

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Hearts and Minds Investments Limited (expected ASX code: HM1)

IPO Report

October 2018

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

- 1) The research process has complete editorial independence from the company and this is included in the contract with the company;
- 2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
- 5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

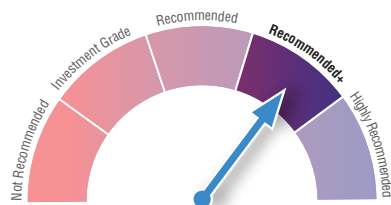
For more information regarding our services please refer to our website www.independentresearch.com.au.

Contents

1. Product Summary.....	1
2. Investor Suitability	1
3. Recommendation.....	1
4. SWOT.....	2
5. Structure	3
6. Management & Corporate Governance	5
7. Investment Process.....	8
8. Performance Analytics.....	9
Appendix A – Ratings Process	12
Appendix B – Managed Investments Coverage	13

Note: This report is based on information in the Hearts and Minds Investments Limited Prospectus lodged with ASIC.

Rating



Key Investment Information

Expected ASX Code	HM1
Offer Price (\$) per share	2.50
Expected Offer Open	15 October 2018
Expected Offer Close	6 November 2018
Expected Commencement of Trading on ASX	21 November 2018
Min/Max Shares on Offer (m)	80/200
Min/Max Capital Raised (\$m)	200/500
Pro forma NTA (\$) per Share (Min/Max Subscription)	2.50/2.50
Fees:	
Donation Amount (p.a):	1.5%
Management Fee (p.a)	na
Performance Fee	na
Performance Fee	na

Key Exposure

Underlying Exposure:	Concentrated portfolio of global equities.
FX Exposure:	The company will have direct foreign currency exposure. The company has no intention to hedge the currency exposure and therefore will be impacted by movements in the relevant foreign currencies compared to the Australian dollar.

This report is not for distribution to the retail market as the Manager is yet to issue a final Prospectus. The investment opinion in this report is current as at the date of publication. Should circumstances of the issuer and/or product change, this may affect our investment opinion.

1. PRODUCT SUMMARY

Hearts and Minds Investments Limited (expected ASX code: HM1) is a newly created investment company that is seeking to list on the ASX and raise a minimum of \$200m and maximum \$500m through the issue of up to 80m-200m fully paid ordinary shares at \$2.50 per share. The capital raised will be invested in a portfolio of the highest conviction stock picks from around the globe from a select group of fund managers. The company has been created with the combined objective of providing access to a concentrated portfolio of the highest conviction ideas from a select group of fund managers, while also supporting Australian medical research institutes. The portfolio will be constructed with recommendations from two groups of fund managers: (1) Conference fund managers - fund managers that present at the annual Sohn Hearts and Minds Investment Leaders Conference; and (2) Core fund managers - five global fund managers. The fund managers and board members will donate their time to the company and the company will donate 1.5%p.a of the average monthly NTA to the designated charities on a semi-annual basis. The costs of the offer will be paid by the Victor Chang Research Institute. Given this, the donation amount in its entirety will be distributed to the Victor Chang Research Institute until the offer costs have been recouped. The offer costs are expected to be repaid in approximately 12 months of the listing date. The board and contributing fund managers have identified nine charities in addition to the Victor Chang charity that the donation amount will be directed to initially. Given the company will not be paying for the costs of the offer, the NTA at the date of listing is expected to be the same as the offer price.

2. INVESTOR SUITABILITY

An investment in the company is suitable for those investors seeking exposure to a high conviction portfolio of global equities and who would like to support medical research in Australia. The portfolio will be concentrated with approximately 25 investments and is therefore suitable for those investors that are comfortable with the risks associated with a concentrated portfolio. The company will invest in stocks from around the globe and will therefore have direct foreign currency exposure. The company has no intention to hedge the currency exposure and therefore the company will be impacted by the movements in foreign currencies compared to the Australian dollar. Investors should be comfortable with exposure to foreign exchange movements in addition to the performance of the underlying investments. The company may pay a dividend provided the board considers a dividend to be within prudent business practices, however, a dividend may not be paid. Therefore an investment in the company is not suitable for those seeking a regular income stream.

3. RECOMMENDATION

Independent Investment Research (IIR) has assigned Hearts and Minds Investments Limited (expected ASX code: HM1) a **Recommended Plus** rating. The company offers a unique opportunity to gain access to a portfolio of the highest conviction ideas from a select group of fund managers with the added benefit of contributing to Australian medical research institutes to support the development of new and improved treatments across a range of specialities. The company will donate 1.5%p.a of the average NTA on a semi-annual basis. Therefore, in the event the portfolio increases in value, the donation amount will increase. While the portfolio will be concentrated, the company cannot invest more than 8% in a single stock at the time of investment, providing a degree of risk management. The company has a high calibre board, Investment Committee (IC) and CEO to implement the investment strategy. The portfolio will have limited transparency with the conference stock recommendations known at the time the conference is held, however the Core fund manager recommendations will not be known until the end of the financial year. The Conference fund manager stock recommendations will be held for 12 months unless the IC decides to exit the position prior to the next conference due to a change in the investment thesis. The Core fund manager stock recommendations will be provided quarterly and therefore may experience a higher level of churn than the Conference fund manager recommendations. While we cannot predict the stocks that the Core fund managers would have selected historically, the stock recommendations of the Conference fund managers have performed strongly over the two years since the conference commenced in 2016.

