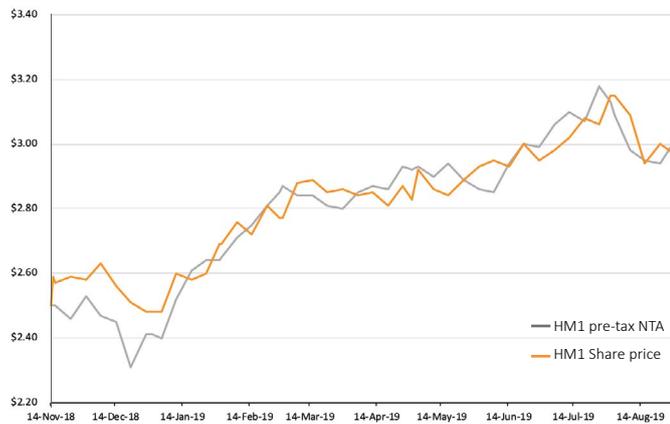
To receive these monthly investment updates via email please [click here](#).

<sup>1</sup>Pre-tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. <sup>\*\*</sup>All NTA figures are unaudited and prepared by Citco Fund Services.

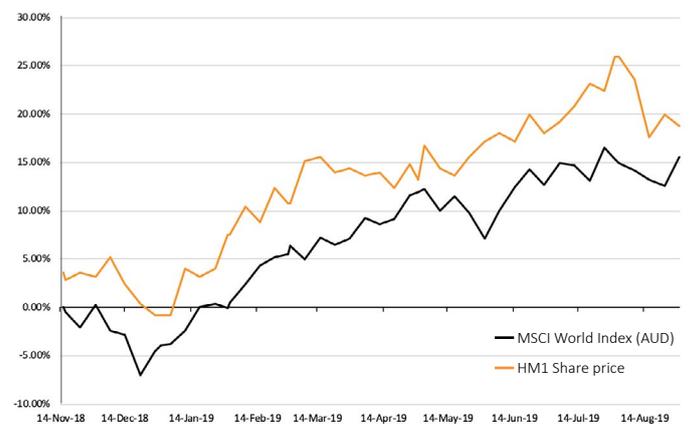
\*The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns.

All numbers as at 31 August 2019 unless otherwise stated.

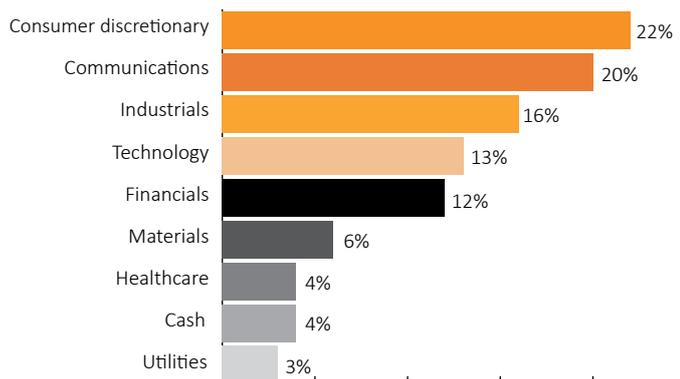
### HM1 share price vs pre-tax NTA backing



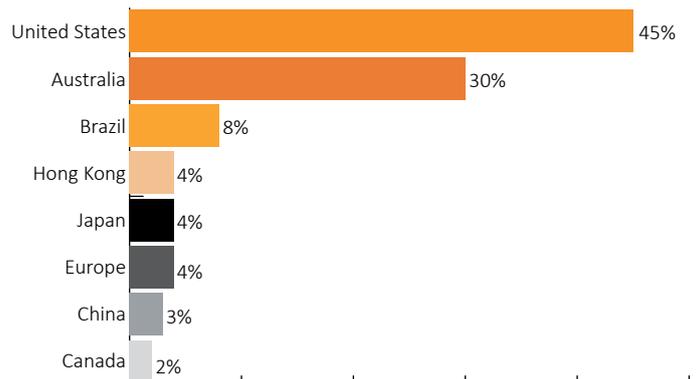
### HM1 share price vs MSCI World Index (AUD)



