

Hearts and Minds Investments Limited (HM1)

ABN 61 628 753 220

Financial Report

Results for Announcement to the Market for the Year ended 30 June 2021

	Change	30 Jun 2021	30 Jun 2020
		\$'000	\$'000
Total Net Investment Income	-212%	(5,343)	4,776
Profit/(Loss) from ordinary activities after tax	-364%	(12,464)	(2,685)
Other Comprehensive Income net of tax	42%	170,413	120,239
Total Comprehensive Income net of tax	34%	157,948	117,554

Net Tangible Assets (NTA) Per Ordinary Share

	30 Jun 2021	30 Jun 2020
Pre-tax NTA per ordinary share	\$4.33	\$3.68
Net tax (liability) per ordinary share	(\$0.41)	(\$0.34)
Post-tax NTA per ordinary share	\$3.92	\$3.34

Dividends

HM1 paid its first fully franked dividend of 12 cents per share amounting to a total dividend payment of \$27 million in April 2021. HM1 aims to pay a fully franked annual dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio.

Brief Explanation of results:

HM1 recorded a 34% increase in total comprehensive income net of tax to \$157.9 million for the year to 30 June 2021. The Company's post-tax NTA increased 18% over the year from \$750.5 million on 30 June 2020 to \$886 million on 30 June 2021. During the year HM1 paid \$11.3 million to its designated medical research organisations and made provision for a further \$6.4 million. These donated monies will be used to fund important research into the prevention and treatment of chronic diseases and mental health disorders. Further details on the results are included in the Annual Report.

This report is based on the Annual Report which has been audited by Pitcher Partners. The audit report is included in the Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

**Hearts and Minds
Investments Limited**

Annual Report

**For the year ended
30 June 2021**

ACN 628 753 220



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Corporate Directory

Directors <i>(Pro bono)</i>	Christopher Cuffe AO Lorraine Berends Guy Fowler Matthew Grounds AM Michael Traill AM Gary Weiss AM Geoffrey Wilson AO David Wright	Chairman and Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director
Company Secretary <i>(Pro bono)</i>	Tom Bloomfield	
Investment Committee <i>(Pro bono)</i>	David Wright Christopher Cuffe AO Lorraine Berends Brett Paton Paul Rayson	Chairman
Core Fund Managers <i>(Pro bono)</i>	Caledonia (Private) Investments Cooper Investors Magellan Asset Management Paradice Investment Management Regal Funds Management TDM Growth Partners	
2020 Conference Fund Managers <i>(Pro bono)</i>	Cota Capital (USA) Tekne Capital Management (USA) ARK Invest (USA) Prince Street Capital (SG) Paradice Investment Management Atreides Management (USA) TDM Growth Partners	Jericho Capital Asset Management (USA) Tribeca Investment Partners Munro Partners Cooper Investors VGI Partners Regal Funds Management Milford Asset Management
Registered Office	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000	
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099	
Administrator	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400	
Share Registrar	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600	
Stock Exchange	Australian Securities Exchange The home exchange is Sydney ASX code: HM1 Ordinary Shares	

Chairman and Chief Executive Officer's Letter

Dear Shareholders,

On behalf of the Board and management we would like to thank you for your support of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or the 'Company') and we are delighted to share the Annual Report for the year ended 30 June 2021.

HM1 is a listed investment company that was established in 2018 with the combined objective of providing a concentrated securities portfolio of the highest conviction ideas from respected fund managers, whilst also supporting Australian medical research institutes. It was born out of the investment and philanthropic vision of the Sohn Hearts & Minds Investment Leaders Conference.

The COVID-19 pandemic continues to be a major challenge for communities around the world and many families and businesses have been severely impacted by the ongoing health crisis, rolling lockdowns and economic impact. Despite this backdrop, global share markets soared over the last financial year, rebounding from the lows of the pandemic induced recession and posting returns well in excess of long term averages.

The HM1 portfolio posted a very pleasing pre-tax investment return of 28.0% for the year ended 30 June 2021, in line with the significant increase in the global equity benchmark, the MSCI World Net Total Return (AUD) Index, which increased 27.5% over the same period. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 28.1% compared to the MSCI World Net Total Return (AUD) Index increase of 16.6% per annum over the same period.

For the year ended 30 June 2021, HM1 recorded total comprehensive income after tax of \$157,948,475 (2020: \$117,553,802). The result was partly driven by net realised gains from the 2019 Conference Portfolio which was disposed of during the year. Further net realised gains were generated from both the Core Portfolio and the 2020 Conference Portfolio where our fund managers recommended the taking of some profits on investment holdings that had exceeded expectations. In addition to the net realised gains, the financial result for the year reflects net unrealised gains in the market value of our total investment portfolio on 30 June 2021. Further details of the performance of the investment portfolio can be found in the Investment Committee Report. HM1's post-tax net tangible assets have increased 18.1% over the year from \$750.5 million on 30 June 2020 to \$886.0 million as of 30 June 2021.

In April 2021 HM1 paid its first dividend to shareholders. A fully franked dividend of 12 cents per ordinary share amounting to a total dividend of \$27.0 million was paid on 20 April 2021. Our dividend reinvestment plan was operational and many shareholders reinvested their dividend in HM1 shares at a 2.5% discount to the prevailing market price. The dividend policy of HM1 aims to pay a fully franked annual dividend in April each year following the realisation of the previous year's Conference Portfolio, subject to sufficient cash reserves and available franking credits and it is within prudent business practice.

In line with its philanthropic objective, HM1 provides financial contributions to leading Australian medical research organisations to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers forego any investment fees and instead donate an amount equivalent to 1.5% of net tangible assets per annum to designated medical research organisations.

The current designated medical research organisations are Victor Chang Cardiac Research Institute, Black Dog Institute, Charlie Teo Foundation, The Children's Hospital at Westmead – Kids Critical Care Research, The Florey Institute of Neuroscience and Mental Health, Multiple Sclerosis Research Australia, Orygen, Centre of Human Psychopharmacology at Swinburne University and RPA Green Light Institute. More information on the wonderful work of these organisations can be found in the Medical Research Report.

During the year ended 30 June 2021, HM1 paid \$11.3 million to its designated medical research organisations and made provision for a further \$6.4 million. These donated monies will be used by the medical research organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders. The current pandemic highlights the critical importance of medical research to global health outcomes and economic prosperity.

HM1's Investment Approach

HM1 seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of long positions in Australian and international listed securities based on the highest conviction ideas from two groups of fund managers.

- HM1 has invested approximately 35% of its investment portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- HM1 has invested approximately 65% of its investment portfolio based on the highest conviction ideas of six respected fund managers (known as the Core Fund Managers). These fund managers are Caledonia (Private) Investments, Cooper Investors, Magellan Asset Management, Paradice Investment Management, Regal Funds Management and TDM Growth Partners.

The Board's view is that the investment strategy offers investors an opportunity to:

- gain exposure to the highest conviction ideas, investment approach and expertise of each fund manager, a number of whom are not otherwise readily accessible to retail investors;
- benefit from having a portfolio that is not concentrated on the philosophy or investment style of just one fund manager; and
- access a concentrated portfolio of Australian and international listed securities which are expected to provide attractive shareholder returns over the long term (being five years or more).

Company Performance

As a listed investment company, we use three key measures to evaluate the performance of HM1:

1. Investment portfolio performance, which measures the growth of the investment portfolio on a pre-tax basis and after the payment of all expenses, including the donation payments and provisions. Our investment benchmark, the MSCI World Net Total Return (AUD) Index, is also measured before taxes. Our investment performance compared to this benchmark is reported to shareholders on a monthly basis;
2. Net tangible asset (NTA) growth, which is a post-tax measure and represents the change in the value of the Company's assets less liabilities. The post-tax NTA of the Company is essentially the realisable value of the Company at a point in time. The pre- and post-tax NTA per share of the Company is reported to shareholders on a weekly basis; and
3. Total shareholder return, which measures the total return to shareholders from share price growth and dividends paid.

Each of these is discussed below in more detail.

1. Investment Portfolio Performance

Performance to 30 June 2021	6 months	1 year	Since inception¹
HM1 investment portfolio performance	10.5%	28.0%	28.1% p.a.
MSCI World Net Total Return (AUD) Index	16.2%	27.5%	16.6% p.a.
Out/(Under) performance	(5.7%)	0.5%	11.5% p.a.

¹. Inception 14 November 2018

Global share markets soared over the last financial year rebounding from the lows of the pandemic induced recession and posting returns well in excess of long term averages. In the first part of the year market returns were largely driven by the continuing growth in new economy sectors that benefited from the accelerated shift to online commerce and behaviour. As economic recovery gained traction, propelled by massive monetary and fiscal stimulus, the latter part of the financial year saw very strong market gains in more traditional sectors such as financials, industrials, resources and property sectors.

