



March 2021

12 April 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 March Investment Update.

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

For and on behalf of the board,

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is written over a light blue horizontal line.

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

For the month of March, the HM1 portfolio declined by -3.8%, compared to increases in the MSCI World Net TR Index (AUD) of 5.0%, the S&P 500 of +4.2%, the NASDAQ Composite of +0.4%, and the ASX200 of +1.8%. The Australian dollar was flat against the US dollar, sitting at US\$0.77. Since inception (November 2018) the investment portfolio has gained 76.4% compared to 37.8% for the benchmark index, while the post-tax Net Tangible Asset value of the portfolio decreased by 3.0% during March and is up 53.6% since inception.

Continued fiscal and monetary support, as well the global vaccination campaign increasing to more meaningful levels, is seeing confidence in the world economy growing again. The IMF has forecast global growth of 6% in 2021, following the 3.3% decline in 2020. Increased growth is usually accompanied with inflation, which pushed the US 10-year bond yield up to 1.74% at the end of the month. In July 2020, this yield was 0.54%.

Rising long-term bond yields affect the valuations of companies that have a larger portion of their earnings in future years, and the sector rotation we are seeing is affecting growth-driven companies in the short term. We are seeing a rotation into the more cyclical sectors of the market, such as banks and industrials, and away from more growth-driven sectors of the economy, especially technology. This is the primary cause of HM1's underperformance in March, given the larger weighting towards technology in the portfolio.

There were no changes to the core portfolio this month. It was a difficult month for the portfolio, with most stocks registering price declines. Four of our portfolio holdings declined by more than 10% over the month. Our fund managers retain their conviction in these stocks despite the pullback in March, and see technology infrastructure as one of, if not the most critical requirement for corporate success over the next decade. Microsoft CEO Satya Nadella recently commented: "The next decade of economic performance for every business will be defined by the speed of their digital transformation."

The conference portfolio experienced similar declines to the core portfolio, with the technology stocks being the hardest hit. Teladoc Health fell 18%, following a similar decline in February, and has now retraced back to our entry point in November. Bill.com fell 12% in March, following the 35% increase in February post reporting very solid numbers. Since investing in Bill.com, the position is up 47%.

Ping An Good Doctor (HK) gave back most of its February gain, which came after news of ARK Invest acquiring a stake in the Chinese rival to Teladoc. Target Corporation, pitched by Gavin Baker from Atreides Management had another good month, rallying by 8% to now be up just over 15% since we purchased our shares. Pleasingly, DISH Corporation had a positive month, and is now up just over 10% since November. This is a smaller position in the portfolio, as Josh Resnick from Jericho Capital pitched both DISH Corp and T-Mobile. T-Mobile performance remains flat so far.

We continue to re-iterate caution to our investors. Rampant fiscal and monetary stimulus aimed at kickstarting the global economy following the global pandemic, whilst understandable, could cause a large increase in inflation. Governments around the world seem to be comfortable with higher inflation, as the expected growth should generate more jobs. There are still 10 million jobs missing in the US alone, from just 12 months ago. The bond market is indicating growth and inflation will likely play out, as evidenced by the large jump in the US 10-year bond yield in the last 9 months.

Whilst good companies with strong earnings growth should appreciate in the medium/long term, sentiment for companies with longer term earnings trajectories may underperform in the short term. Even though HM1 is invested in quality companies, our portfolio will not be immune to the short-term momentum impact that higher inflation and interest rates may have on markets.

We remind shareholders that HM1 has declared a fully franked dividend of 12 cents per ordinary share payable by direct credit to your nominated bank account on April 20, 2021. If you haven't provided your banking details to our share registry you can do so [here](#).

The Dividend Reinvestment Plan (DRP) will also be in operation and participating shareholders can reinvest their dividend in new HM1 shares at a 2.5% discount to the volume weighted average price over the four trading days ending on 12 April 2021. Eligible shareholders can elect to participate in the DRP by [clicking here](#). Per our previous notifications, an election to participate in the DRP for this dividend is to be made by close of business on 12 April 2021.