4. SWOT

Strengths

- ◆ The directors and the contributing fund managers will provide their services free of charge. In lieu of a management fee, the company will pay a donation amount of 1.5%p.a of the average monthly NTA to the designated charities. Based on minimum and maximum subscription amounts this would equate to a donation of \$3.0m-\$7.5m. This amount will vary with changes in the NTA.
- ◆ The company will not be paying the costs of the offer and therefore the NTA at the date of listing is expected to be the same as the offer price.
- ◆ The company cannot accept oversubscriptions above the maximum subscription price of \$500m which means that we do not anticipate any capacity constraints with investing the capital. In addition to this, the company has no intentions to raise additional capital.
- ◆ The fund managers, directors and IC members are donating their time to the company.
- ◆ The directors and IC members are expected to invest a total of \$25m through the offer, aligning their interests with shareholders.
- ◆ The company has a high calibre board and IC with all directors (including proposed directors) and IC members having significant experience in the funds management and finance industry and are well equipped to implement the investment strategy of the company.

Weaknesses

- ◆ The company will only release the stocks selected by the Core fund managers on an annual basis, after the fact (ie. at the end of the financial year). While this will be done to preserve the IP of the Core Fund Managers it means that there will be limited transparency of the underlying investments for shareholders.

Opportunities

- ◆ An investment in the company provides the opportunity to support medical research in Australia and help develop new and improved treatments for a variety of conditions.
- ◆ An investment in the company provides a rare opportunity to gain access to the highest conviction stock picks from a group of fund managers.

Threats

- ◆ The portfolio will be concentrated with approximately 25 investments at any given time. We note that this may be slightly more or less depending on the number of fund managers that present at the annual Sohn Hearts and Minds Investment Leaders Conference and the degree of overlap between the stock selections. Concentrated portfolios have a heightened exposure to the risk associated with the performance of individual stocks.
- ◆ The company has no intentions of hedging the foreign currency exposure of the portfolio. Therefore the portfolio value will be impacted by movements in the foreign currency rates compared to the Australian dollar. Foreign currency movements may have a positive or negative impact on the portfolio value.
- ◆ As with all listed investment companies the company may trade at a discount to NTA for a prolonged period of time, not allowing investors to exit the company at the portfolio value. We note that given the structure and philanthropic nature of the company we do not expect the company to trade at a significant discount.
- ◆ While the annual conference is expected to continue for the foreseeable future, this may not be the case and the conference may not continue. In the event the conference ceases to continue the company will likely seek to expand the Core fund manager offering, however, there is currently no policy in place to deal with this contingency.

5. STRUCTURE

PRODUCT OVERVIEW

Hearts and Minds Investments Limited (expected ASX code: HM1) is a newly created investment company that is seeking to list on the ASX and raise a minimum of \$200m and maximum of \$500m through the issue of up to 80m-200m fully paid ordinary shares at \$2.50 per share. The capital raising will be capped at \$500m with no oversubscriptions accepted.

The company has been established on the back of the Sohn Hearts and Minds Investment Leaders Conference, which has been running for two years and was started principally to raise money for medical research. To raise money, the conference sells tickets to the event where a number of industry professionals share their investment expertise and provide their best investment idea. The conference is held annually with the third conference to be held on 16 November 2018 in Melbourne. To date the conference has raised \$8m for medical research.

The capital raised from the offer will be invested in approximately 25 stocks from around the globe, based on the highest conviction ideas from two groups of fund managers: (1) Conference fund managers from the conference; and (2) Core fund managers, which includes five global fund managers.

The portfolio will be constructed in two parts based on these two groups: (1) 40% of the portfolio will be equally invested in the single stock picks made by the investment professionals at the annual conference, which is expected to be 10 stocks; (2) the remaining 60% of the portfolio will be invested in approximately 15 securities based on the highest three conviction investments by each of the Core Fund Managers, which will be provided quarterly.

The company and the contributors to the portfolio will not charge a management fee, but instead will donate 1.5% p.a of the average monthly NTA on a semi-annual basis. All donations will be directed towards Australian medical research institutes. The donation amount will be divided between the Victor Chang Cancer Research Institute and organisations picked by the Core fund managers and the board. We note that the Core fund managers may also contribute to the Victor Chang Cancer Research Institute.

