

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

During October the investment portfolio gained 1.2%, compared to an increase of 0.4% in the MSCI World Net TR Index (AUD). Since inception 11 months ago, the portfolio is up 23.7%, an excess of 500bps compared to our benchmark index. The share price finished the month at \$3.13, representing a gain of just over 25% for shareholders who participated in our Initial Public Offering.

October was dominated by Central Bank action. The U.S Federal Reserve cut rates for a third consecutive time, to 1.5%-1.75%. The RBA cut the local cash rate for the third time this year to 0.75%, and maintained an overall easing bias. It looks like the world is set for zero to near zero rates for the foreseeable future. Trade tensions settled somewhat, and the train-wreck that is known as Brexit was delayed yet again, with a general election to be held on Dec 12.

Late October also saw Q3 reporting season in the U.S in full swing. Of those in our portfolio that provided updates, nearly all exceeded Street expectations and had positive price outcomes. In our Core portfolio, 11 of the 15 stocks were up for the month, and most pleasingly, all five Core managers made positive contributions to the portfolio. Since inception, our Core managers have delivered an overall investment performance of 16%.

The Conference portfolio however, had a small negative contribution to the portfolio this month. We have often spoken about PagSeguro (PAGS.US) and its incredible performance since Beeneet Kothari recommended it last year. For the month of October it was down 20%, after reporting slight misses to consensus forecasts. Since November 2018 however, it is still up 64% in USD terms and 71.5% in AUD!

Airbus, DocuSign and JB Hi-Fi all had great months, each providing returns of 7% or more. JB Hi-Fi was a contentious call at the conference last year, given it was one of the most shorted stocks in Australia, and the retail sector was clearly out of favour at the time. Tim Carleton from Auscap saw things that the general investment community didn't, and as a result we have generated a 57% return plus two dividends in just under a year. As you would expect, the Conference portfolio has delivered excellent returns since inception, given it represents the single highest conviction idea from a select group of managers. The investment return of our Conference managers since November now sits at 32%.

We are in regular contact with all of our managers in the lead up to our next conference on November 22. Some are nervous about markets as a whole going into year end, which is understandable given the rally we have experienced in 2019. Some of our conference positions have been realised early, and our cash holding is at just over 10%. We expect to be fully invested in early December.

By now shareholders should have received a [Notice of Meeting](#) for the inaugural Hearts and Minds Investments Limited Annual General Meeting, to be held in Sydney on November 26. In that there are a set of Resolutions, one of which involves a recommendation to add a sixth Core manager to the portfolio, TDM Growth Partners. They have an outstanding track record for their investors, and it is a privilege to be offered the opportunity to bring them on board. They will also be presenting at the Conference this month, along with the speakers mentioned over the page.

In other news, congratulations to two of our Core Fund Managers:

1. Magellan Asset Management was announced as the 2019 Zenith Fund Manager of the Year. Magellan was also awarded the Infrastructure and International Equities – Global sector award.
2. Phil King, co-founder of Regal Funds Management was inducted into the Australia Fund Manager Hall of Fame this month. Regal now manages \$2.4 billion and is widely regarded as one of Australia's top hedge funds.

Performance

| | 1 month | 3 months | 6 months | Since Fund inception |
|-------------------------------|---------|----------|----------|----------------------|
| Investment Performance | 1.2% | -2.9% | 5.1% | 23.7% |
| MSCI World Net TR Index (AUD) | 0.4% | 2.6% | 5.8% | 18.4% |

Investment performance and index returns are before expenses and taxes. Source: Citco Fund Services and www.msci.com. Fund inception 14 Nov 2018.

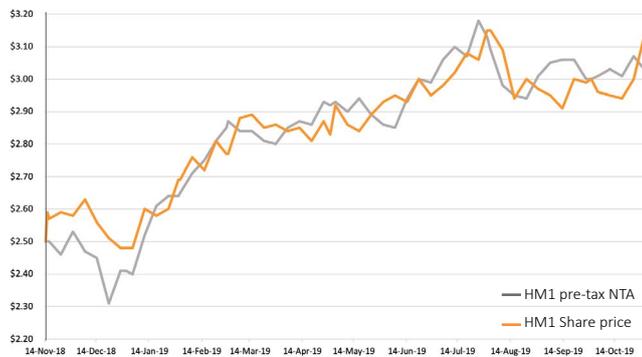
To receive these monthly investment updates via email please [click here](#).

