

12 July 2021

The Manager
ASX Market Announcements
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Shareholders,

Please find attached Hearts and Minds Investments Limited's June Investment Update.

If you would like to receive these monthly investment updates via email please [subscribe here](#).

For and on behalf of the board,



Tom Bloomfield
Company Secretary

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

The HM1 portfolio delivered an investment return of 7.3% for the month of June, compared to increases in the MSCI World Net TR Index (AUD) of 4.6%, the S&P 500 index of 2.2%, the NASDAQ Composite Index of 5.5%, and the ASX 200 index of 2.1%. The Australian dollar declined by 3%, closing at US\$0.75 dollars.

For the financial year to 30 June 2021, the portfolio generated an investment return of 28.0% compared to a 27.5% return from the benchmark MSCI World Net TR Index (AUD). Since inception the compound annual investment return stands at 28.1% compared to 16.6% for the MSCI World Net TR Index (AUD). The post-tax Net Tangible Asset value of HM1 increased by 5.5% in June and has increased at a compound rate of 20.6% since inception. The HM1 share price increased by 38.9% over the financial year. HM1 also paid a 12c per share dividend in April 2021, bringing the total shareholder return for the year ended 30 June 2021 to 42.7%.

The recent outbreak of the delta strain of COVID-19 in New South Wales has seen Greater Sydney return to a lockdown situation mainly due to poor vaccination rates. On a global level the inoculation campaign has been accelerating and substantial progress has been made, particularly in the US and UK. The global economy appears strong, with the massive fiscal and monetary stimulus beginning to take effect. Despite the recent rhetoric about interest rate rises and inflationary pressures, the US 10-year bond rate continues to decline, falling back below the 1.5% level at the end of June, and has continued to decline in July, most recently trading at 1.3%.

The Federal Reserve has remained steadfast in its view that despite some short term pressure on prices during the re-opening process, and pandemic related supply chain disruptions, they believe the effect will be transitory. Responding to a question, Fed Chairman Powell said "In an episode of one-time price increases as the economy reopens is not the same thing as, and is not likely to lead to, persistently higher year over year inflation into the future, inflation at levels that are not consistent with our goal of 2% inflation over time....Our best view is that the effect on inflation will be neither particularly large nor persistent. We have been living in a world of strong disinflationary pressures – around the world really – for a quarter of a century."

The core portfolio, which represents 65% of HM1's portfolio holdings, had a strong month, returning 8% in AUD terms. Most core portfolio stocks rose in line with the market and our US holdings also benefitted from the fall in the Australian dollar. A number of holdings outperformed the market off the back of positive updates or broker upgrades. Four portfolio holdings underperformed the broader market due to lockdown induced impacts or stock specific issues. We also sold a poor performing core portfolio holding in June at a significant loss. We remain in regular contact with our managers and have made changes to the portfolio where necessary, and all managers retain their conviction in the current core portfolio holdings.

The conference portfolio, which represents 35% of HM1's portfolio holdings, also had a strong month, gaining 8% in AUD terms. Bill.com (BILL.NAS), the enterprise software business that digitises and automates back office financial operations for SME worldwide rallied 23%, while Twitter (TWTR.NAS), Teladoc (TDOC.NAS), Hello Fresh (HFG.DE) and Temple and Webster (TPW.AX) all had gains of 10% or more. The detractors to performance were Nintendo (7974.JP: -5%); DISH Corporation (DISH.NAS: -4%), Shenzhou International (2313.HK:-2%) and CSL Limited (CSL.AX:-2%).

We find ourselves in a confounding investment environment, with the COVID-19 pandemic changing the way we live, work, shop, and interact socially. There is a mass digitisation occurring across multiple industries, and not all companies will succeed in this generational shift. Whilst our fund managers provide their highest conviction ideas, not every stock will increase in value over all time periods. Our portfolio approach, along with active and prudent risk management, has so far allowed HM1 shareholders to enjoy above market returns. With continuing uncertainty in the world and investment markets, in the short term we expect our returns to remain volatile, but also believe that we can continue to deliver above market returns to our investors over the medium to long term.