Donation Amount Allocation	
Name	Percentage of Donation Amount
Victor Chang Research Institute	40%
Caledonia Asset Management	10%
Cooper Investors	10%
Magellan Asset Management	10%
Paradice Investment Management	10%
Regal Funds Management	10%
Board Nominated	10%
	100%

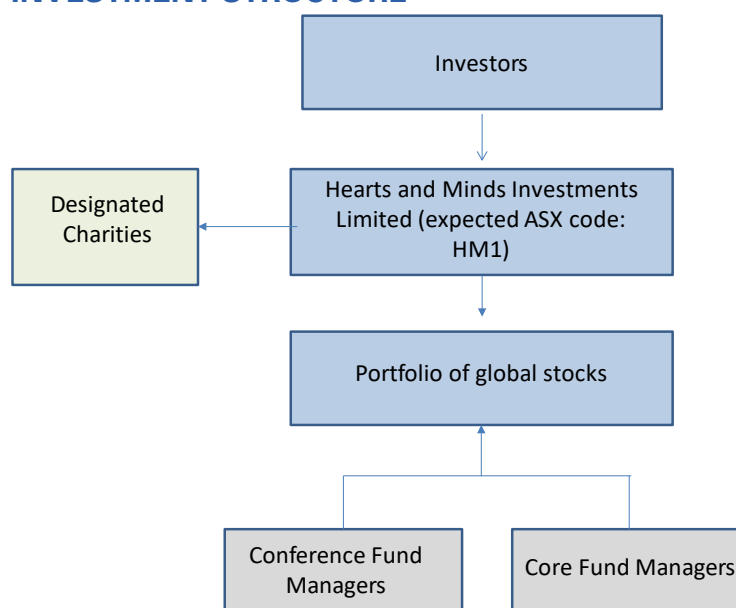
The Core fund managers and the board have identified nine charities that they will be seeking to donate to initially in addition to the Victor Chang Research Institute. These charities are listed below. The Core fund managers and the board will nominate their designated charity annually. Information regarding the below listed charities can be found in the Prospectus.

- (1) Black Dog Institute;
- (2) The Brain and Mind Centre, Sydney University;
- (3) Charlie Teo Foundation;
- (4) The Children's Hospital at Westmead - Pediatric Intensive Care Unit Research;
- (5) Florey Institute of Neuroscience & Mental Health;
- (6) Centre of Human Psychopharmacology, Swinburn University;
- (7) Multiple Sclerosis Research Australia Limited;
- (8) Orygen; and
- (9) Royal Prince Alfred Hospital, Research.

The fund managers and board and IC members will provide their services free of charge. The lead arranger and brokers of the offer have agreed to waive a broker management fee of 0.5% of the proceeds raised, however, will be paid 1.5% of the proceeds raised as a selling fee. The Victor Chang Research Institute will pay for these costs, which are expected to range from \$3.4m-\$7.9m. Given this, the donation amount will be paid in its entirety to the Victor Chang Research Institute until the costs of the offer have been recouped. Assuming the NTA does not fall substantially, the offer costs will be expected to be repaid in approximately 12 months from the listing date.

Given the offer costs are not being paid by the company, the NTA at the date of listing is expected to be the same as the offer price of \$2.50 per share.

INVESTMENT STRUCTURE



Product Leverage

Used: The company does not intend to use debt to leverage the portfolio.

Capital Protection na

Tax

Disclaimer: **Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Independent Investment Research's expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice.**

Capital gains: A capital gains tax (CGT) event will likely occur in the event the investor sells the shares on market for a higher price than it was purchased for. Investors will likely be eligible for the CGT discount if the shares are held for more than 12 months.

Dividends: Dividends will likely be on income account in the year earned.

Legal Structure

Wrapper: Listed Investment Company

Investor Leverage

Available: No

Risks **The below is not a full list of all risks associated with the company but highlights what IIR considers to be the more significant risks associated with the company. A detailed risk assessment can be obtained from the Prospectus.**

Concentration Risk: The portfolio will be concentrated with a approximately 25 holdings at any given time. In a concentrated portfolio the portfolio is more susceptible to the movement in individual stocks. An decline in an individual stock can be a drag on the portfolio performance.

Discount Risk: As with all listed investment companies, the company may trade at a discount to NTA. Given the structure and philanthropic nature of the company combined with the fact that the company does not intend to raise additional capital beyond the offer, we do not expect the company to trade at a significant discount.

Core Fund Manager Exit: The Core Fund Managers have agreed to provide their three highest conviction stock picks on a quarterly basis for a minimum of three years. Post the three year period, the fund managers may decide to exit from the agreement and would result in the company having to find a replacement manager. The company may not be able to replace the fund manager in a timely manner.