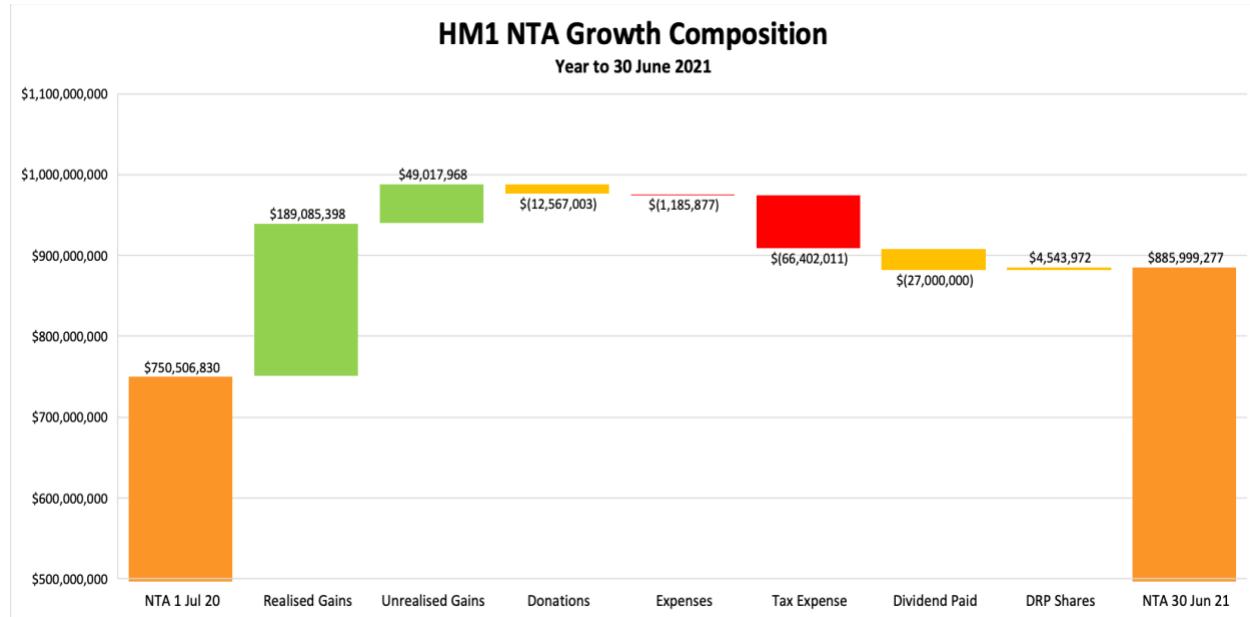
Over the year the HM1 portfolio also posted a very high return in line with the broader market, largely driven by our portfolio holdings that are overweight in new economy sectors. HM1 outperformed the market in the first half of the year but underperformed the market in the latter six months (while still posting a very healthy 10.5% return for the half), as traditional sectors gained favour. The overall portfolio investment return for the year of 28.0% was driven by strong realised and unrealised gains across both our Core and Conference Portfolios.

Since inception of the Company in November 2018, HM1 has generated a compound annual investment return of 28.1% compared to the MSCI World Net Total Return (AUD) Index of 16.6% per annum over the same period.

2. NTA Growth

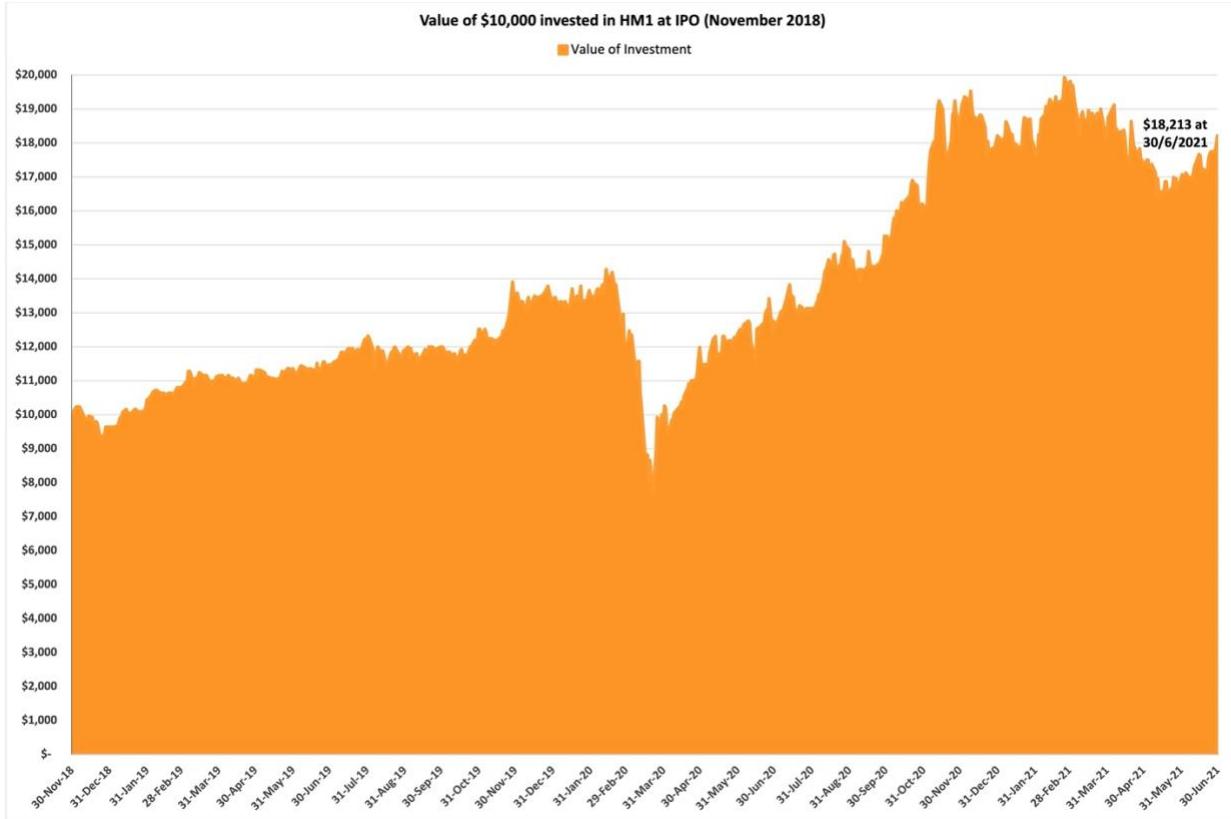
HM1's post-tax NTA increased 18.1% over the year from \$750.5 million on 30 June 2020 to \$886.0 million as of 30 June 2021. The following chart shows the components of the change in post-tax NTA over this period. The major increase in post-tax NTA came from realised and unrealised gains from the investment portfolio, partially offset by the tax expense on realised gains and the donation expense. HM1 also paid a fully franked dividend of 12 cents per share amounting to a total dividend payment of \$27.0 million. An amount of \$4.5 million was reinvested by shareholders in additional HM1 shares via the dividend reinvestment plan. On a per share basis, HM1's post-tax NTA per share has increased from \$3.34 on 30 June 2020 to \$3.92 on 30 June 2021. The pre-tax NTA per share on 30 June 2021 was \$4.33.

HM1 NTA Performance



3. Total Shareholder Return

Total shareholder return measures the change in the HM1 share price plus dividends paid. HM1's share price has increased from \$2.50 at listing on 14 November 2018 to \$4.32 on 30 June 2021. In addition, HM1 paid a fully franked dividend of 12 cents per share to shareholders in April 2021. The chart below depicts HM1's total shareholder return to 30 June 2021 represented as the increase in the value of a \$10,000 investment in HM1 shares from the date of listing, assuming the reinvestment of dividends. The value of the initial investment has grown 82.1% to \$18,213 on 30 June 2021.



Dividend Policy

HM1 provides shareholders with exposure to a concentrated portfolio of Australian and international securities. As such, returns to shareholders are predominantly delivered through capital growth. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice. HM1 aims to pay a fully franked annual dividend to its shareholders in April each year following the realisation of the previous year's Conference portfolio.

Fund Managers and Service Providers

Through their investment in HM1, shareholders gain exposure to the highest conviction ideas, investment approach and expertise of respected fund managers, and make a significant contribution to advancing medical research in Australia. This is made possible by all of our participating fund managers foregoing investment management and performance fees. The Board of Directors, the Investment Committee and many of our service providers also work on a pro bono basis.

We note that over the past 18 months each of our service providers enacted their business continuity plans due to the pandemic providing HM1 with uninterrupted service delivery.

We sincerely thank our fund managers and service providers for their ongoing involvement and generosity in supporting the operations and objectives of HM1. The notional value of the investment and performance fees foregone by the participating fund managers totalled \$12.7 million for the year. The notional value of the service providers and the Board and Investment Committee working on a pro bono basis totalled \$0.7 million for the year.

Finally, we would also like to thank you, our shareholders, for supporting HM1's combined objective of providing a compelling and attractive investment proposition whilst also supporting the advancement of medical research in Australia.



**Christopher Cuffe AO
Chairman**



**Paul Rayson
Chief Executive Officer**

Sydney
26 August 2021

Investment Committee Report

The Investment Committee of HM1, in conjunction with the Chief Investment Officer (CIO), is responsible for implementing the Company's investment strategy, including the selection of fund managers, managing the investment portfolio and reviewing fund manager performance. The Company's Investment Committee consists of David Wright (Chairman), Christopher Cuffe, Lorraine Berends, Paul Rayson and Brett Paton. The Investment Committee's experience and qualifications are provided in the Directors Report.

