



Hearts and Minds Investments Limited

ABN 61 628 753 220

Appendix 4D Interim Financial Report for the period ended 31 December 2018

Half-year report

The period ended report is for the reporting period from 12 September 2018 (the date of incorporation) to 31 December 2018. This is the first reporting period for Hearts and Minds Investments Limited (“the Company”).

Results for announcement to the market *	31 December 2018
	\$
Income from ordinary activities	772,567
Loss before tax for the period	(610,993)
Loss from ordinary activities after tax attributable to members	(382,067)
Total comprehensive loss for the period	(12,302,310)

* The amount and percentage up or down from previous periods are not disclosed as this is the first reporting period for “the Company”.

Dividends

There were no dividends paid or proposed during the period.

Dividend reinvestment plan

The Company does not currently have a dividend reinvestment plan (“the plan”) in place. Full details of the plan will be listed on the Company’s website once the plan is established.

Net tangible assets per share	31 December 2018
- before tax	\$2.41
- after tax	\$2.44

Brief explanation of results and Company outlook

The Company has been established to provide a concentrated portfolio of long-only positions in 25-30 Australian and international listed securities based on the highest conviction ideas from two groups of leading fund managers. 40% of the portfolio is held in 10-15 securities based on the annual recommendations of the fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference held in Australia (“Conference Fund Managers”). The remaining 60% of the portfolio is held in 15 securities based on the quarterly recommendations of five leading fund managers selected by the Investment Committee (“Core Fund Managers”).

The Company will provide financial funding to medical research institutes in order to support the development of new medicine and drive a new generation of medical research in Australia. As such, the Company is foregoing any investment fees, and instead will make a donation equal to 1.5% of the Net Tangible Asset Value (“NTA”) of the portfolio to a selection of leading Australian medical research institutes.

During October, the Company raised A\$500 million for the initial public offering. The Company commenced investing the funds in mid-November, and by mid-December had deployed all of the funds into the portfolio. Global markets were extremely volatile during the period, with the S&P 500 Index falling 9%, and the Nasdaq falling over 10% for the month of December alone, despite the late Christmas rally. The initial NTA of the portfolio was \$2.50. As at December 31, 2018 the NTA was \$2.41.

Going forward, it is the Company's view that the investment approach of Hearts and Minds Investments Limited offers investors a unique opportunity to capitalise on exposure to the highest conviction ideas, investment approach and expertise of many leading fund managers, most of whom are not otherwise readily accessible to retail investors. It also enables investors to benefit from having a portfolio not concentrated on the philosophy of investment theses of just one fund manager. The Company firmly believes that this uniquely constructed portfolio of Australian and international listed securities will provide investors with an opportunity to generate attractive returns over the mid to long term (5+ years).

This report is based on the half-year interim financial report which has been subject to an independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A.



Hearts and Minds Investments Limited

ABN 61 628 753 220

Interim Financial Report for the period ended 31 December 2018

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Corporate Directory

Directors	Chris Cuffe AO Lorraine Berends Guy Fowler Matthew Grounds Michael Traill AM Gary Weiss Geoff Wilson AO David Wright	Chairman & Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director
Company Secretary	Tom Bloomfield	
Investment Committee	David Wright, Chairman Chris Cuffe AO Lorraine Berends Brett Paton Paul Rayson Michael Traill Gary Weiss Geoff Wilson AO	
Core Fund Managers	Caledonia Investments Pty Limited Cooper Investors Magellan Financial Group Paradice Investment Management Regal Funds Management	
2018 Conference Fund Managers	Airlie Funds Management Auscap Asset Management Cooper Investors Cota Capital Elephant Asset Management Firetrail Investments Montaka Global Investments	Munro Partners Paradice Investment Management Pengana Capital Group Tekne Capital Management Tribeca Investment Partners Wilson Asset Management
Registered Office	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600	
Auditor	Pitcher Partners Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Telephone: (02) 9221 2099	
Accountants	VJ Ryan & Co Services Pty Limited Level 5, 255 George Street Sydney NSW 2000 Telephone: (02) 9240 4900	
Share Register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600	
Stock Exchange	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: HM1 Ordinary Shares	

Directors' Report

The Directors of Hearts and Minds Investments Limited ("the Company") present their report together with the Interim Financial Report of the Company for the period ended 31 December 2018.

Hearts and Minds Investments Limited is a company limited by shares and is incorporated in Australia.

Directors

The following persons held office as Directors during the period or since the end of the period and up to the date of this report:

Chris Cuffe AO	Chairman & Independent Director (appointed 12 September 2018)
Lorraine Berends	Independent Director (appointed 25 September 2018)
Guy Fowler	Independent Director (appointed 22 October 2018)
Matthew Grounds	Independent Director (appointed 22 October 2018)
Michael Traill AM	Independent Director (appointed 25 September 2018)
Gary Weiss	Independent Director (appointed 12 September 2018)
Geoff Wilson AO	Independent Director (appointed 25 September 2018)
David Wright	Independent Director (appointed 25 September 2018)

Principal Activity

The Company has been established to provide a concentrated portfolio of long-only positions in approximately 25 securities based on the highest conviction ideas from leading fund managers. The Company will also forego any investment fees and instead donate a donation amount to leading Australian medical research institutes.