Foreign Currency Risk:	The company will have direct exposure to foreign currency given the company will be investing in stocks from around the globe. The company has no intention to hedge the currency exposure, therefore the portfolio value will be impacted by movements in foreign currency rates compared to the Australian dollar.
------------------------	--

6. MANAGEMENT & CORPORATE GOVERNANCE

BOARD OF DIRECTORS & INVESTMENT COMMITTEE (IC)

The board will comprise eight high calibre directors with a significant amount of experience in the funds management and finance industry. The company will also appoint a CEO for the day to day management of the portfolio and regular liaison with the contributing fund managers regarding their stock selections. The directors and IC members are expected to invest \$25m through the offer, aligning their interests with shareholders.

Board of Directors & Management		
Name	Position	Experience
Chris Cuffe	Chairman	<p>Mr. Cuffe entered the funds management industry in 1985. In 1988 he joined Colonial First State where he was CEO from 1990 until 2003. In 2003 he became CEO of the listed Challenger Group. Mr. Cuffe is now involved in a portfolio of activities in the investment and non-profit sectors which include: member of the Investment Committee of UniSuper; chairman of Australian Philanthropic Services and Atrium Investment Management; director of various listed companies including Global Value Fund, Antipodes Global Investment Company, Argo Investments and Class; and founder, director and manager of Third Link Growth Fund.</p> <p>Mr. Cuffe was previously a non-executive director of UniSuper from 2007 to 2017, of which the last six years was as Chairman. In October 2007, Mr. Cuffe was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry. In 2017 he was appointed as an Officer in the General Division of the Order of Australia.</p>
Lorraine Berends	Director	<p>Ms. Berends has worked in the financial services industry for over 35 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014 she worked for 15 years with US based investment manager Marvin & Palmer Associates. Ms. Berends contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (IMCA Australia) for 13 years (7 as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (3 as Chair). Ms Berends has been awarded Life Membership of both IMCA Australia and ASFA.</p> <p>Ms. Berends is an independent non-executive director of ASX listed Pinnacle Investment Management Group Limited and of listed investment companies Antipodes Global Investment Company Limited, Plato Income Maximiser Limited and Spheria Emerging Companies Limited. She is also an independent non-executive director of BT Funds Management Limited, BT Funds Management No. 2 Limited and Westpac Securities Administration Limited (collectively the BTFG Superannuation Board). Ms. Berends is a director of MDC Foundation Limited (a not for profit company) and a member of the QSuper Investment Committee.</p>
Michael Traill	Director	<p>Following a 15 year career as co-founder and Executive Director of Macquarie Group's private equity business (Macquarie Direct Investment), Mr. Traill became the founding Chief Executive of Social Ventures Australia (SVA) in 2002. During his 12 year tenure at SVA, Mr. Traill grew his team to over 50 people. Mr. Traill was also involved in the creation of the GoodStart non-profit syndicate, now a \$900m social enterprise, which acquired the assets of the ABC childcare centres in 2010.</p> <p>Mr. Traill is currently Chair of Goodstart Early Learning, the SVA Social Impact Fund, and Assetic Pty Ltd. Michael is also a director of Sunsuper, MH Carnegie & Co, Australian Schools Plus, the Paul Ramsay Foundation, Australian Philanthropic Services and the National Museum of Australia.</p> <p>He is the author of 'Jumping Ship – from the world of corporate Australia to the heart of social investment' published by Hardie Grant.</p>