HM1 Investment Strategy

HM1 seeks to provide shareholders with a compelling investment proposition by creating a concentrated portfolio of long positions in Australian and international listed securities based on the highest conviction ideas from two groups of fund managers.

- 65% of the investment portfolio is held in up to 18 securities based on the highest conviction ideas of our Core Fund Managers. On a quarterly basis, the Core Fund Managers provide or confirm with HM1 their top three security holding recommendations and a weighting for each security.
- 35% of the investment portfolio is held in 10 to 15 securities based on the annual investment recommendations of our Conference Fund Managers. HM1 generally allocates an equal weight investment to each of these recommendations. These securities are expected to be held in the portfolio for a period of up to 12 months. After this period the securities are expected to be sold in order to invest in the recommendations of the selected Conference Fund Managers who present at the next Conference.

HM1 may vary the holding period for Conference Portfolio securities in certain circumstances. This may include if the original investment thesis of the fund manager has played out, or if factors have changed such that the original investment thesis no longer applies. Where a security is held for a shorter period, HM1 may hold cash until the end of the annual period or reinvest in the remaining securities based on updated recommendations from Conference Fund Managers. The holding period of a security may be extended if the original investment thesis of the fund manager remains in place but the potential value is not yet reflected in the security price.

HM1 aims to be fully invested subject to an appropriate cash buffer to meet tax liabilities, dividend payments, donation payments and general expenses.

HM1 Portfolio Performance

As noted in the Chairman and Chief Executive Officer's Letter, the investment portfolio has returned 28.0% on a pre-tax basis for the year ended 30 June 2021. By way of comparison, the MSCI World Net Total Return (AUD) Index benchmark increased by 27.5% over the same period. Since inception on 14 November 2018, the investment portfolio has generated a compound annual return of 28.1% compared to the benchmark index of 16.6% per annum over the same period.

Performance to 30 June 2021	6 months	1 year	Since inception¹
HM1 investment portfolio performance	10.5%	28.0%	28.1% p.a.
MSCI World Net Total Return (AUD) Index	16.2%	27.5%	16.6% p.a.
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The HM1 portfolio posted a very high return in line with the broader market, largely driven by our portfolio holdings that are overweight in new economy sectors. HM1 outperformed the market in the first half but underperformed the market in the latter six months (while still posting a very healthy 10.5% return for the half), as traditional sectors gained favour. The overall portfolio investment return for the year of 28.0% was driven by strong realised and mark-to-market gains across both our Core and Conference Portfolios.

The 2019 Conference Portfolio was sold in November 2020 realising a pre-tax gain of 67% for the 12 month holding period. Most stocks in the 2019 Conference Portfolio performed well with the major contributors being Tesla Inc. (TLS), Spotify Technology S.A. (SPOT), GDS Holdings Ltd (GDS), The Trade Desk Inc (TTD), Floor & Decor Holdings Inc. (FND) and Mineral Resources Ltd (MIN). Note that roughly two thirds of the market gains from the 2019 Conference Portfolio were reported in the financial year ended 30 June 2020.

The 2020 Conference portfolio is also tracking well. At 30 June 2021, the 2020 Conference Portfolio had generated a pre-tax return on investment of 28% in realised and unrealised gains over the 7 month holding period. Major contributors to the 2020 Conference portfolio return to date are Yeakha Limited (9923.HK), Slack Technologies Inc. (WORK), Bill.com Holdings Inc (BILL), HelloFresh SE (HFG.DE), Target Corporation (TGT), Shenzhou International Group (2313.HK) and Treasury Wine Estates (TWE.AX). Under performers in the Conference portfolio to date are Yext Inc. (YEXT), Ping An Healthcare and Technology (1833.HK) and Teladoc Health Inc. (TDOC).

The Core Portfolio has delivered an annualised pre-tax return of 20% since inception in both realised and unrealised gains. Major contributors to the Core Portfolio return in the year to 30 June 2021 have been Zillow Group Inc (Z), Alphabet Inc. (GOOG), Microsoft Corporation (MSFT), Megaport Ltd (MP1), Danaher Corporation (DHR), Appen Limited (APX) and AIA Group Limited (1299.HK). Detractors from the performance of the Core Portfolio over the year to 30 June 2021 were Nuix Limited (NXL), Optea Limited (OPT) and Orica Limited (ORI).

Set out on the next page is a table of the portfolio holdings of HM1 on 30 June 2021 ranked by the market value of HM1's holdings.

HM1 Portfolio Holdings on 30 June 2021

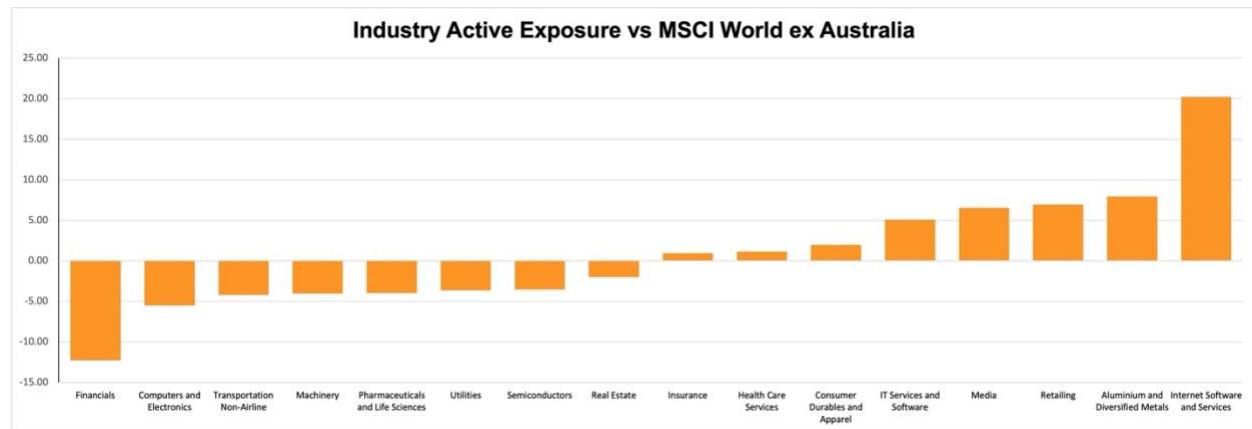
Company Name	Exchange Listing	No. of Securities Held	Market Value of Securities Held	Percentage of Portfolio
		30 June 2021	30 June 2021	
Zillow Group, Inc. - C	United States	510,000	\$83,120,683	9.65%
Mineral Resources Ltd	Australia	1,200,000	\$64,476,000	7.48%
Alphabet, Inc. Class C	United States	16,600	\$55,480,613	6.44%
Megaport Ltd	Australia	2,094,601	\$38,603,496	4.48%
HelloFresh SE	Germany	275,001	\$35,649,240	4.14%
Bill.com Holdings, Inc.	United States	140,000	\$34,198,160	3.97%
Microsoft Corporation	United States	85,000	\$30,706,094	3.56%
Formula One Group	United States	475,000	\$30,537,072	3.54%
Just Eat Takeaway.com N.V.	United States	1,224,575	\$29,818,295	3.46%
Alibaba Group Holding Ltd	United States	97,000	\$29,334,125	3.41%
AIA Group Ltd	Hong Kong	1,750,000	\$29,001,132	3.37%
Twitter, Inc.	United States	300,000	\$27,527,670	3.20%
Target Corporation	United States	85,000	\$27,400,853	3.18%
Tyro Payments Ltd	Australia	6,545,455	\$24,087,274	2.80%
Shenzhou International Group Ltd	Hong Kong	700,000	\$23,573,563	2.74%
Treasury Wine Estates Ltd	Australia	2,000,000	\$23,360,000	2.71%
Danaher Corporation	United States	65,000	\$23,260,968	2.70%
Netflix, Inc.	United States	32,000	\$22,539,965	2.62%
Temple & Webster Group Ltd	Australia	2,000,000	\$21,580,000	2.51%
Spotify Technology S.A	United States	55,000	\$20,212,628	2.35%
HDFC Bank Ltd	United States	200,000	\$19,501,267	2.26%
Nintendo Co. Ltd	Japan	25,000	\$19,388,779	2.25%
CSL Ltd	Australia	65,000	\$18,537,350	2.15%
Yext, Inc.	United States	965,000	\$18,388,919	2.13%
Teladoc Health, Inc.	United States	80,000	\$17,739,965	2.06%
Ping An Healthcare and Technology Ltd	Hong Kong	1,050,000	\$17,436,744	2.02%
Orica Ltd	Australia	1,150,000	\$15,272,000	1.77%
Opthea Ltd	Australia	10,000,000	\$13,350,000	1.55%
Dish Network Corporation	United States	225,000	\$12,541,673	1.46%
IDP Education Ltd	Australia	475,000	\$11,656,500	1.35%
T-Mobile US, Inc.	United States	60,000	\$11,587,945	1.35%
Fisher & Paykel Healthcare Corp. Ltd	Australia	400,000	\$11,568,000	1.34%
Total Equity Securities			\$861,436,973	100.00%

Risk Analysis

The following information summarises the risk metrics of the security holdings in the HM1 portfolio on 30 June 2021 based on analysis prepared by Zenith Investment Partners. The analysis is a snapshot of the portfolio structure and biases at that point in time and does not reflect any future biases within the portfolio.

