

Portfolio Commentary

During April, the pre-tax NTA of HM1 increased 3.93% to \$2.92, compared to the MSCI World Index which was up 3.32% for the month. Since inception the pre-tax NTA is up 16.4% while the MSCI World Index is up 8.09% for the same period. The HM1 share price declined by 1.05% for the month to \$2.83.

Whilst it was a fairly quiet month in the domestic market, US reporting season was in full swing, with many of our companies reporting.

One of the worlds largest companies, Amazon, again reported solid results, and is now up 25% since the 2018 [Sohn Hearts & Minds Investment Leaders Conference](#) where one of our conference presenters, Nick Griffin from Munro Partners, recommended it to the audience.

Another of our conference stocks, the Brazilian money merchant business Pagseguro, was weaker in April, after a competitor reported poor results, indicating industry wide reasons were the cause. After speaking with our recommending manager, we remain confident the weak result was more about the strength of the bigger players in the industry (Pagseguro and Stone) squeezing the incumbents rather than overall industry concerns.

We have now realised three positions in the conference portfolio, one because it reached the Managers' price target, and the other two because the Managers' believed that conditions in the relevant industries had changed materially enough that it no longer justified holding the positions. One was realised for a small loss, and the other realised a small gain. We redeployed a portion of the sale proceeds back into some of the conference stocks, but as a consequence the portfolio now holds more cash than previously.

We expect our cash holding to gradually increase over the year as conference stocks reach price targets or industry conditions change.

Investment objective

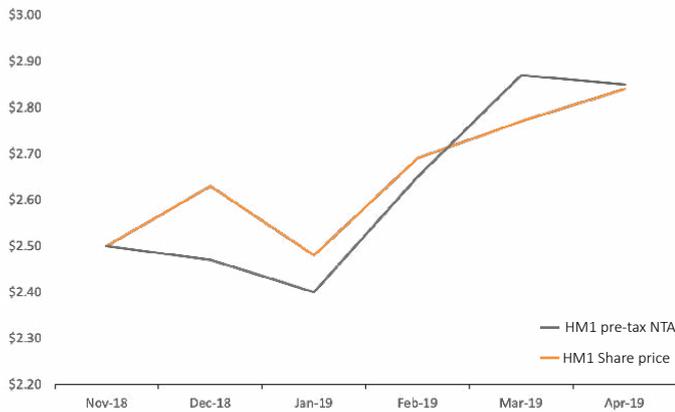
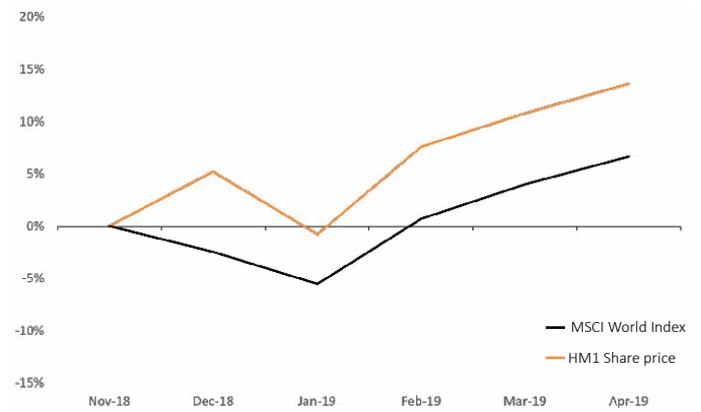
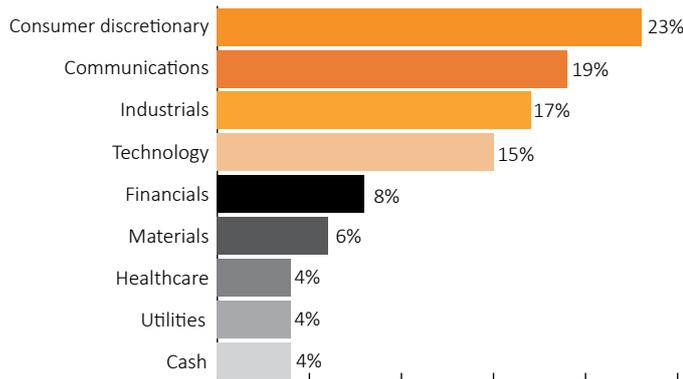
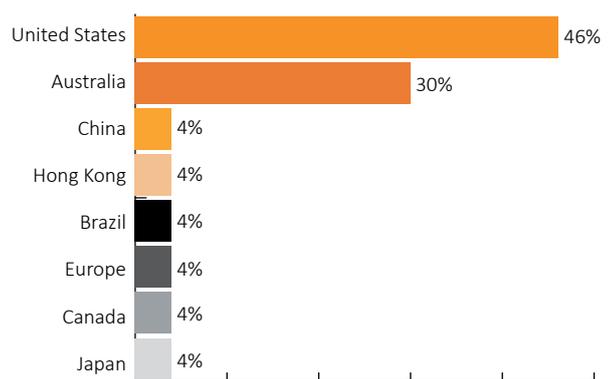
Provide a concentrated portfolio of long-only positions in 25-35 Australian and globally listed securities based on the highest conviction ideas from leading fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