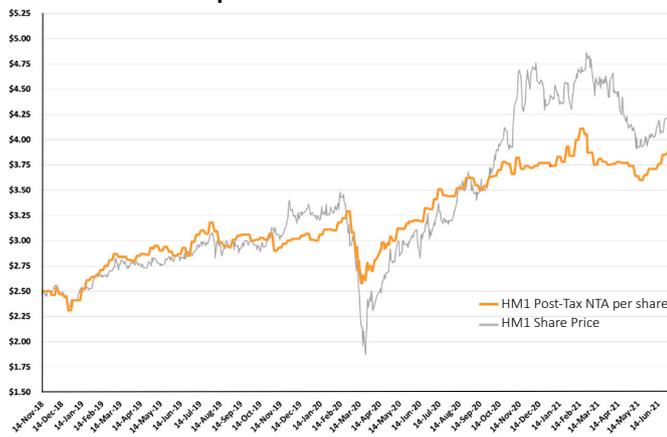
Investment Performance	1 month	6 months	12 months	Since Inception Compound p.a.
Investment Performance	7.3%	10.5%	28.0%	28.1%
MSCI World Net TR Index (AUD)	4.6%	16.2%	27.5%	16.6%

Investment Performance is calculated after expenses and before taxes. Index returns are calculated before expenses and taxes. Source: Citco Fund Services and www.msci.com. Fund inception 14 Nov 2018.

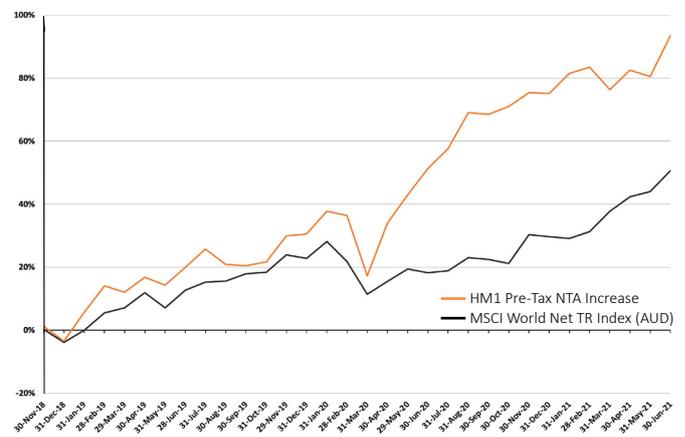
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Inception Compound p.a.
Post Tax NTA Performance*	5.5%	8.1%	21.2%	20.6%

NTA Performance is calculated after all expenses and taxes. Source: Hearts and Minds Investments Limited and Citco Fund Services. Fund inception 14 Nov 2018.

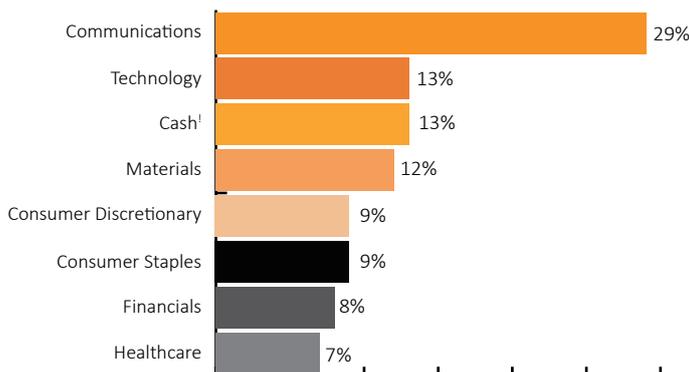
HM1 Post-Tax NTA per share vs Share Price