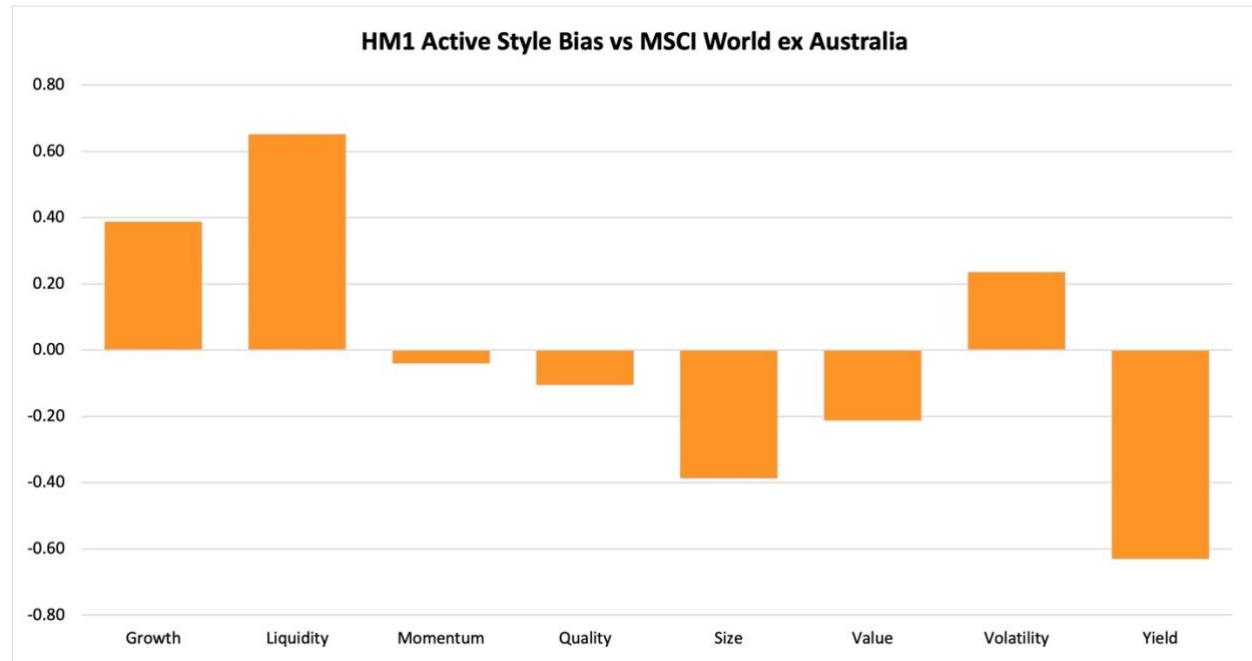
Industry Exposure Biases

While the portfolio is concentrated in a relatively small number of securities, sector exposure is diverse but clearly weighted to certain industry sectors. Compared to the broad MSCI World Index ex Australia the HM1 portfolio exhibits positive biases to the Internet Software and Services, Diversified Metals, Retailing, Media, IT Services and Software and Consumer Durables. The portfolio has negative (underweight) biases to the Financial, Computers and Electronics, Transportation, Machinery, Pharmaceuticals, Utilities, Semiconductors and Real Estate sectors. The chart below shows the differences in sector exposure of the portfolio compared to the broad MSCI World Index ex Australia on 30 June 2021. Note industry sectors where there is not a major difference in exposure are not shown in the chart.



Active Style Biases

The chart below illustrates the style tilts exhibited in the portfolio based on the securities in the portfolio on 30 June 2021.



Consistent with HM1's capital growth objective, the portfolio exhibits a strong factor bias to securities categorised as growth securities with consequently higher volatility. Other significant style biases include a negative bias to size, dividend yielding securities and value categorised securities. Despite strong liquidity in the portfolio holdings, the negative size factor indicates a bias to mid capitalisation securities in the portfolio compared to that of the comparative benchmark, the MSCI World Index (AUD). Eleven of the companies in the portfolio have a market capitalisation of over US\$50 billion. The smallest security is capitalised at A\$430 million.

Risk Metrics

The following table provides a number of risk measures associated with the blend of securities that form the HM1 portfolio on 30 June 2021 compared to the MSCI World Index (AUD). As these risk measures are taken at a specific point in time, these factors may not be predictive of the risk characteristics of the HM1 portfolio going forward. The portfolio displays a very high active share measure which indicates the portfolio is a true 'stock pickers' portfolio, is actively managed and does not closely track either the composition or performance of the MSCI World Index (AUD).

HM1 Portfolio Risk Metrics (current portfolio since inception to 30 June 2021)

Portfolio Beta	1.13
Tracking Error	24.4%
Active Share	93.5%
Portfolio Volatility	28.1%
Correlation (with Benchmark)	0.49
Sharpe Ratio	0.75
Upside Capture	109.5%
Downside Capture	86.5%



David Wright
Chairman



Rory Lucas
Chief Investment Officer

Our Fund Managers

We sincerely thank our participating fund managers that provide their time, expertise and highest conviction investment ideas on a pro bono basis. The notional value to HM1 of the investment management fees and performance fees foregone is equivalent to \$12.7m.

Core Fund Managers

Six Core Fund Managers each provide their three highest conviction investment ideas which are reviewed quarterly. These securities represent 65% of the total investment portfolio. Each Core Fund Manager has made a minimum three-year commitment to HM1.

Core Fund Managers

CALEDONIA

Caledonia (Private) Investments Pty Limited is 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.



Cooper Investors Pty Limited is 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. Cooper Investors seeks to invest in quality companies with a strong value proposition.



Magellan Asset Management Limited is 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 more than \$100 billion 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.



Paradice Investment Management Pty Limited is a privately-owned Australian boutique funds management business established in 1999 by David Paradice. Paradice currently manages over \$15 billion in assets across five distinct investment strategies including Australian small cap, mid cap and large cap equities, global small cap equities and emerging market equities. Paradice has offices in Sydney, Denver and San Francisco.



Regal Funds Management Pty Limited is a specialist alternatives investment manager. It was founded in early 2004 and services a wide range of institutional investors and high net worth individuals. The investment team has extensive investment experience through many market cycles and a long track record of delivering superior returns for investors. Regal offers a range of products to suit different investment objectives.



TDM Growth Partners Pty Limited is a global investment firm with offices in Sydney and New York. TDM invests in fast growing companies run by passionate management teams. Their unique and flexible mandate allows them to invest in public and private companies globally. They operate on long-term time horizons, fully aligned incentives, and a commitment to help scale businesses they are proud of. TDM has a highly focused approach to investing, with a portfolio of no more than 15 investments globally.

Conference Fund Managers

The remaining 35% of the investment portfolio is invested in 10 to 15 recommendations from the fund managers who present at the annual Sohn Hearts & Minds Investment Leaders Conference. Each year this group of fund managers will change based on the conference program of speakers and their eligible recommendations. The speakers are invited onto the program following a rigorous six-month selection process by the HM1 Board and Investment Committee. The 2020 Conference Fund Managers are set out below.



Babak Poushanchi
Cota Capital (USA)



Beeneet Kothari
Tekne Capital Management (USA)



Catherine Wood
ARK Invest (USA)



David Halpert
Prince Street Capital (SG)



David Moberley
Paradice Investment Management



Gavin Baker
Atreides Management (USA)



Hamish Corlett
TDM Growth Partners



Josh Resnick
Jericho Capital Asset Management (USA)



Jun Bei Liu
Tribeca Investment Partners



Nick Griffin
Munro Partners



Qiao Ma
Cooper Investors



Robert Luciano
VGI Partners



Todd Guyot
Regal Funds Management



William Curtayne
Milford Asset Management

The Black Dog Institute

As the only medical research institute in Australia to investigate mental health across the lifespan, Black Dog's aim is to create a mentally healthier world for everyone. They do this through translational research, integrating their research studies, education programs, digital tools and apps, clinical services, and public resources to discover new solutions, foster connections and create real-world change. Black Dog's partnerships with people with lived experience, federal, state and local governments, communities, schools, corporate Australia and others in the mental health sector enables them to drive evidence-informed change in mental health where it's needed most. Continuing to expand and progress their work through the pandemic, Black Dog's FY20/21 highlights include:

- Expansion and recruitment for the [Future Proofing Study](#), a world-first research study aiming to prevent depression and anxiety in young people. Over 7,400 high school students have been enrolled to date.
- Serviced over 35,000 healthcare workers through [The Essential Network \(TEN\)](#), an e-health hub developed by health professionals for frontline workers as part of the Australian Government's COVID-19 response.
- Building on the extensive efforts across the suicide prevention sector, Black Dog Institute developed and released a [white paper](#) that takes a major step towards addressing the critical research gap.
- Launched the [Bush Fire Support Service](#) which offers emergency service workers and their adult family members up to twelve one-on-one psychological mental health care sessions with experts, free of charge via Telehealth.
- Released [COVID-19 resources for stress and anxiety](#) to offer support and skills for those feeling anxious, stressed or depressed as a result of the current changes.
- Launched the [LifeBuoy](#) trial, a smartphone application designed to help young people manage suicidal thoughts and negative feelings in daily life.
- Developed [Healthy Mind](#), a website that uses Easy Read tools to help people with an intellectual disability recognise and regulate their thoughts and feelings.
- The [Aboriginal and Torres Strait Islander Lived Experience Network](#) launched a universal definition of lived experience as experienced by those communities, in a bid to help mental health and suicide prevention service provision.