Performance

	1 month	3 months	6 months	Since Fund inception
Pre-tax NTA ¹	3.93%	10.23%	16.40%	16.40%
MSCI World Index	3.32%	7.40%	8.09%	8.09%

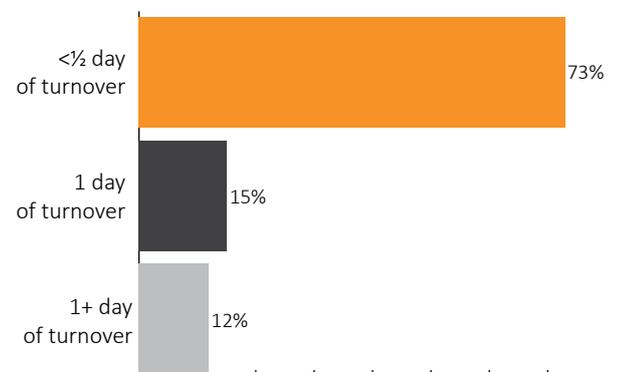
Source: Citco Fund Services. Fund inception 14 Nov 2018

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

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	\$2.92
Post-current tax NTA ²	\$2.91
Post-tax NTA ³	\$2.79
ASX code	HM1
Share price	\$2.83
Percent invested	94%
Listing date	14 Nov 2018

All numbers as at 30 April 2019 unless otherwise stated.

Portfolio liquidity⁵


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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. 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 30 April 2019 unless otherwise stated.

Core Fund Manager in Focus

About Regal Funds Management

Regal Funds Management is a specialist alternatives investment manager. It was founded in early 2004 and is one of Australia's leading investment managers servicing a wide range of institutional investors and high net worth individuals. The investment team has extensive investment experience through many market cycles and a long track record of delivering superior returns for investors. Regal offers a range of products to suit different investment objectives.

About Philip King - Chief Investment Officer, Regal Funds Management

Philip King is a co-founder of Regal and is the Chief Investment Officer. Prior to joining Regal, Philip was a portfolio manager at London-based hedge fund, DPFM, where he managed a special situations and relative value portfolio for over six years. Before that Philip was an equities analyst with Macquarie Bank in Sydney for five years as well as a Chartered Accountant at KPMG for eight years. Philip holds a Bachelor of Commerce (Hons) from the University of New South Wales. Philip is a Fellow of the Financial Services Institute of Australasia and a Chartered Accountant.

<https://www.regalfm.com>

Meet the manager: Q&A with Philip King

How would you describe your investment style?

We are a long/short manager which means that we look for investment opportunities on both the long side of the portfolio (i.e. buying shares that we expect will rise in value) and the short side of the portfolio (i.e. selling shares that we expect will fall in value). This two-pronged approach to investing provides us with twice the opportunities to enhance our returns and hopefully profit in all market conditions.

How long have you been professionally investing?

I have been buying shares for close to 40 years and I have been shorting shares for close to 20 years. I have vivid memories of things like Black Tuesday in 1987. I have seen a lot of different market conditions and a lot of different cycles over the years.

What do you love most about investing?

First and foremost, I enjoy the intellectual challenge. It's a job where we are constantly judged and the competitive side of me enjoys that. Secondly, I am contrarian by nature and maybe a little cynical, so I enjoy looking at things differently and thinking 'outside of the box' or away from the consensus view. A key part of our investment process is 'insight' where we look at where the market might be making a mistake with regards to the valuation of a particular company. We start with the consensus view and then we try and identify alternative view points to really understand the valuation and I have found this step really helps to minimise mistakes as an investor. Finally, I enjoy the privilege and responsibility of looking after other people's money.

What motivated you to be involved with HM1?

We think Hearts and Minds is a great initiative and we are proud to support it. If our investment skills and hard work can be leveraged to benefit others and make society a better place then of course we want to be involved and help where we can.

Why did you nominate RPA, emergency research?

We want to support the medical causes which don't presently receive a lot of funding. Emergency medicine is vitally important to all of us but receives little publicity. We nominated Royal Prince Alfred Hospital in Sydney as they are a world leader in Research and Education. I also personally know some of the emergency staff at RPA, and have seen how hard they work and know what a difference this type of funding will make to their research.

What's the most unusual job you've ever had?

I have had a few jobs when I was younger such as a garbage collector, working in the Hotel Steyne in Manly and cleaning swimming pools. They certainly make me appreciate how lucky I am now.

What was the first thing you bought with your own money?

The first thing I purchased with my own money were some shares in BHP and Lend Lease when I was 14 years old. Fortunately for me, both stocks went up and I was hooked on the stock market.

What do you do for fun?

I love sport of any kind. I spend my weekends watching my children play sport and I myself try to be as active as possible. Late last year I competed in the four day Cape to Cape mountain bike race in Western Australia with friends. It was a great challenge both physically and mentally, but also a lot of fun.

What's the best money advice you've ever been given?

My grandfather lived through the Great Depression and as a result was very frugal. He always said if you look after the pennies, the pounds will look after themselves.

What's one skill you wish you had?

Predicting the future.

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Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

