

January 2019
123 Investment and Growth Fund
123 IGF Update – A Unique Combination

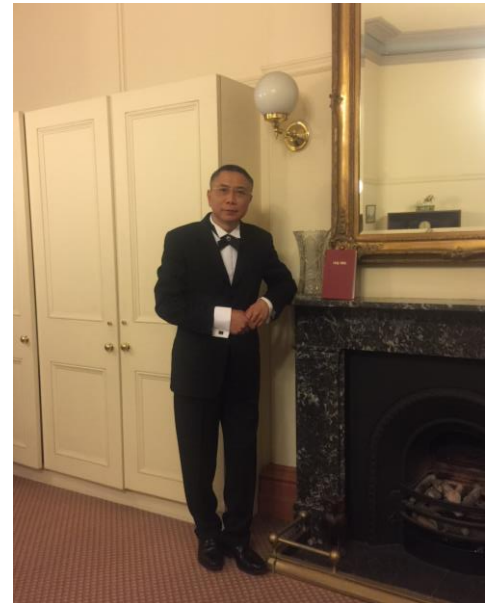
“Dear Clients,

Australia is special, we are one of the very few countries that go into the New Year first and we do it every year as such leaders. Sydney’s fireworks are one of the best shows in the world and are watched around the world on TV every year. We are proud to be citizens of this country.

“Be thankful in all circumstances”

The markets set many records in 2018. The Dow Jones had the biggest points drop and rise in its history. Two companies, Apple and Amazon, made history by becoming companies that are valued at over US \$1 trillion. Our Melbourne based biotechnology company CSL, which is the world’s No 1 blood plasma supplier and no 2 flu vaccines producer, became the third largest company by valuation in the ASX during September 2018, it is now the 5th largest biotech company in the world*¹. What a great achievement!

The December quarter’s set back in the markets was disappointing and upsetting. Even though it was not one of the worst market crashes, the speed at which many companies’ share prices declined in such a short time was astonishing and scaring in some senses. We had anticipated the potential market pull back in our September 123 IGF Update, and had prepared the fund’s cash level at a relatively higher level during the quarter, but as a long only fund, the fund still could not escape a large drawback. Some stocks got sold off or lacked buyers’ interests



and liquidity. The strong trend of passive investment and computer trading might have amplified those effects.

No matter what we think, the market often behaves like this from time to time. In a very volatile market, investors always run for cover, and there are always short sellers there trying to make a living.

At the end of the December quarter, the Fund's top five holdings were: Cash (15%), CSL, TLS, MQG, ASX.

For the calendar year 2018, the fund's return was -3.26%, comparing the fund's Benchmark return of -3.93% and the XJO of -6.9%*².

The good news is the fund's distribution for the December 2018 Half is 1.077 cent per unit, which is close to the 1.23 cent distribution in December 2017.

During 2018, we participated in a few share placements and IPOs, but at a much smaller scale compared to 2017 as we felt the heat of market uncertainties and high volatilities. By participating in those capital raisings, we as fund managers (and you as investors), have made contributions to the financial market and our economic growth. We also voted at a couple of AGMs. Sometimes we voted for the remuneration reports to express our appreciations for the good works the companies' management had provided, sometimes we voted against those reports, the reasons in some instances weren't just compensation. Sometimes we felt that, despite company board and the management's good intentions, the company might not have been heading into the right direction or they might need managers with different skill sets to run the business. Hopefully some companies will make improvements after taking on board the feedback.

In the New Year, we pray for our country and its leaders. Most companies' fortunes depend on the country's economic conditions. We will continue to work diligently, trying our best to deliver our investors reasonable risk and reward outcomes. The result, of course is in God's hand, and hopefully the surprise will be on the upside.

“Focus on the donut, not the hole” ----- Dalby
Donut man Collin Watters pointed out.

Wish you good health and happiness in 2019.

Charley Wang

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Notes

*¹ CSL announcement 10 Jan 2019: Presentation to J P Morgan 2019 Healthcare Conference

*² Data sources: Mainstream Group, Iress, 31-12-2018

* Return is after fees, and doesn't including franking credits. Past performance and returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

For more detail about 123 Investment & Growth Fund, please visit:

www.123investment.com.au or www.EQT.com.au/insto

An investment in the 123 Investment and Growth Fund (**Fund**) and a copy of the Information Memorandum for the Fund are only available for wholesale clients (as defined in the Corporations Act). The Fund is not registered with ASIC as a managed investment scheme.

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