<https://www.blackdoginstitute.org.au/>



Suicide is the leading cause of death for Australians between 15 and 44 years of age.

Charlie Teo Foundation

Funding game-changing brain cancer research with a low-cost and transparent model that's redefining how charities operate. The Charlie Teo Foundation's goal is to develop better treatments and tools for brain cancer to extend life and ultimately find a cure. Brain cancer survival has not improved in over 35 years, so research is vital.

Key research goals are to produce and share more high-quality, well-annotated, biological and clinical data; create better analytical, methodological and clinical tools; and to empower 'out of the box' thinkers to pursue creative and unusual scientific ideas, challenging the orthodox way of thinking.

Exciting recent developments from funded research:

- A space biologist at the University of Technology, Sydney has now built the world's first fully functioning brain tumour on a microchip. He plans to launch the chip into space to study it at zero gravity, aiming to mimic changes with new drug treatments for brain cancer.
- Experimental drug PXS-5505 is being tested in brain cancer under a collaboration between an Australian pharmaceutical research company, and a major cancer centre in the U.S. The drug has potential to treat brain cancer, by breaking down the tumour's surrounding environment to enhance the effect of treatments.
- It has recently been discovered that the gut microbiome may cause some other neurological conditions and cancers. A gastroenterologist and world expert in gut health at the Weizmann Institute of Science in Israel is exploring whether there is potential link between the gut microbiome and brain cancer.
- Charlie Teo Foundation Brain Tumour Bank has been established as the largest, certified, brain tumour biobank of its kind in the southern hemisphere. The biobank continued to operate during COVID-19 under emergency procedures, now housing samples from over 600 brain tumour patients, removed by Dr Charlie Teo with patient consent. It is open-access and last year close to 200 samples were accessed by Australian scientists to aid their research.



Brain cancer kills more children in Australia than any other disease.

<https://charlieteofoundation.org.au/>

The Florey Institute

In 1941, Howard Florey took the existing discovery of penicillin and through research and translation turned it into a form that could be delivered to patients. In the process he changed millions of lives by providing treatment to people who would otherwise have died or continued to suffer terribly, if not for penicillin. This example is what drives all at the Florey Institute of Neuroscience and Mental Health. Just as we all know someone whose life has been changed by penicillin, we also know someone who has been affected by at least one condition that is studied at the Florey. Through the example of the Florey's namesake, the Florey makes a difference to the lives of people living with terrible diseases and disorders that affect the brain and mind.

In 2020, Florey researchers published 689 scientific papers relating to 18 different diseases including depression, MND, epilepsy, stroke, dementia and Parkinson's disease. The incredible advances happening at the Florey were referenced in 41 countries. Several highlights of this world-class research include:

- Pioneering new approaches to diagnose and treat Parkinson's disease: developed a remarkable approach to combating neuro-degeneration using stem cells. Researchers provided first-of-its-kind pre-clinical evidence that stem cell and gene therapies together could be used to restore motor function in Parkinson's disease.
- How the link between loss of smell and Parkinson's could lead to ways to diagnose the disease earlier.
- Bringing life-changing technologies to all Australians living with epilepsy through a nationwide network of community hubs.
- A new therapeutic compound for types of epilepsy that are experienced by children.
- Advances on understanding stroke in children.
- Study of the impact of the pandemic on stroke care.
- Another world-first can improve the lives of people with diabetes and a further study trialled a method to reduce disability as a result of stroke.
- Translating a new treatment for sepsis to patient care: the treatment was successfully used in the compassionate care of a patient who was critically ill with COVID-19.
- Understanding how epigenetics and how gene-environment interactions may be passed down and affect future generations to inform the latest approaches to diagnosing and treating dementia.
- How we can improve brain health as we get older.
- Better understanding the complex relationship between alcohol and stress.

<https://www.florey.edu.au/>



Every year over
4.7 million
Australians are
directly affected
by one of the
illnesses that the
Florey
researches.

Kids Critical Care Research - The Children's Hospital Westmead

Kids Critical Care Research (KCCR) at The Children's Hospital at Westmead coordinates and conducts research to inform practice in the largest paediatric intensive care unit (PICU) in NSW. Their vision is to deliver world class, innovative, collaborative, flexible, research-informed care to enable positive patient and family experiences. Half of their patients are less than 1 year of age and the impact of critical illness on future neurodevelopment is a key focus of research.



The purpose of KCCR is to partner with consumers and staff to enable the study of critical illness in the young to acquire new knowledge that can improve outcomes for critically ill children and their families in the future.

This year, KCCR organised and hosted a strategic research symposium to identify collaborators and partners to leverage research opportunities within and outside the Westmead precinct. Four major themes of research that will underpin the future research program at KCCR were explored, including:

- Data Science and Paediatric Critical Care Trial Design.
- Genomics, Transcriptomics and Metabolomics in Paediatric Critical Illness.
- Red cell and Microvascular adaption to Paediatric Critical Illness.
- Brain and Nervous System health and recovery from Paediatric Critical Illness.

Planning for investment of HM1 funds in each of these thematic research areas is underway, and most recently KCCR committed significant start-up funding to a joint research collaboration between paediatric and neonatal intensive care and anaesthesia called "Big Data in Little People". The aim of this new collaborative is to capture and analyse high frequency physiological data to predict and prevent adverse outcomes in intensive care, operating theatres and the rest of the hospital using big data and artificial intelligence.

Each year the
PICU cares for
more than 1500
children with life-
threatening
conditions.

KCCR's ultimate aim is to enable children to fulfil their potential by neuroprotection and early intervention for any detected disability.

www.kidsresearch.org.au/research/kids-critical-care-research

MS Research Australia

MS Research Australia is the largest not-for-profit organisation dedicated to funding, coordinating, educating and advocating for research into multiple sclerosis (MS). MS Research Australia is an internationally renowned organisation and is part of a worldwide effort to solve MS. MS Research Australia has invested over \$47 million into funding and facilitating vital MS research and has awarded over 320 research grants where researchers have made incredible progress. MS Research Australia believes the most exciting advances in MS research are yet to occur, with their funding powering some incredible progress over the last year:

- 26 new MS research grants were awarded in 2021.
- Important MS research projects around Australia received a funding lifeline of \$275K and a 6-month funding extension to enable vital research to continue despite the impact of COVID-19 lockdowns and restrictions.
- Research identified two genes that may influence MS onset, but failed to find any genes that influence the severity of MS. This suggests that other factors play a major role in MS severity.
- Epstein-Barr Virus (EBV), which has been implicated in MS onset, was found to interact with genes that increase the risk of MS. This interaction could be blocked using a chemical that interferes with an EBV protein. Investigations continue to see if this could be used as a therapy.
- Autologous haemopoietic stem cell transplant (AHSCT), a treatment to remove immune cells that are attacking the brain and spinal cord in MS, was found to stimulate the regrowth of a particular type of immune cell that can suppress autoimmunity.
- Two guides, one for people living with MS and one for healthcare professionals, were launched with evidence-based recommendations on how people living with MS could modify their lifestyle to manage their MS. They are the first of their kind to be published in Australia.
- Two new treatments for relapsing remitting MS were approved by the Therapeutic Goods Administration (TGA) and added to the Pharmaceutical Benefits Scheme (PBS).
- The first ever treatment for secondary progressive MS was added to the PBS

<https://msra.org.au/>



10 people on average are diagnosed with MS every week.

Orygen

Orygen is the world's leading youth mental health organisation for young people aged 12-25. Working directly with young people, their families and friends to combine evidenced-based research, innovative clinical programs, advocate policy changes, and develop training programs to pioneer new, positive approaches to the prevention and treatment of mental disorders. Orygen believes in treating early and focusing on recovery.



With thanks to Cooper Investors and HM1, Orygen has been able to trial innovative models of care for young people with Bipolar Disorders (BLEND) and conduct a systematic review of the Sudarshan Kriya Yoga (SKY) program.

BLEND will evaluate whether an innovative blended digital clinical model for young people with Bipolar Disorders (BD) is safe, acceptable and better than usual care. The study will include a cohort of 160 young people aged 15 to 25 years presenting with symptoms in the first few years after the onset of BD. Young people will be randomly allocated to receive the BLEND intervention or standard treatments. The main outcomes of interest are safety of the model, acceptability of the different components of the model and improvement in depressive symptoms over 6 months. To deliver this study, Orygen have a team of young people, creative writers, cartoonists, digital intervention experts, data analysts, psychologists and psychiatrists.

The SKY project, in collaboration with Sri Sri Institute of Advanced Research (SSIAR) India aims to trial an innovative yoga-based intervention program for young people with anxiety and/or depression. In this collaboration, Orygen propose to conduct three studies. First, a systematic review of SKY interventions in mental health conditions. Second, explore the acceptability of the SKY intervention as piloted in US university settings. Third, evaluate the efficacy of adding the SKY intervention to a standard package of care for youth anxiety attending Orygen headspace settings.