Board of Directors & Management		
Gary Weiss	Director	<p>Dr. Weiss is a co-founder of the Sohn Hearts & Minds Investment Leaders Conference. Dr. Weiss is currently the Executive Director of Ariadne Australia Limited. Dr Weiss is Chairman of Ardent Leisure, Ridley Corporation Ltd and Estia Health Ltd, and a Non-Executive Director of Thorney Opportunities Ltd and The Straits Trading Company Limited. Dr Weiss is also a Commissioner of the Australian Rugby League Commission.</p> <p>Dr. Weiss was formerly Chairman of Clearview Wealth Limited and Coats Plc, is a former Non-Executive Director of Premier Investments Ltd and Pro-Pac Packaging Ltd, a former Executive Director of Whitlam, Turnbull & Co and Guinness Peat Group plc and sat on the board of Westfield Holdings Limited and a number of other public companies. Dr. Weiss has also been involved in managing large businesses with operations in many regions including Europe, China and India and is familiar with investments across a wide range of industries, corporate finance and private equity type deals.</p>
Geoff Wilson	Director	<p>Mr. Wilson has over 36 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Mr. Wilson founded Wilson Asset Management in 1997 and created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies.</p> <p>Mr. Wilson is currently Chairman of WAM Capital Limited, WAM Leaders Limited, WAM Research Limited, WAM Active Limited, WAM Microcap Limited and the Australian Stockbrokers Foundation. Mr. Wilson is the Founder and a Director of Future Generation Global Investment Company Limited and Future Generation Investment Company Limited and a Director of Australian Leaders Fund Limited, Clime Capital Limited, Global Value Fund Limited, Century Australia Investments Limited, Incubator Capital Limited, Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, the Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee.</p>
David Wright	Director	<p>Mr. Wright is a Managing Partner and joint founder of Zenith Investment Partners (Zenith). Mr. Wright established Zenith in October 2002 and has extensive investment industry experience.</p> <p>Prior to establishing Zenith, Mr. Wright held senior positions within the financial services industry including IWL Ltd (Head of Research), an ASX listed company in which he was also a significant equity holder. Mr. Wright was instrumental in building and further developing IWL's managed investment research methodology and process and expanding the group's distribution of research to financial advisers. Other roles included Associate Director and Head of Managed Funds research at Lonsdale Limited and an analyst with the Advisor Group, a national financial planning group.</p> <p>David has extensive experience researching, assessing and rating many forms of managed investments including, managed funds, property syndicates, tax effective investments and other managed investment schemes. Mr. Wright is also a former practitioner lecturer of the Securities Institute of Australia (now FINSIA).</p>
Guy Fowler	Proposed Director	<p>Mr. Fowler is a co-founder of the Hearts and Minds Investment Conference. Mr. Fowler has worked in a range of senior positions at UBS Australia for over 25 years including as the Head of Capital Markets and as the Head of the Corporate Advisory business. In these roles he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. Mr. Fowler is a qualified Chartered Accountant.</p>
Matthew Grounds	Proposed Director	<p>Mr. Grounds is a co-founder of the Hearts and Minds Investment Conference. Mr. Grounds is currently the CEO of UBS Australia, a role he has held for over ten years. Over the past 24 years, Mr. Grounds has held a variety of other senior roles at UBS including Joint Global Head of the Investment Banking business, Head of Capital Markets and Head of the Corporate Advisory business. In these roles Mr. Grounds has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. Mr. Grounds is also a Council Member of the University of NSW, Chairman of the Victor Chang Cardiac Research Institute and a Director of the Financial Markets Foundation for Children.</p>
Rory Lucas	Chief Executive Officer	<p>Mr. Lucas has over 30 years experience in Australian and global equity markets, working in a variety of roles. Mr. Lucas specialises in trade execution, portfolio construction and risk management. His previous roles include managing funds of funds at Rothschild Australia Asset Management, senior equity facilitation role at UBS and trading and execution roles at Commonwealth Bank of Australia.</p>

INVESTMENT COMMITTEE (IC)

The IC will be made up of six board members and Brett Paton. The IC will be responsible for the implementation of the investment strategy and management of the portfolio in accordance with the investment objectives. The IC members have significant experience in the asset management and investment industry providing them with the skills to execute the role.

Investment Committee		
Name	Position	Experience
Chris Cuffe	Chairman	See above.
Lorraine Berends	Director	See above.
Michael Traill	Director	See above.
Gary Weiss	Director	See above.
Geoff Wilson	Director	See above.
David Wright	Director	See above.
Brett Paton	IC Member	Mr. Paton is currently Chairman of Escala Partners. Mr. Paton has worked in a range of senior positions including Vice Chairman at UBS Australia where he spent 23 years. Mr. Paton also spent 5 years at Citi serving as Vice Chairman Australia, Institutional Clients Group. Mr. Paton has served as a Non-Executive Director of Tabcorp and Chair of Audit and Risk for its demerged entity, Echo Entertainment, giving him valuable insights into the functions expected of ASX 100 boards.

FUND MANAGERS

The portfolio will be based on the highest conviction investment ideas by two groups of fund managers: (1) Fund managers from the annual conference; (2) Core fund managers.

Conference Fund Managers

Selected fund managers present their highest conviction investment idea at the annual Sohn Hearts and Minds Investment Leaders Conference. The presenters may differ from year-to-year. In November the third annual conference will be held. The below table lists the fund managers that will be presenting their ideas at this year's conference and who's ideas will be included in the portfolio.

The company will invest in the stock recommendations provided by the managers prior to conference. The company will only invest in the long ideas presented.

Conference Fund Managers		
Name	Position	Fund Manager
Kok Hoi Wong	Founder & Chief Investment Officer	APS Asset Management
Tim Carleton	Principal & Portfolio Manager	Auscasp Asset Management
Peter Cooper	Chairman & Chief Investment Officer	Cooper Investments
Blake Henricks	Deputy Managing Director & Portfolio Manager	Firetrail Investments
Leah Zell	Founder & Chief Portfolio Manager	Lizard Asset Management
Chris Demasi	Portfolio Manager	Montgomery Investment Management
Nick Griffin	Founding Partner & Chief Investment Officer	Munro Partners
Paul Mason	Analyst	Paradice Investment Management
Craig Collie	Portfolio Manager	Regal Funds Management
Beeneet Kothari	Chief Executive Officer & Portfolio Manager	Tekne Capital Management
Jun Bei Liu	Portfolio Manager	Tribeca Investment Partners
Alex Waislitz	Founder & Chief Executive Officer	Thorney Investment Group
Geoff Wilson	Chairman & Portfolio Manager	Wilson Asset Management

Core Fund Managers

There are five core fund managers that will be contributing their best three stock picks on a quarterly basis with 60% of the portfolio allocated to these fund managers. The fund managers are (1) Caledonia Asset Management; (2) Cooper Investors; (3) Magellan Asset Management; (4) Paradice Investment Management; and (5) Regal Funds Management.