The Company seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of long positions ("portfolio") in approximately 25 Australian and international listed securities based on the highest conviction ideas from two groups:

- a) The Company will allocate 40% of the portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts and Minds Investment Leaders Conference held in Australia ("Conference Fund Managers").
- b) The Company will invest 60% of the portfolio based on the highest conviction quarterly recommendations of five leading fund managers ("Core Fund Managers"). The Core Fund Managers are Caledonia Investments Pty Ltd, Cooper Investors, Magellan Financial Group, Paradise Investment Management and Regal Funds Management.

No change in this activity is anticipated in the future.

Review of Operations

The Company was incorporated on 12 September 2018 with 1 share. The Company allotted a further 200,000,000 shares at \$2.50 per share. The Company was admitted to the official list on 9 November 2018 and official quotation of the securities on the ASX commenced on 14 November 2018, when the Company began its operations.

During the half-year, the Company has fully invested its funds into the portfolio. The portfolio is diverse across both region and sector, with no holding representing more than 5% of the invested capital.

The Company reported an Operating Loss after income tax for the half year to 31 December 2018 of \$382,067. Including the mark to market movement on the Company's portfolio the Company reported a Total Comprehensive loss of \$12,302,310.

Asset backing for each ordinary share at 31 December 2018 after tax amounted to \$2.44 per share. Asset backing for each ordinary share at 31 December 2018 before tax amounted to \$2.41.

Dividend

The Directors have not declared a dividend for the reporting period ending 31 December 2018.

Events occurring after the reporting period

The Directors are not aware of any other events subsequent to balance date that would materially affect the half-year financial report.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Board of Directors.



Chris Cuffe AO
Chairman

Sydney
25 February 2019

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF HEARTS AND MINDS INVESTMENTS LIMITED
ABN 61 628 753 220**

In relation to the independent auditor's review for the period ended 31 December 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hearts and Minds Investments Limited during the period.



SCOTT WHIDDETT
Partner

PITCHER PARTNERS
Sydney

25 February 2019

Statement of profit or loss and other comprehensive income

For the period
12 September 2018 to
31 December 2018

	Notes	\$	
Investment income from ordinary activities			
Net realised and unrealised gain on foreign exchange movement		275,808	
Interest income		50,515	
Dividend income		441,617	
Sundry income		<u>4,627</u>	
Total income		<u>772,567</u>	
Expenses			
Employee costs		(69,388)	
Donation provision		(997,306)	
Other expenses		<u>(316,866)</u>	
Total expenses		<u>(1,383,560)</u>	
(Loss) before income tax		<u>(610,993)</u>	
Income tax benefit		<u>228,926</u>	
(Loss) for the period after income tax		<u>(382,067)</u>	
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised and unrealised gains/ (losses) on investments taken to equity, net of tax		<u>(11,920,243)</u>	
Total comprehensive (loss) for the period		<u>(12,302,310)</u>	
			Cents
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	7		(0.45)

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 31 December 2018 \$
Assets		
Cash and cash equivalents		10,665,539
Trade and other receivables		98,933
Financial assets at fair value through other comprehensive income	3	472,901,173
Current tax asset		372,623
Deferred tax asset		<u>4,964,979</u>
Total assets		<u>489,003,247</u>
Liabilities		
Trade and other payables		<u>1,305,556</u>
Total liabilities		<u>1,305,556</u>
Net assets		<u>487,697,691</u>
Equity		
Issued capital	4	500,000,001
Reserves	5	(11,585,480)
Accumulated losses	6	<u>(716,830)</u>
Total equity		<u>487,697,691</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Issued Capital \$	Asset Revaluation Reserve \$	Accumulated Losses \$	Total \$
Balance at 12 September 2018	-	-	-	-
Loss for the period	-	-	(382,067)	(382,067)
Other comprehensive loss, net of tax	-	(11,920,243)	-	(11,920,243)
Transfer of realised losses on sale of investments, net of tax	-	334,763	(334,763)	-
Transactions with equity holders in their capacity as owners:				
Shares issued on incorporation date	1	-	-	1
Shares issued under IPO	500,000,000	-	-	500,000,000
Balance at 31 December 2018	500,000,001	(11,585,480)	(716,830)	487,697,691

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	For the period 12 September 2018 to 31 December 2018 \$
Cash flows from operating activities	
Interest received	50,515
Dividends received	347,311
Realised foreign exchange gains	275,052
Payments for other expenses	<u>(78,004)</u>
Net cash provided by operating activities	<u>594,874</u>
Cash flows from investing activities	
Proceeds from sale of investments	2,250,559
Payment for investments	<u>(492,180,651)</u>
Net cash used in investing activities	<u>(489,930,092)</u>
Cash flows from financing activities	
Proceeds from share issue	<u>500,000,001</u>
Net cash provided by financing activities	<u>500,000,001</u>
Net increase in cash and cash equivalents	10,664,783
Cash and cash equivalents at the beginning of the financial period	-
Effect of foreign currency exchange rate changes on cash and cash equivalents	<u>756</u>
Cash and cash equivalents at end of period	<u><u>10,665,539</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim financial statements are set out below.