Three-quarters of people who experience mental illness do so before they turn 25.

www.orygen.org.au

RPA Green Light Institute

Despite the disruptions and challenges surrounding the ongoing COVID-19 health response, 2021 to 2023 is shaping up to be an exciting period for the RPA Green Light Institute. We have expanded from two clinician researchers to a team of 12 which has extended our emergency research capacity with leadership in numerous research projects, across multiple sites and enabled partnerships with other research institutes.



The RPA Green Light Institute for emergency care is a unique research service embedded wholly within a clinical service, with researchers from the institute working clinically in co-located emergency departments and holding senior roles in looking after patients clinically. This creates many opportunities for research engagement and translation and allows for clinical and research activities to occur simultaneously.

The RPA Green Light Institute remains acutely focused on emergency presentations and improving the emergency service experienced by patients. They are currently leading and supporting more than 15 research projects ranging from evaluating clinical procedures and medications to manage injury, improving cardiac arrest and sepsis outcomes, analysing stroke presentations as well as studies looking at improving patient flow, reducing waiting times and enhancing patient experience.

One in five
Australians
present
to an Emergency
Department for
health care
each year.

https://www.slhd.nsw.gov.au/research/department_details.html?research=emergencydept

Swinburne's Centre for Human Psychopharmacology

Swinburne University of Technology is where people and technology come together for a better world. Swinburne's Centre for Human Psychopharmacology researches the biological determinants of cognitive health across the lifespan. They research the ways diet, microbiome, oxidative stress and inflammatory processes affect cognition as we age and develop novel interventions to improve cognition and improve mental health and wellbeing.



Swinburne is proud to partner with Cooper Investors and HM1, applying scientific rigour and the latest technology to study and improve mental health and wellbeing in early and later life.

Emotional Intelligence in Children and Adolescents: HM1 funds have enabled the employment of two talented female scientists researching whether focused emotional intelligence development programs can improve educational outcomes, well-being and future employability for Australian children and adolescents in low socio-economic schools. Interactive online programs will enable the program to be delivered at scale across schools.

Healthy Cognitive Ageing: HM1 is supporting a team of young elite researchers studying the biological basis of cognitive ageing. Findings indicate a relationship between telomeres, increased inflammation, oxidative stress and cognitive ageing. This study utilises Swinburne's comprehensive neuroimaging facility to understand how anti-oxidants protect the brain from age. This research will lead to new interventions to reduce cognitive ageing and promote wellbeing in the elderly.

Improving the Microbiome with Evidence-Based Yoga Interventions: In support of Cooper Investors' collaboration with the Art of Living Institute in India we are conducting the first randomised controlled trial to examine whether yoga improves the composition of our microbiome. The results for this study have important implications for dozens of disorders related to our microbiome and for wellbeing in our community. Future studies will use neuroimaging to better understand the neural processes associated with yoga based breathing exercises and wellbeing.

<http://www.swinburne.edu.au/research/human-psychopharmacology/>

Worldwide,
around 50
million people
have dementia,
and there are
nearly 10 million
new cases every
year.

Victor Chang Cardiac Research Institute

The Victor Chang Cardiac Research Institute is dedicated to finding and accelerating the cures for heart disease through world-class medical research. Its scientists are engaged in pioneering science that has transformed the treatment of the world's biggest killer.



The Institute holds a unique position of delivering clinical and fundamental research excellence that is focused on ensuring new treatments, medications and strategies for heart disease reach GP surgeries and hospitals on a whole new scale.

Research highlights

- The Institute's scientists based in Western Australia made a breakthrough discovery that could deliver the first ever treatment for children with hypertrophic cardiomyopathy, the leading cause of sudden cardiac death in children aged between five and 15.

There is currently no treatment that prevents the development of the disease, but hope is now on the horizon. Using mouse models, researchers have discovered that by targeting a calcium channel in the heart with medication they can prevent the disease from occurring altogether and may also be able to reverse it.

- The Institute's Executive Director Professor Jason Kovacic has been working with an international team of scientists who have discovered there are vast differences between men and women in what causes diseases of the blood vessels at a genetic level. This research involved mapping the genetic profile of hundreds of men and women at risk of coronary heart disease.

Whilst doctors have known there are different symptoms and different risk factors for heart attack for men and women, this has allowed scientists for the first time to finally understand some of the core mechanisms of Australia's biggest killer and pave the way for new sex specific treatments in the future.

Heart attacks
claim the lives of
21 Australians
each day.

<https://www.victorchang.edu.au/>

Directors' Report to Shareholders

The Directors of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or 'the Company') present their report together with the annual report of the Company (Annual Report) for the year ended 30 June 2021.

Investment Objectives and Principal Activity

HM1 was established in 2018 with the combined objective of providing a concentrated investment portfolio of the highest conviction ideas from respected fund managers, while also supporting Australian medical research organisations.

HM1 seeks to provide shareholders with a compelling investment proposition by creating a concentrated investment portfolio of long positions in 25 to 30 Australian and international listed securities based on the highest conviction ideas from two groups:

- HM1 has allocated 35% of the investment portfolio based on the annual investment recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- HM1 has allocated 65% of the investment portfolio based on the highest conviction investment recommendations of six leading fund managers (known as the Core Fund Managers). The Core Fund Managers are Caledonia (Private) Investments Pty Limited, Cooper Investors Pty Limited, Magellan Asset Management Limited, Paradice Investment Management Pty Limited, Regal Funds Management Pty Limited and TDM Growth Partners Pty Limited.

No change in this activity took place during the period or is likely in the future.

Review of Operations

For the year ended 30 June 2021, HM1 reported total comprehensive income after tax of \$158,177,548 (2020: \$117,553,802). The result reflects the strong performance of our investment portfolio and investment markets more broadly over the year. The pre-tax return of the investment portfolio was 28.0% for the year ended 30 June 2021, broadly in line with the global equity benchmark, the MSCI World Net Total Return (AUD) Index, which increased 27.5% over the same period. The investment performance was primarily driven by net realised gains from the 2019 Conference Portfolio which was disposed of during the financial year. Further net realised gains were generated from both the Core Portfolio and the 2020 Conference Portfolio where our fund managers recommended the taking of some profits on investment holdings that had exceeded expectations. In addition to the net realised gains, the financial result for the period reflects the increase in net unrealised gains in the market value of our investment portfolio as at 30 June 2021.

The COVID-19 pandemic is a major challenge for communities around the world and many families and businesses have been severely impacted by the ongoing health crisis and economic impact. Despite the economic impact, global share markets have posted strong returns supported by significant monetary and fiscal stimulus and signs of post pandemic recovery. The investment portfolio of HM1 has continued to perform well generating another year of strong investment performance. Since the inception of HM1 in November 2018, HM1 has generated an annual investment return of 28.1% compared to the MSCI World Net Total Return (AUD) Index return of 16.6% per annum over the same period. Further details on the performance of the investment portfolio can be found in the Investment Committee Report.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers forego any investment fees and instead donate an amount equivalent to 1.5% of net tangible assets per annum to designated medical research organisations.

During the year ended 30 June 2021, HM1 paid \$11.3 million to its designated medical research organisations and provided a further \$6.4m which will be paid at the end of August 2021. These donated monies will be used by the medical research organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders. The current pandemic highlights the critical importance of medical research to global health outcomes and economic prosperity.

Further information on the financial performance of the Company is contained in the Chairman and Chief Executive Officer's Letter.

Financial Position

HM1's net tangible assets have increased from \$750.5 million on 30 June 2020 to \$886.0 million on 30 June 2021, an increase of 18.1% over the financial year. In April 2021, HM1 paid an inaugural fully franked dividend of 12 cents per share amounting to a total dividend of \$27.0 million paid to shareholders. Shareholders electing to participate in the dividend reinvestment plan reinvested \$4.5 million of the dividend payment in the share capital of the Company resulting in the issue of 1,033,817 new HM1 shares.

Corporate Tax Rate

The Company is taxed at the corporate rate of 30.0%.

The Company maintains a franking account and may declare franked dividends to shareholders.

Dividends

HM1 provides shareholders with exposure to a concentrated portfolio of Australian and international securities. As such, returns to shareholders are predominantly delivered through capital growth which, when realised from the sale of securities, is taxed at the corporate tax rate and may be paid as franked dividends to shareholders. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice.

HM1 aims to pay a fully franked annual dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio.

In April 2021, the Company paid an inaugural fully franked dividend of 12 cents per share. The Directors will consider the next annual dividend payment after the half year ending 31 December 2021, following the disposal of the 2020 Conference Portfolio.

Directors

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

Christopher Cuffe AO	Chairman and Independent Director
Lorraine Berends	Independent Director
Guy Fowler	Independent Director
Matthew Grounds AM	Independent Director
Michael Traill AM	Independent Director
Gary Weiss AM	Independent Director
Geoffrey Wilson AO	Independent Director
David Wright	Independent Director

Information of Directors

Christopher Cuffe AO (Chairman and Independent Director)

Experience and expertise

Commencing his career as a chartered accountant, Christopher Cuffe entered the fund 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.

He holds a Bachelor of Commerce from the University of New South Wales and a Diploma from the Securities Institute of Australia. He is a Fellow of the Chartered Accountants in Australia and New Zealand, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia. In October 2007 Chris was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry.