The Core Fund Managers have agreed to provide stock recommendations on a quarterly basis for at least three years.

(1) Caledonia Asset Management: A global investment management firm with offices in Sydney and New York. With over 25 years' investment experience, Caledonia's goal is to achieve high absolute returns for their clients over a long-term time horizon. The firm manages a long short equity strategy with a focus on deep fundamental research and high conviction long-term investing.

(2) Cooper Investors Pty Limited: A specialist equities fund manager with funds under management of approximately \$14 billion. Cooper Investors commenced operations in 2001 and manages money for a range of clients, including large pension and superannuation funds, religious institutions, Australian State Government agencies, school endowments, charities, high net worth families and retail clients. Cooper Investors is 100% owned by its employees..

(3) Magellan Asset Management: An Australian-based asset manager that is a wholly-owned subsidiary of Magellan Financial Group Limited, an ASX top-100 company that was formed by Hamish Douglass and Chris Mackay in Sydney in 2006. Magellan manages approximately \$75 billion of funds under management as at 31 August 2018 across its global equities, global listed infrastructure and Australian equities strategies for retail, high net worth and institutional investors and employs over 120 staff globally.

(4) Paradice Investment Management: A privately owned Australian boutique funds management business established in 1999. The business is solely focused on providing asset management for institutional and wholesale clients. The manager has approximately \$17 billion in assets under management with offices in Sydney, Denver and San Francisco. The Paradice Australian Small Cap fund was the manager's initial product offering in 2000 and the business has subsequently expanded its investment range with four additional strategies, the Australian Mid Cap Fund launched in 2006, the Australian Large Cap Fund launched in 2007, the Global Small Mid Cap Fund launched in 2010 and most recently the Emerging Market Equities strategy, launched in 2018.

(5) Regal Funds Management: An alternatives specialist investment manager based in Sydney and Singapore. Regal 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 for well over a decade.

7. INVESTMENT PROCESS

INVESTMENT OBJECTIVE

The company has a combined objective of providing access to a concentrated portfolio of the highest conviction ideas from a select group of fund managers, while also supporting Australian medical research institutes.

PORTFOLIO CONSTRUCTION

The portfolio will comprise long only investments in approximately 25 stocks from around the globe. The geographic mix of the portfolio will differ depending on the stock selections provided by the contributing fund managers. The portfolio will remain fully invested unless a stock is sold prematurely, at which point cash will be held until a reweighting occurs.

The portfolio will be broken down into two groups:

(1) Conference Fund Managers: 40% of the portfolio will be invested in the long recommendations presented at the annual Sohn Hearts and Minds Investment Leaders Conference as the fund managers single best stock selection. This is expected to be around 10 stocks, however, was 12 in 2016 and 13 in 2017. Stocks will be invested in prior to the conference each year. The stocks will be equally weighted at the time of investment and will be held for 12 months, until the next conference. At which point, the stocks will be sold and the new stock selections will be acquired.

(2) Core Fund Managers: 60% of the portfolio will be invested in the three best stock selections provided by the five Core Fund Managers (total of 15 stocks). These selections will be provided on a quarterly basis. Each manager will be allocated a 12% weighting in the portfolio and will provide a recommended weighting for each of the three stocks. Turnover will occur in the event there is a change to some or all of the three best stock selections from the previous quarter. In the event there is no change to the recommendations at the end of the quarter, the portfolio will be rebalanced to reflect the recommended security weightings.

There are no geographic or sector limitations. The portfolio will have a maximum weighting of 8% at the time of initial investment. A weighting of this size would occur in the event there were two fund managers at the conference that recommended the same stock as their best investment or in the event one of the Core Fund Managers has a very high conviction in one of their three stock selections. We note that the Core Fund Managers may also present at the annual conference so there may be a double up on some recommendations across the two groups which may result in the increased weighting to a single stock.

The IC may determine to hold a security for a longer or shorter period than the annual or quarterly period. This may occur as a result of:

- ◆ the IC deciding to realise an investment within the quarterly or annual period due to either strong or poor performance; or
- ◆ the IC believes a position needs additional time to reflect the true value of the investment thesis of the contribution fund manager.

We would expect this to be a rare occurrence and note that the appointed CEO and IC will have regular contact with the contributing fund managers to discuss any changes to the investment thesis which may result in the IC adjusting the holding period of the investment.