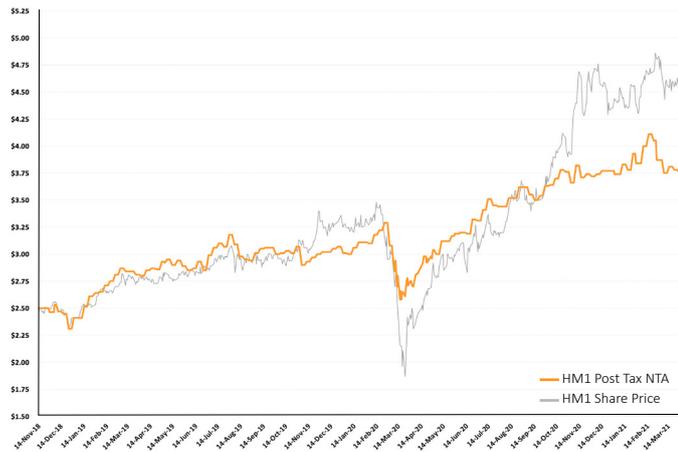
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	(3.8)%	4.7%	50.5%	76.4%
MSCI World Net TR Index (AUD)	5.0%	12.5%	23.8%	37.8%

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.

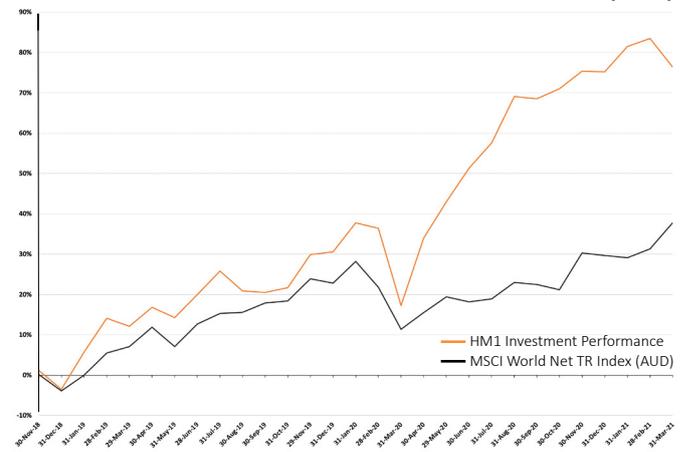
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	(3.0)%	3.7%	36.6%	53.6%

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

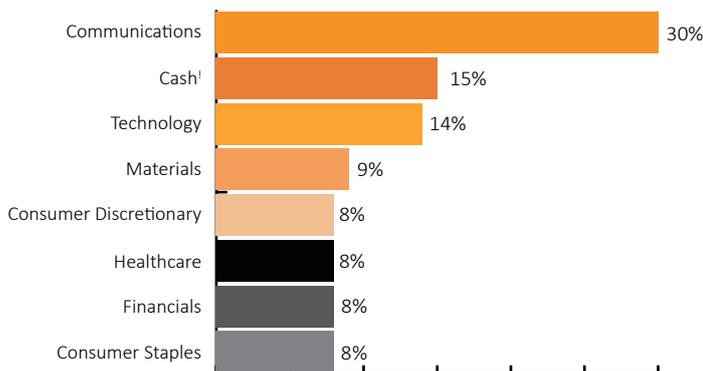
### HM1 Share Price vs Post Tax NTA



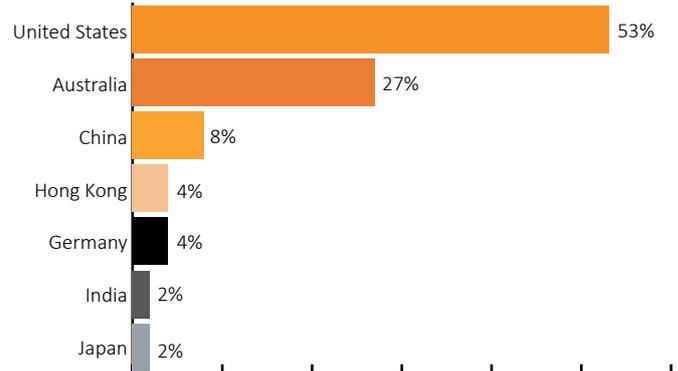
### Investment Performance vs MSCI World Net TR Index (AUD)



