

Portfolio Commentary

During March, the pre-tax NTA of HM1 decreased 1.75% to \$2.80 compared to the MSCI World Index which was up 1.1% for the month. Since the inception of HM1, the pre-tax NTA is up 14.00% while the MSCI World Index is up 4.62% over the same period. The HM1 share price increased 3.6% over the month of March to \$2.86.

Whilst reporting season was essentially over, there was still plenty of news (both good and bad) that affected the share prices of the stocks in our portfolio. Nufarm released an underwhelming profit report, there was an unfavourable tender for China Mobile which pushed the Yangtze Optical Fibre company share price down by more than 20%, while New Oriental Education successfully listed its online learning business, Koolearn Technology.

We also conducted our Core Fund Manager quarterly reviews during March, and rebalanced that part of the portfolio. You will recall that 60% of the portfolio is allocated to our five Core Fund Managers: Caledonia, Cooper Investors, Magellan Financial Group, Regal Funds Management and Paradice Investment Management, who have each given us their three highest conviction stock ideas from across their entire portfolios. As at the end of March, two of the 15 stocks had produced negative returns.

We remain active in our risk management of the portfolio, and have realised some gains and losses already. We will continue to act in the best interests of our shareholders and cut losses when a thesis does not or cannot play out, and redeploy the cash into stocks where our managers still see decent gains to be made. Where little upside exists, we are happy to keep the funds in cash until the next Sohn Hearts and Minds Investment Leaders conference in November.

Performance

	1 month	3 months	1 year	Since Fund inception
Pre-tax NTA ¹	-1.75%	12.65%	-	14.00%
MSCI World Index	1.10%	11.89%	-	4.62%

Source: Citco Fund Services. Fund inception 14 Nov 2018

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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 March 2019 unless otherwise stated.

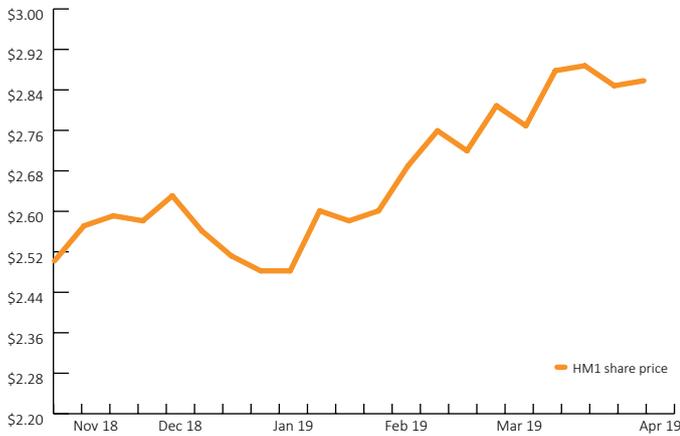
Key details

Pre-tax NTA ¹	\$2.80
Post-current tax NTA ²	\$2.80
Post-tax NTA ³	\$2.71
ASX code	HM1
Share price	\$2.86
Percent invested	95%
Listing date	14 Nov 2018

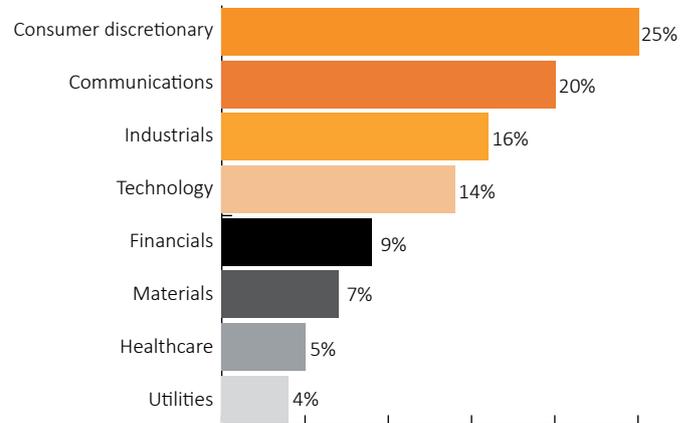
Investment objective

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.