8. PERFORMANCE ANALYTICS

The company is newly established and is yet to list, therefore has no performance history. Sohn Hearts and Minds Investment Leaders Conference has been running for two years. We have provided the performance of the stocks from the last two conferences below to show how these stocks have performed and to illustrate the construction of the Conference fund manager allocation of the portfolio, which equates to 40% of the portfolio. There is no way to provide information on how the Core fund managers would have allocated the capital historically.

We note that the below is merely an illustration and not a representation of the portfolio of the Conference fund managers stock selections for the company's portfolio. The speakers at the 2018 conference differ from those at previous events and the stocks they will select are unknown until the conference in November.

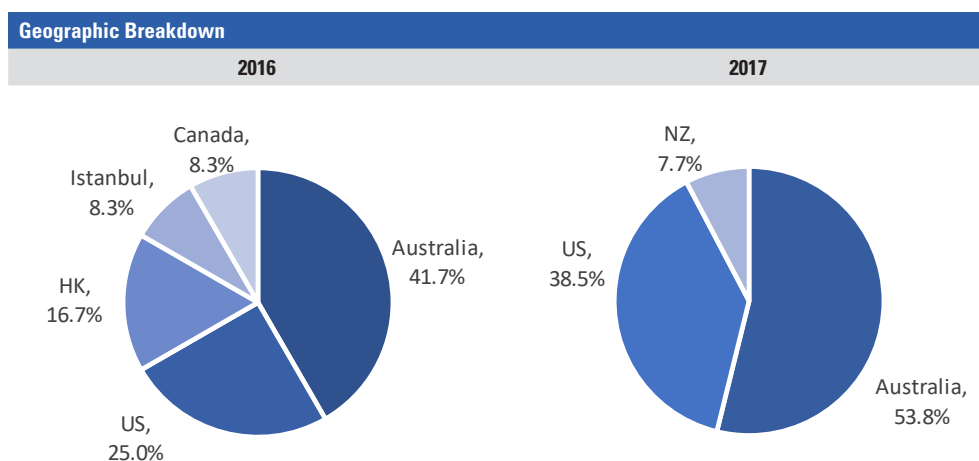
Historical Conference Fund Manager Stock Picks

For the 2016 and 2017 conferences, there were 12 and 13 long recommendations provided by the presenters, respectively, tabled below. Stocks will be given an equal weighting in the portfolio. For 12 stock selections, the company would have a weighting of 3.33% in each stock at the time of investment and 3.1% for 13 stocks.

2016 Stock Picks		
Company Name	Code	Country of Listing
58.com	WUBA.US	United States
Amaya (re-named The Stars Group)	TSGI.CN	Canada
Apple	AAPL.US	United States
BIM Birllesik Magazalar	BIMAS.TI	Istanbul
Brinks	BCO.US	United States
Chorus	CNU.AU	Australia
Consolidated Operations Group (formerly Armidale Investment)	COG.AU	Australia
Cross Harbour Holdings	32.HK	Hong Kong
Fairfax Media	FXJ.AU	Australia
Mesoblast	MSB.AU	Australia
Transurban	TCL.AU	Australia
Wynn Macau	1128.HK	Hong Kong

2017 Stock Picks		
Company Name	Code	Country of Listing
Appen Limited	APX.AU	Australia
Biohaven Pharmaceutical Holding Company Limited	BHVN.US	United States
CME Group Inc.	CME.US	United States
GrubHub Inc.	GRUB.US	United States
InterActiveCorp	IAC.US	United States
Macquarie Group Limited	MQG.AU	Australia
NEXTDC Limited	NXT.AU	Australia
NZME Limited	NZM.NZ	New Zealand
Oventus Medical Limited	OVN.AU	Australia
Reliance Worldwide Corporation Limited	RWC.AU	Australia
Speedcast International Limited	SDA.AU	Australia
TE Connectivity Limited	TEL.US	United States
Virgin Australia Holdings Limited	VAH.AU	Australia

In both 2016 and 2017, the stock picks have been weighted to Australia. In particular in 2017, with 7 of the 13 stocks listed on the ASX.