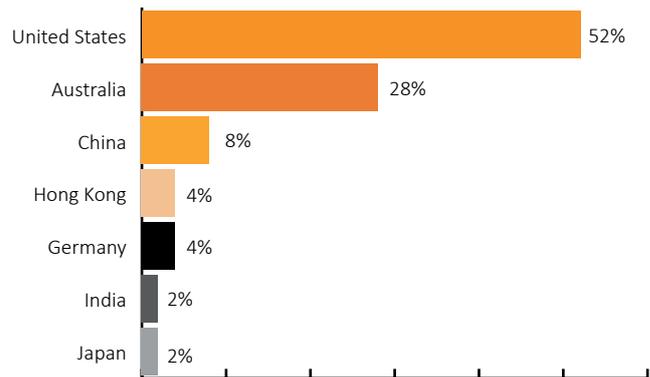
HM1 Pre-Tax NTA Increase vs Benchmark



Sector allocation



Business Domicile⁴

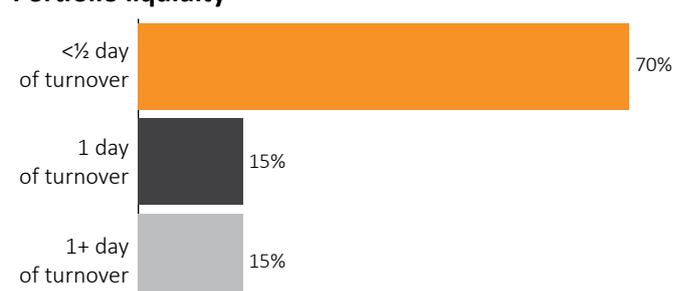


Key details

Pre Tax NTA ¹	\$4.33
Post current tax NTA ²	\$4.20
Post tax NTA ³	\$3.92
ASX code	HM1
Share price	\$4.32
Percent invested	87%
Listing date	14 Nov 2018

All numbers as at 30 June 2021 unless otherwise stated.

Portfolio liquidity⁵



¹ Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability ²Pre tax NTA is the NTA of the company before the provision for current or deferred tax. ³Post current tax NTA includes a provision for tax on operating profits, a provision for tax on realised gains and losses on the Total investment portfolio and a provision for tax on unrealised gains and losses on the Conference investment portfolio. ⁴Post tax NTA includes the provision for tax on operating profits, and a provision for tax on both realised and unrealised gains and losses on the Total investment portfolio. ⁵Determined by location where primary business takes place. ⁶Based on 20 day average daily turnover. ⁷The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. ⁸All NTA figures are unaudited and prepared by Citco Fund Services. ⁹All numbers as at 30 June 2021 unless otherwise stated.

News from our **Managers**



Peter Cooper, Founder and Chief Investment Officer of Core Fund Manager **Cooper Investors** was recently interviewed by David Clark on the *Inside the Rope* Podcast. The pair discuss a variety of topics including the big influences in Peter's investment career, Cooper Investor's investment philosophy for long-term returns and what it takes to be a successful investor. [Listen to the conversation here.](#)



Learn more about **Paradice Investment Management's** emerging markets investment strategy which focusses on marco thematic, isolating domestic demand opportunities as opposed to cyclical-driven opportunities and the rationale behind why more than a third of the portfolio is weighted towards China. [Read the article here.](#)



In the latest episode of **Munro Partner's** Capital Preservation Education series, **Nick Griffin** explains the fund manager's shorting philosophy, how the team selects a single stock short and some of the climate secular short opportunities. [Watch the video here.](#)



Jun Bei Liu of Tribeca Investment Partners comments on the opportunities and innovation present in the healthcare sector on the back of cultural changes and trends accelerated by the pandemic, naming two conference portfolio companies CSL and Fisher & Paykel Healthcare as stocks to watch. [Read the AFR article here.](#)



Season 4 of **TDM Growth Partner's** podcast, *Scaling Up* has just wrapped with another five fantastic episodes. Listen to in depth conversations with some of the world's leading entrepreneurs about the lessons they've learnt while scaling their businesses. Season 4 guests include Bill Magnuson, Co-Founder of Braze, Therese Tucker, Founder of Blackline and Howard Lerman, Co-Founder of Yext. [Listen to the series here.](#)



Previous Conference speaker, **Howard Marks** Co-Founder and Co-Chairman of **Oaktree Capital** joined the *Invest like the Best* podcast. Howard shared his most evergreen idea, his reflections on value investing, experience versus theory and much more. [Listen to the conversation here.](#)



Previous Conference Manager **Emma Fisher from Airlie Funds Management** was the latest guest on Livewire's *Rules of Investing* podcast. Emma discussed her first investment, why retailers are being underestimated and why you can't be successful by sticking with consensus. [Listen to the episode here.](#)



Rory Lucas, HM1's Chief Investment Officer, writes a weekly jargon-free update providing educational insight into what's happening in the portfolio. You can view past updates on our [website here](#), and subscribe to receive these straight to your inbox each [Monday here](#).



Conference Manager **Jun Bei Liu** shares the moments in her career that shaped the investor that she is today in a Q&A with Livewire. She also shares three promising stocks for the coming year. [Read the Q&A on Livewire here.](#)

More news from
the HM1 network

Don't forget we regularly update our News and Insights section on the [HM1 website](#) with interesting articles from our fund managers, beneficiaries and general good reads.

Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