### Sector allocation



### Business Domicile⁴

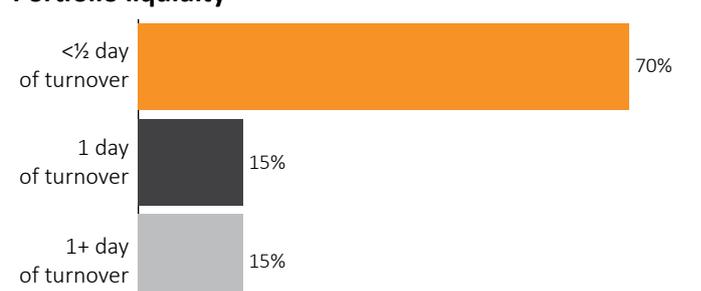


### Key details

Pre Tax NTA <sup>1</sup>	\$4.09
Post current tax NTA <sup>2</sup>	\$3.89
Post tax NTA <sup>3</sup>	\$3.76
ASX code	HM1
Share price	\$4.42
Percent invested	83%
Listing date	14 Nov 2018

All numbers as at 31 March 2021 unless otherwise stated.

### Portfolio liquidity<sup>5</sup>



<sup>1</sup>Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability <sup>2</sup>Pre tax NTA is the NTA of the company before the provision for current or deferred tax. <sup>3</sup>Post 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 <sup>4</sup>Post 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. <sup>5</sup>Determined by location where primary business takes place. <sup>6</sup>Based on 20 day average daily turnover. <sup>7</sup>The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. <sup>8</sup>All NTA figures are unaudited and prepared by Citco Fund Services. <sup>9</sup>All numbers as at 31 March 2021 unless otherwise stated.

## News from our **Managers & Beneficiaries**



In this episode of Inside the Rope, **HM1 Chairman Chris Cuffe** shares his background in funds management, his current portfolio of roles including Hearts & Minds, lessons he's learnt in picking great fund managers and how investors can use financial returns to support charitable causes. [Take a listen to the conversation here.](#)



**Hamish Douglass, Chairman, CIO and Lead Portfolio Manager at Magellan Financial Group**, talks to the Equity Mates team. In this episode they discuss a variety of topics including Hamish's investment journey, how he thinks of the big tech companies going into 2021 and the best company he's ever seen. Take a listen to the [episode here.](#)



**Regal Funds Management** Chief Investment Officer Phil King, CEO Brendan O'Connor and Head of Mining Investments Tim Elliott share their perspectives on the opportunities and challenges currently facing global equities, the equity market outlook for 2021 and the fund manager's strategies in a recent Investor Webinar, you can [watch the webinar on their website here.](#)



Climate change and digital disruption are key areas of interest for HM1 Conference Manager **Nick Griffin and the team at Munro Partners**. Escala's Investment Analyst, Darragh Kennelly, sat down with Nick to discuss thematic investing and how the Munro Global Growth Fund is positioned to capitalise on these major investment themes. [Watch the conversation here.](#)



**David Moberley, Portfolio Manager of Paradise Investment Management**, sat down with Peter White from The Inside Network recently to discuss the Paradise Long Short Australian Equities Fund. They covered a number of topics including the 130/30 investment style, portfolio positioning and the current market opportunities and risks. [Watch the conversation here.](#)



**Peter Cooper, Founder and Chief Investment Officer of Cooper Investors** shares his one simple rule for long-term success: the longer a company is controlled by its founder or their family the better. Read the reasons why in this article by [The Australian here.](#)



Cooper Investors in partnership with Purposeful have produced a 10-part podcast series on mental health and philanthropy in Australia called Mental Wellth. In this episode, host Mike Davis, talks to **Paul Rayson, CEO of HM1**, Louise Walsh, CEO of Future Generation and Natalie Elliot, Head of Private Capital and Philanthropy at Cooper Investors about how our mental health system is funded and how emerging funding solutions such as Hearts and Minds are helping to meet the challenges of the Australian mental health system. [Listen to the conversation here.](#)



**TDM Growth Partners** recently shared a client memo, outlining their thinking about the current market environment. TDM rarely share their view about markets, in fact they've only done this four times in their 16-year history. But given everything going on in the world, and with markets at record highs, they felt the need to share their thinking. [Read the memo here.](#)



David Clark, host of the Inside the Rope podcast has recast an early episode with **Cathie Wood of ARK Invest**. In this episode Cathie discusses her investing journey, starting ARK Invest and ARK's focus on disruptive innovation. Listen to the [episode here.](#)



In this podcast interview, **David Halpert, Founder of Prince Street Capital**, reflects on his history of investing in emerging markets and discusses Prince Street's unique 'digital decolonisation' strategy along with key tech-related initiatives taking place. 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.](#)

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