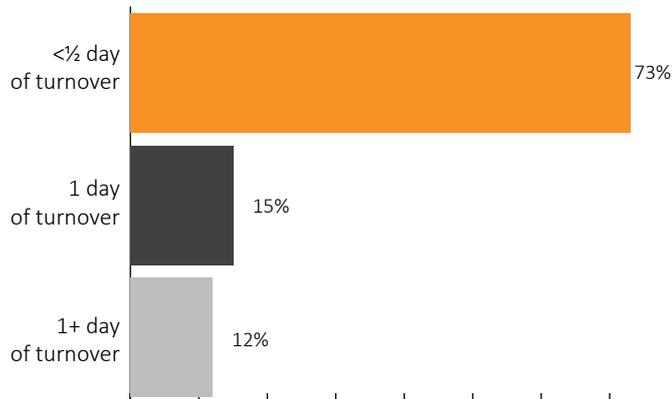
HM1 share price



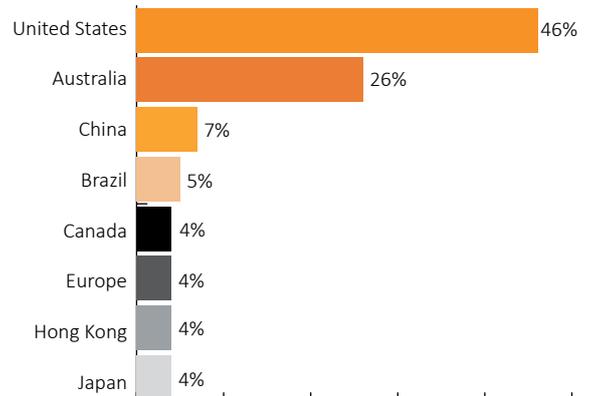
Sector allocation



Portfolio liquidity¹



Business domicile²



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Sohn Hearts and Minds Investment Leaders Conference

Manager recommendation in focus

Auscap Asset Management – Tim Carleton

Auscap is a value-based Australian equities manager founded in 2012 by Tim Carleton and Matthew Parker. Auscap manages the Auscap Long Short Australian Equities Fund which aims to deliver attractive absolute risk adjusted returns over time through active, disciplined, patient long and short investing. Auscap focuses on identifying high quality businesses that generate strong cash flows and are trading at attractive prices. The investment team has over 60 years of experience in the financial services industry. Auscap’s portfolio managers and staff are substantially invested in the fund.



Tim Carleton
Portfolio Manager

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

Recommendation: JB Hi-Fi (JBH AU)

JB Hi-Fi is Australia’s leading consumer electronics and home appliances business, with its two leading retail brands, JB Hi-Fi and The Good Guys, expected to generate over \$7bn worth of sales across over 300 stores in 2019. JB Hi-Fi is focused on the value proposition it offers its customers, providing the best range of brands at low prices supported by strong customer service. Through its scale, low cost operating model, quality store locations, strong supplier partnerships and multichannel capabilities the group is well placed to continue to drive growth in revenues and earnings in the years ahead.

What Tim says about JB Hi-Fi

- JB Hi-Fi is a high quality business, with strong and consistent returns on invested capital, high cash generation and a sensibly geared balance sheet. Its return on tangible assets has averaged 24% over the last decade.
- JB Hi-Fi has a strong market position with very competitive prices, an incentivised workforce, great management and a very low cost of doing business.
- JB Hi-Fi provides investors with exposure to the electronics supercycle, Australia’s growing population and a strong underlying economy.
- JB Hi-Fi is experiencing strong online sales growth, taking advantage of its quality range, competitive prices, omnichannel offering (where shoppers can purchase online, through click and collect or purchase in store), fast delivery, clever distribution through its store network and professional category focused advice.
- JB Hi-Fi is priced attractively at 12x current earnings, trading at a material discount to the ASX200. With a significant dividend yield, good anticipated growth in earnings and the potential for a move back towards a market multiple should economic and competition fears subside, there is significant potential upside for investors in owning one of the best retail operators in the country.

Company information

Ticker code	JBH AU
Market capitalisation	\$2.9b
Average daily volume	818,196
52-week range	\$20.30- \$26.69
Bloomberg consensus	6 Buys, 6 holds, 3 Sells
Average price target	\$24.30

JBH AU: 5 year share price history



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Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