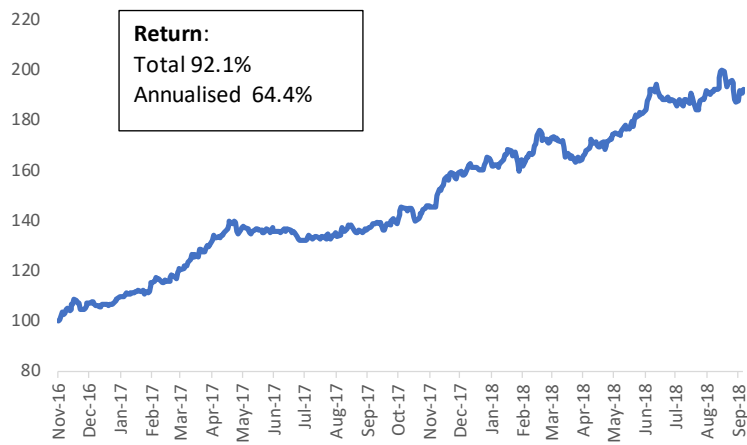
We have compiled a mock portfolio based on the above stock picks to show what the return for the Conference fund manager portion of the portfolio would have been if created. We reiterate that the below only reflects the historical Conference fund manager stock selections, which will account for 40% of the company's portfolio. The below is not a forecast of the company's returns.

We have determined the performance from an equal weight investment in each of the stocks at the beginning of the period. After a 12-month holding period, we assume all holdings are sold and the proceeds are reinvested in the 2017 stock picks. Transaction costs have not been accounted for.

The portfolio returns are indexed, do not include dividends and are in the local currency.

The portfolio would have performed strongly with an annualised return of 64.4% from the initial investment date of 10 November 2016 to 14 September 2018. The best performing stock over the period was Appen Limited (ASX:APX), which was included in the portfolio reweighting in 2017 and increased 148% from the time of investment. The worst performing stock was Oventus Medical Limited (ASX:OVN), which was also included in the reweighting for 2017 and declined 48%. For the 2016 class of stocks, only one of the twelve stocks declined in value, while in the 2017 class of stocks five of the thirteen stocks declined in value.

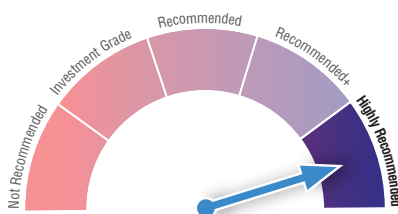
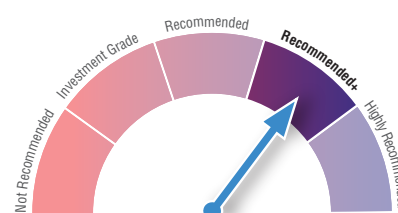
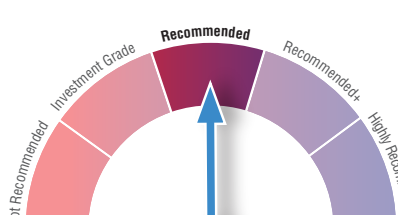
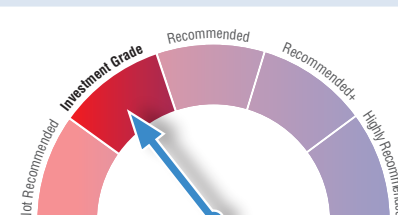
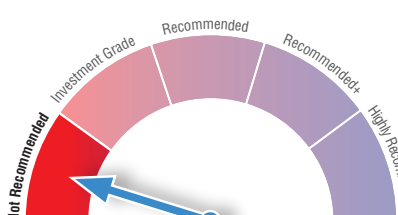
Mock Portfolio Performance (Local Currency)



APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD “IIR” RATING SYSTEM.

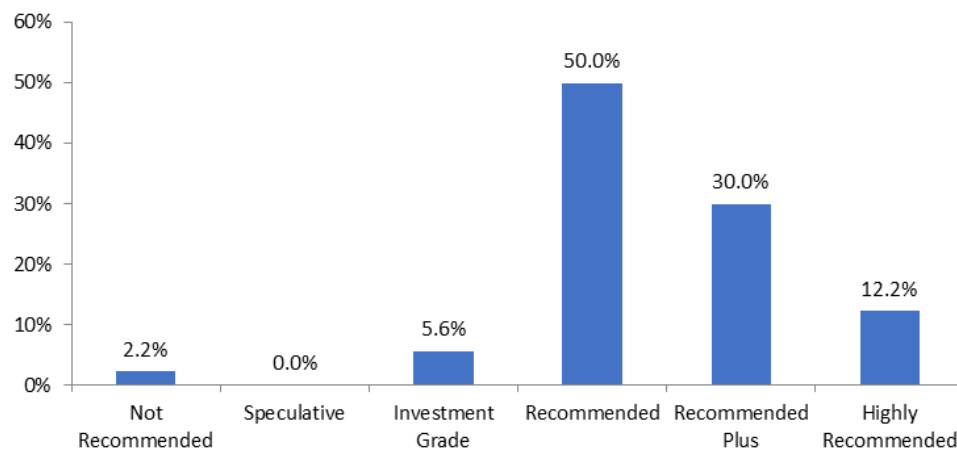
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–83</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>70–79</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Investment Grade</p> 	<p>60-70</p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



DISCLAIMER

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR," Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au



Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE

Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE

1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE

200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS

PO Box H297 Australia Square
NSW 1215