The Company was incorporated on 12 September 2018 with the issue of 1 share. The Company allotted a further 200,000,000 shares at \$2.50 per share. The Company was admitted to the official list on 9 November 2018 and official quotation of the securities on the ASX commenced on 14 November 2018, when the Company began its operations.

The interim financial statements were authorised for issue on 25 February 2019 by the Board of Directors.

Basis of preparation

The condensed interim financial statements are general purpose financial statements for the interim reporting period ended 31 December 2018 and have been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. This is the first reporting period for the Company.

The report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this Interim Financial Report is to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial statements have been prepared on an accruals basis, and are based on historical costs, except for the revaluation of certain non-current assets and financial instruments which are carried at their fair values. Cost is based on the fair values of the consideration given in exchange for assets.

In accordance with *ASIC Corporations (rounding in Financial Reports) instrument 2016/191*, the amounts in the Financial Report have been rounded to the nearest dollar.

Accounting policies

a) Investments

The Company has designated its investments as "fair value through other comprehensive income". All gains and losses on its investments are thereon presented in other comprehensive income as part of the Statement of Profit or Loss and Other Comprehensive Income.

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

b) Recognition of Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

c) Recognition of Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

d) Foreign currency translation

The financial statements are presented in Australian dollars, which is Hearts and Minds Investments Limited functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2 Dividends

No dividends were declared during the period ended 31 December 2018.

3 Fair value measurements

The Company measures and recognises its financial assets and liabilities at fair value through other comprehensive income ("FVTOCI") on a recurring basis.

Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December 2018.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at FVTOCI				
Australian listed equity securities	472,901,173	-	-	472,901,173
Total financial assets	472,901,173	-	-	472,901,173

There were no transfers between levels for recurring fair value measurements during the period.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The accounting loss for the period is primarily due to unrealised mark to market movements in the portfolio at balance date.

4 Issued capital

(a) Share capital

	31 December 2018 No.	31 December 2018 \$
Ordinary shares	200,000,001	500,000,001

(b) Movements in ordinary share capital

	Number of shares	Application price	\$
Opening balance	-		-
Shares issued on incorporation date	1	\$1.00	1
Shares issued under IPO	200,000,000	\$2.50	500,000,000
Closing balance	200,000,001		500,000,001

On 9 November 2018, the Company issued 200,000,000 fully paid ordinary shares under the initial public offering at an application price of \$2.50 per share.

	31 December 2018 \$
5 Reserves	
Asset revaluation reserve	(11,585,480)
	<u><u>(11,585,480)</u></u>
Movements:	
Asset revaluation reserve	
Opening balance	-
Net unrealised losses on investments, net of tax	(11,920,243)
Net realised losses on sale of investments, net of tax transferred to retained earnings	334,763
	<u>334,763</u>
Balance as at the end of the period	<u><u>(11,585,480)</u></u>
6 Retained earnings	
Movements:	
Opening balance	-
Net loss for the period	(382,067)
Transfer from asset revaluation reserve	334,763
	<u>334,763</u>
Balance as at the end of the period	<u><u>(716,830)</u></u>
7 Loss per share	
Loss after income tax used in the calculation of basic and diluted loss per share	<u><u>(382,067)</u></u>
	Cents
(a) Basic loss per share	
Basic and diluted loss per share attributable to the ordinary equity holders of the Company	<u><u>(0.45)</u></u>
(c) Weighted average number of shares used as denominator	No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u><u>84,108,806</u></u>

The weighted average number of shares used as the denominator in calculating basic and diluted loss per share is based on the average number of shares from 12 September 2018, being the date of incorporation, to 31 December 2018. The basic loss per share would have been 0.19 cents per share if calculated from 14 November 2018 as the Company only had one share on issue and no earnings up to this date.

As at the end of the period, there are no outstanding securities that are potentially dilutive in nature for the Company.

8 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

9 Contingencies and commitments

The Company had no material contingent liabilities or commitments as at 31 December 2018.

10 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

Directors' declaration

In accordance with a resolution of the Directors of Hearts and Minds Investments Limited ("the Company"), the Directors of the Company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and any other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the period ended on that date.
- (b) In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Chris Cuffe AO
Chairman

Sydney
25 February 2019

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF HEARTS AND MINDS INVESTMENTS LIMITED
ABN 61 628 753 220**

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Hearts and Minds Investments Limited ("the company"), which comprises the statement of financial position as at 31 December 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from incorporation (on 12 September 2018) to 31 December 2018, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Hearts and Minds Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the interim financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Hearts and Minds Investments Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



SCOTT WHIDDETT
Partner



PITCHER PARTNERS
Sydney

25 February 2019