### Sector allocation



### Business domicile<sup>4</sup>

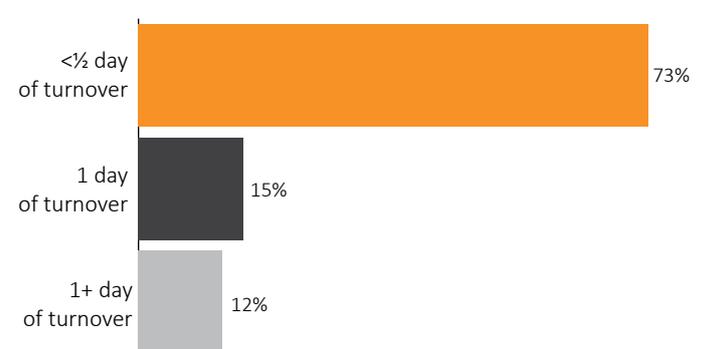


### Key details

Pre-tax NTA <sup>1</sup>	\$3.01
Post-tax NTA <sup>2</sup>	\$2.87
ASX code	HM1
Share price	\$2.97
Percent invested	95%
Listing date	14 Nov 2018

All numbers as at 31 August 2019 unless otherwise stated.

### Portfolio liquidity<sup>5</sup>



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<sup>1</sup>Pre-tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. <sup>2</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>Determined by location where primary business takes place. <sup>5</sup>Based on 20 day average daily turnover. <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 31 August 2019 unless otherwise stated.

## Sohn Hearts and Minds Investment Leaders Conference

### Manager recommendation in focus

#### Cooper Investors - Peter Cooper

Cooper Investors ("CI") is a specialist equities fund manager with funds under management of approximately A\$13.5 billion. CI commenced operations in 2001 and manage money for a range of clients including large pension and superannuation funds, religious institutions, Australian State Government agencies, school endowments, charities and high net worth families and retail clients. CI is 100% owned by its employees. Employees are encouraged to invest in the CI trusts. CI manages 7 pooled investment trusts and a number of individual mandates which invest in Australian equities, international securities or a mixture of both.

[www.cooperinvestors.com/](http://www.cooperinvestors.com/)



**Peter Cooper**

Chief Investment Officer

#### Recommendation: Liberty SiriusXM (LSXMA:US)

Liberty SiriusXM is a tracking stock that tracks Liberty Media Corporation's ~70% equity stake in SiriusXM. SiriusXM is a satellite radio operator serving over 34 million subscribers in the US market with upwards of 200 channels of music, talk and sports programming via monthly subscriptions. SiriusXM also recently acquired Pandora, a streaming radio business with almost 65m active users.

#### What Peter says about Liberty SiriusXM

- Many Australians won't be familiar with satellite radio provider SiriusXM as they don't operate here. Satellite radio is a subscription service providing customers with ~200 channels of curated music, talk and sports programming. The product is typically distributed with a vehicle purchase and is imbedded in the dashboard as an additional choice to free AM/FM terrestrial radio. The average US commuter spends 18,000 minutes per annum in their car so it's a great customer proposition versus terrestrial which typically plays 25 minutes of ads per hour.
- SiriusXM is one of the most profitable media assets in the world with 34m subscribers paying \$15 a month for the service. An advantaged cost structure allows SiriusXM to leverage their content costs and generate operating leverage as the company accrues more subscribers. The ability to grow subscribers, revenues and control costs is the hallmark of SiriusXM. The business has built in growth as the service rolls out across the US car fleet and will continue to grow its \$1.6bn free cash flow base.
- SiriusXM wasn't always this profitable and during the financial crisis the company was loss making and on the verge of bankruptcy until billionaire and legendary media investor John Malone came in and wrote a cheque for US\$400m in emergency financing for 40% of the company via his Liberty Media holding company. Fast-forward to 2019 and SiriusXM has acquired the streaming radio business Pandora Media, we see a strong resemblance between these two transactions.
- We see several clear opportunities for SiriusXM to generate material free cash flow from the Pandora assets such as cross selling to each other's subscriber base as well as sharing content and advertising technology. SiriusXM will also bring much needed cost discipline to Pandora. The market is missing these latencies - our valuation of SiriusXM which takes account long term earnings power of SiriusXM and Pandora implies a 40% upside to the current share price.
- The Liberty SiriusXM tracking stock is the vehicle in which Malone owns his stake. It trades at a 30% discount to the net asset value – essentially just the listed SiriusXM shares. Malone's comments and our analysis suggests this situation is unlikely to persist over the long term and that patient shareholders will get rewarded as Liberty takes action to close the discount. In the meantime we own an attractively priced core SiriusXM business with sustainable growing free cash flow and sizeable upside from driving the Pandora business into profitability.

#### Company information

Ticker code	LSXMA US
Market capitalisation	USD \$13.1bn
Average daily volume	2.6m
52-week range	USD \$34.92- \$47.54
Bloomberg consensus	8 Buys, 1 Hold, 0 Sells
Average price target	USD \$59.40

#### LSXMA US: Share price history



Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers



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