¹Pre-tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. ****All NTA figures are unaudited and prepared by Citco Fund Services.**

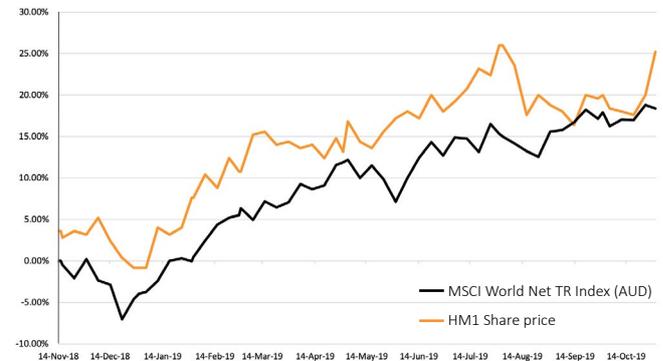
*The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns.

All numbers as at 31 October 2019 unless otherwise stated.

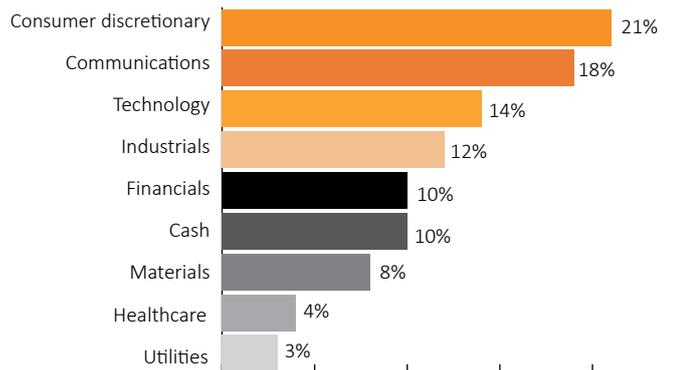
HM1 share price vs pre-tax NTA backing



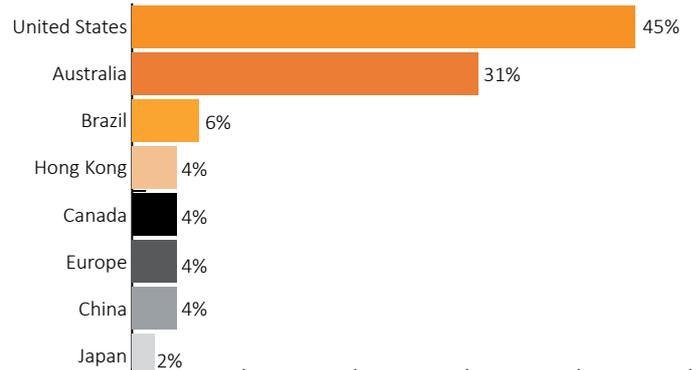
HM1 share price vs MSCI World Net TR Index (AUD)



Sector allocation



Business domicile⁴

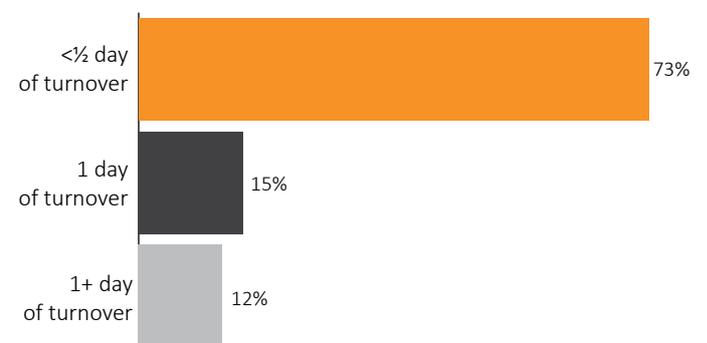


Key details

| | |
|---------------------------|-------------|
| Pre-tax NTA ¹ | \$3.03 |
| Post-tax NTA ² | \$2.88 |
| ASX code | HM1 |
| Share price | \$3.13 |
| Percent invested | 90% |
| Listing date | 14 Nov 2018 |

All numbers as at 31 October 2019 unless otherwise stated.

Portfolio liquidity⁵



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¹Pre-tax NTA is calculated after the provision for tax on realised gains and losses on the investment portfolio. ²Post-tax NTA is calculated after the provision for tax on realised and unrealised gains and losses on the investment portfolio. **** All NTA figures are unaudited and prepared by Citco Fund Services.** ⁴Determined by location where primary business takes place. ⁵Based on 20 day average daily turnover. ⁶The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. All numbers as at 31 October 2019 unless otherwise stated.

Announcing our 2019 Conference Fund Managers



Beeneet Kothari
Tekne Capital Management
returning



Phil King
Regal Funds Management
new



Jun Bei Liu
Tribeca Investment Partners
returning



Hamish Corlett
TDM Growth Partners
new



Allan Goldstein
Cooper Investors
new



Catherine Wood
ARK Invest (USA)
new



Seth Fischer
Oasis Management (HK)
new



Nick Griffin
Munro Partners
returning



Emma Goodsell
Airlie Funds Management
returning



Markus Bihler
Builders Union (UK)
new



Babak Pousnanchi
Cota Capital (USA)
returning



Andrew Macken
Montaka
new

Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