Christopher Cuffe has been Chairman of the Company since 12 September 2018, the date of incorporation.

Information of Directors (continued)

Christopher Cuffe AO (Chairman and Independent Director) (continued)

Other current directorships

Christopher Cuffe is currently involved in a portfolio of activities in the investment and non-profit sectors which include: member of the investment committee of UniSuper (a \$95 billion profit-for-members superannuation fund); member of the investment committee of the Paul Ramsay Foundation (Australia's largest charitable foundation); Chairman of Australian Philanthropic Services (a not for profit organisation assisting individuals, families and professional advisers with effective philanthropy); Director of various listed companies including Global Value Fund Limited, Antipodes Global Investment Company Limited and Argo Investments Limited; and founder, director and manager of Third Link Growth Fund.

Former directorship in the last 3 years

Christopher Cuffe was a non-executive director of Class Limited from October 2017 to January 2020.

Special responsibilities

Chairman of the Board and member of the Investment Committee.

Interests in shares of the Company

Details of Christopher Cuffe's interests in shares of the Company are included later in this report.

Interests in contracts

Christopher Cuffe has no interest in contracts of the Company.

Lorraine Berends (Independent Director)

Experience and expertise

Lorraine Berends has worked in the financial services industry for 40 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. She contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (now the CIMA Society of Australia) for 13 years (7 years as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (3 years as Chair). She has been awarded life membership of both the CIMA Society and ASFA. She holds a Bachelor of Science from Monash University, is a fellow of the Actuaries Institute and a fellow of ASFA.

Other current directorships

Lorraine 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 a company appointed director of Qantas Superannuation Limited.

Special responsibilities

Member of the Investment Committee.

Interests in shares of the Company

Details of Lorraine Berends' interests in shares of the Company are included later in this report.

Interests in contracts

Lorraine Berends has no interest in contracts of the Company.

Information of Directors (continued)

Guy Fowler (Independent Director)

Experience and expertise

Guy Fowler is a co-founder of the Hearts and Minds Investment Leaders Conference. Guy is also the founder and Co-Executive Chairman of Barrenjoey Capital Partners Pty Ltd. He 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. He is a qualified Chartered Accountant.

Other current directorships

None.

Special responsibilities

None.

Interests in shares of the Company

Details of Guy Fowler's interests in shares of the Company are included later in this report.

Interests in contracts

Guy Fowler has no interest in contracts of the Company.

Matthew Grounds AM (Independent Director)

Experience and expertise

Matthew Grounds is a co-founder of the Hearts and Minds Investment Leaders Conference. Matthew is also the Co-Executive Chairman of Barrenjoey Capital Partners Pty Ltd. Over the past 25 years, he held a variety of senior roles at UBS including CEO and Country Head, Joint Global Head of the Investment Banking business, Head of Capital Markets and 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. He is also a Council Member of the University of NSW, Chairman of Victor Chang Cardiac Research Institute and a Director of the Financial Markets Foundation for Children. He holds a Bachelor of Commerce (Finance major) and a Bachelor of Laws from the University of New South Wales.

Other current directorships

None.

Special responsibilities

None.

Interests in shares of the Company

Details of Matthew Grounds' interests in shares of the Company are included later in this report.

Interests in contracts

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Information of Directors (continued)**Michael Traill AM (Independent Director)***Experience and expertise*

Michael Traill founded Social Ventures Australia in 2002, after 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. He is the author of "Jumping Ship – From the world of corporate Australia to the heart of social investment" which won the prestigious Ashurst Business Literature Prize. In 2010, he was made a member of the Order of Australia in recognition of his services to non-profit organisations. He holds a BA (Hons) from the University of Melbourne and an MBA from Harvard University. He is also an Adjunct Professor for the Centre for Social Impact (UNSW) and Chair of the Federal Government Task Force on Social Impact Investing.

Other current directorships

Michael Traill currently has a range of primarily social purpose Chair and board roles including Chair of the Paul Ramsay Foundation, Executive Director of For Purpose Investments, a Director of M H Carnegie & Co, Non-Executive Director of Catalyst Education, Sunsuper (and Chair of the Investment Committee), and Australian Philanthropic Services.

Special responsibilities

None.

Interests in shares of the Company

Details of Michael Traill's interests in shares of the Company are included later in this report.

Interests in contracts

Michael Traill has no interest in contracts of the Company.

Gary Weiss AM (Independent Director)*Experience and expertise*

Gary Weiss is a co-founder of the Sohn Hearts & Minds Investment Leaders Conference. Gary was formerly Chairman of Clearview Wealth Limited and Coats PLC, is a former Non-Executive Director of Premier Investments Limited and Pro-Pac Packaging Limited, a former Executive Director of Whitlam, Turnbull & Co and Guinness Peat Group PLC and sat on the board of Westfield Holdings Limited and many other public companies. He has also been involved in overseeing 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. He holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales. He is also a Commissioner of the Australian Rugby League Commission.

Other current directorships

Gary Weiss is currently the Executive Director of Ariadne Australia Limited. He is Chairman of Ardent Leisure Group, Cromwell Property Group and Estia Health Limited, and a Non-Executive Director of Victor Chang Cardiac Research Institute, Thorney Opportunities Limited.

Special responsibilities

None.

Interests in shares of the Company

Details of Gary Weiss' interests in shares of the Company are included later in this report.

Information of Directors (continued)

Gary Weiss AM (Independent Director) (continued)

Interests in contracts

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Geoffrey Wilson AO (Independent Director)

Experience and expertise

Geoffrey Wilson has over 41 years direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. He founded Wilson Asset Management in 1997 and created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies. He holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited, WAM Leaders Limited, WAM Research Limited, WAM Active Limited, WAM Microcap Limited, WAM Global Limited, WAM Strategic Value Limited and the Australian Stockbrokers Foundation. He is the Founder and a Director of Future Generation Global Investment Company Limited, Future Generation Investment Company Limited, Wilson Asset Management (International) Pty Limited and MAM Pty Limited, and a Director of WAM Alternative Assets Limited, Global Value Fund Limited, Wealth Defender Equities Pty Limited, Wollongong 2022 Limited, Century Australia Investments Pty Limited, Incubator Capital Limited, Concentrated Leaders Fund Pty Limited, Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation and the Australian Children's Music Foundation. He is a member of the Second Bite NSW Advisory Committee.

Special responsibilities

None.

Interests in shares of the Company

Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Geoffrey Wilson has no interest in contracts of the Company.

David Wright (Independent Director)

Experience and expertise

David is the CEO and joint founder of Zenith Investment Partners ('Zenith'), which was established in October 2002. He has overall responsibility for the management of the Zenith Group but also remains closely involved in servicing the company's investment consulting clients with portfolio construction, management and monitoring advice.

He has a wealth of investment industry experience acquired over his extensive career. Prior to establishing Zenith, David held senior positions within the financial services industry including IWL Limited (Head of Research), an ASX listed company in which he was also a significant equity holder. Past 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.

Other current directorships

David Wright is currently a director of Zenith Investment Partners Pty Ltd, Zenith Partners Group Pty Ltd, Zenith Investment Partners NZ Limited, Zenith CW Pty Ltd, ZIP Holdco Pty Ltd and Heuristic Investment Systems Pty Ltd.

Information of Directors (continued)**David Wright (Independent Director) (continued)***Special responsibilities*

Chair of the Investment Committee.

Interests in shares of the Company

Details of David Wright's interests in shares of the Company are included later in this report.

Interests in contracts

David Wright has no interest in contracts of the Company.

Chief Executive Officer**Paul Rayson**

Paul Rayson is a Chartered Accountant and has worked in the financial services industry for over 20 years and has extensive experience in investment markets, technology, retail banking, risk management and insurance.

He is the former Managing Director of CommSec, Australia's leading online broker and former Managing Director of Australian Investment Exchange Limited and Colonial Mutual Life Assurance Society Limited. He has also held a number of CFO and governance positions across large financial services businesses. Prior to financial services, he held senior roles in Chartered Accounting and Consulting firms specialising in corporate advisory, risk management and strategy.

He holds a Commerce degree from Swinburne University and is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Chief Investment Officer**Rory Lucas**

Rory Lucas has worked in the Australian and global equity markets for nearly 30 years. Whilst having worked in a variety of roles, his specialty is in trade execution as well as portfolio construction and risk management.

He has had previous roles with Rothschild Australia Asset Management in managing a fund of funds. His specific responsibility was to source and vet potential managers as well as to determine the allocation of capital between them and manage the consolidated risk of the portfolio.

In 2006, he took up a senior Equity Facilitation role at UBS Australia. As part of this role, he oversaw the management of a high conviction portfolio of UBS Equity Research ideas known as alpha preferences. He was responsible for portfolio execution, re-weighting and all aspects of the portfolio trading strategy. More recently, he has held trading and execution roles at Commonwealth Bank of Australia, prior to their exit from the institutional equities business.

Company Secretary**Tom Bloomfield**

Tom Bloomfield held the position of Company Secretary during the financial period. Tom has over fifteen years of international Corporate Secretarial experience working for global organisations, both 'in-house' and for corporate services providers. He has experience working with and consulting to a range of international and domestic clients. He acts as Company Secretary to a number of ASX listed, unlisted and private companies in Australia in numerous industry sectors. Tom is a Chartered Company Secretary, Fellow of ICSA (Institute of Chartered Secretaries and Administrators) and Member of the Australian Institute of Company Directors. He holds a Law degree with Honours and a Graduate Diploma in Applied Corporate Governance.

Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

Brett Paton

Brett Paton is currently Chairman of the management company of Escala Partners, an Australian wealth management advisory group, and Chairman of Pointsbet Holdings Limited. He has worked in a range of senior positions including Vice Chairman at UBS Australia where he spent 23 years. He also spent 5 years at Citi serving as Vice Chairman Australia, Institutional Clients Group. He 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.

He was previously a Council Member at RMIT University and Chair of the Risk and Audit Committee. He was previously Chairman of PLC VC, a global venture capital investment organisation. He is a qualified Chartered Accountant.

Christopher Cuffe AO

Christopher Cuffe is also a Director. Please refer to the Directors' Report to Shareholders for details of Christopher Cuffe's experience and qualifications.

Lorraine Berends

Lorraine Berends is also a Director. Please refer to the Directors' Report to Shareholders for details of Lorraine Berends' experience and qualifications.

David Wright

David Wright is also a Director. Please refer to the Directors' Report to Shareholders for details of David Wright's experience and qualifications.

Paul Rayson

Paul Rayson is also Chief Executive Officer. Please refer to the Directors' Report to Shareholders for details of Paul Rayson's experience and qualifications.

Remuneration Report (Audited)

The responsibility for the Company's remuneration policy rests with the Board of Directors. Given the size of the Company, its charitable nature, that the Company has only three employees and that Directors have agreed to waive Directors' fees on an ongoing basis, the Company has not formed a separate remuneration committee.

a) Remuneration of Directors and Other Key Management Personnel

Key management personnel (KMP) include the Directors, the Chief Executive Officer and the Chief Investment Officer. Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 30 June 2021, no Directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer is set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three month notice period. The remuneration of the Chief Executive Officer and the Chief Investment Officer is salary based and does not include securities or options in the Company and no element of the remuneration is tied to Company performance. The Chief Executive Officer and the Chief Investment Officer are not provided with retirement benefits apart from statutory superannuation.

Remuneration Report (Audited) (continued)

	Short-term Post-employment benefits		Total Remuneration \$
	Salary \$	Superannuation \$	
Year ended 30 June 2021			
Paul Rayson	169,909	15,992	185,901
Rory Lucas	180,688	16,586	197,274
Year ended 30 June 2020			
Paul Rayson	150,000	14,157	164,157
Rory Lucas	175,000	15,938	190,938
		Year ended 30 June 2021	Year ended 30 June 2020
Company performance measures and total KMP remuneration		\$	\$
Net profit/(loss)		(12,464,141)	(2,684,949)
Total Comprehensive Income		157,948,475	117,553,802
Net Tangible Assets (at balance date)		885,999,277	750,506,830
Net Tangible Asset backing per share (at balance date)		3.92	3.34
Share Price (at balance date)		4.32	3.11
Total KMP remuneration		383,175	355,095

b) Other KMP Related Transactions

The Company Secretary has waived his right to receive fees. The Company holds professional indemnity insurance to his benefit. He receives an indemnity as an officer of the Company to the maximum extent permitted by law and is entitled to be reimbursed for any external costs and expenses he incurs. The Company Secretary is a General Manager of Boardroom Pty Limited. Boardroom Pty Limited provide company secretarial services to the Company.

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. Hearts and Minds Investments Limited donated \$4,518,246 to Victor Chang Cardiac Research Institute for the year ended 30 June 2021 (2020: \$1,653,500).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. Hearts and Minds Investments Limited donated \$4,518,246 to Victor Chang Cardiac Research Institute for the year ended 30 June 2021 (2020: \$1,653,500).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation holds 4,009,419 shares in HM1 on 30 June 2021.

Michael Traill is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Chris Cuffe is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Remuneration Report (Audited) (continued)
c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

As the date of this report, the Directors, other key management personnel and their related parties held the following interest in the Company:

Ordinary shares held	Balance at beginning of the period	Acquisitions	Disposals	As at the date of this report
Christopher Cuffe AO	1,475,000	–	(375,000)	1,100,000
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,422,281	–	(250,000)	1,172,281
Gary Weiss AM	495,002	–	–	495,002
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	45,000	50,000	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	113,984	15,650	(13,593)	116,041

Directors, other key management personnel and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to the key management personnel compensation note in the financial statements.

- End of remuneration report -
Directors' Meetings

Director	No. of eligible to attend	Attended
Christopher Cuffe AO	4	4
Lorraine Berends	4	4
Guy Fowler	4	4
Matthew Grounds AM	4	4
Michael Traill AM	4	4
Gary Weiss AM	4	4
Geoffrey Wilson AO	4	4
David Wright	4	4

Investment Committee Meetings

Member	No. of eligible to attend	Attended
Christopher Cuffe AO	4	4
Lorraine Berends	4	4
Brett Paton	4	3
David Wright	4	4
Paul Rayson	4	4

Events Occurring After the Reporting Period

The Directors are not aware of any events subsequent to 30 June 2021 that would materially affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

Future Developments

HM1's future performance is dependent on the performance of the HM1's investment portfolio, which in turn, is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market. Accordingly, it is not possible or appropriate to accurately predict the future performance of HM1's investment portfolio and HM1's performance.

Environmental Regulation

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Risk Management Philosophy and Approach

The Board of Directors' risk policies and controls are designed to be robust and relevant to the investment objectives and investment strategy. The Board of Directors is committed to robust corporate governance practices to create value and provide accountability and a control system commensurate with the risk involved. The Board of Directors will monitor the investment portfolio to ensure compliance with the investment strategy and the investment guidelines.

The Investment Committee, in conjunction with the Chief Investment Officer, is responsible for managing the investment portfolio. The Investment Committee meets quarterly, and more frequently as required, to review the investment portfolio and ensure that HM1 continues to deliver on its investment objective and investment strategy.

Indemnification and Insurance of Officers and Directors

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each officer of the Company, a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

No indemnities have been given or insurance premiums paid during or since the end of the financial period, for any person who is or has been an auditor of the Company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year, Pitcher Partners, the Company's auditor, did not perform any non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform certain taxation services for the Company. Details of the amounts paid to the auditors are disclosed in Note 5 to the financial statements.

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 6 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants including Independence Standards* set by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

In accordance with the ASIC Corporations (rounding in Financial/Directors) Instrument 2016/191, the amounts in the Directors' Report to Shareholders and Annual Report have been rounded off in accordance with that Class Order to the nearest dollar or unless otherwise indicated.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2021 is provided on the Company website at heartsandmindsinvestments.com.au

Auditor's Independence Declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
26 August 2021

**Hearts and Minds Investments Limited
Auditor's Independence Declaration
For the year ended 30 June 2021**



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Sydney NSW 2000

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Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of Hearts and Minds Investments Limited
ABN 61 628 753 220**

In relation to the independent audit of Hearts and Minds Investments Limited for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

A handwritten signature in black ink, appearing to read "S M Whiddett".

S M Whiddett
Partner

Pitcher Partners
Sydney

26 August 2021

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



pitcher.com.au

	Notes	For the year ended 30 June 2021	For the year ended 30 June 2020
		\$	\$
Investment (loss)/income from ordinary activities			
Net realised loss on foreign exchange transactions		(13,125,427)	(1,463,491)
Net unrealised gain/(loss) on foreign exchange transactions		2,509,954	(186,677)
Interest income		608	49,565
Dividend income, net of withholding tax of \$136,237 (30 June 2020: \$212,910)	4	5,258,123	6,355,593
Sundry income		13,514	20,572
Total investment (loss)/income		(5,343,228)	4,775,562
Expenses			
Donations	7	(12,567,003)	(9,237,640)
Interest expense		(5,493)	(4,094)
Employee costs		(541,098)	(497,445)
Other expenses		(639,286)	(218,411)
Total expenses		(13,752,880)	(9,957,590)
Loss before income tax		(19,096,108)	(5,182,028)
Income tax benefit	3	6,631,967	2,497,079
Net loss for the year		(12,464,141)	(2,684,949)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments, net of tax	9	136,100,038	69,299,376
Net unrealised gains on investments, net of tax	9	34,312,578	50,939,375
Net realised and unrealised gains on investments taken to equity, net of tax		170,412,616	120,238,751
Other comprehensive income, net of tax		170,412,616	120,238,751
Total comprehensive income for the year		157,948,475	117,553,802
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	12	(5.53)	(1.26)

The accompanying notes form part of these financial statements.

	Notes	30 June 2021	30 June 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	10	123,588,147	52,255,304
Prepayments		—	229,071
Other receivables	6	275,326	401,677
Total current assets		123,863,473	52,886,052
Non-current assets			
Financial assets at fair value through other comprehensive income	14	861,436,973	779,308,148
Deferred tax assets	3	1,752,506	2,484,033
Total non-current assets		863,189,479	781,792,181
Total assets		987,052,952	834,678,233
Liabilities			
Current liabilities			
Current tax liability	3	29,337,532	28,370,880
Donation provision	7	6,375,278	5,128,890
Total current liabilities		35,712,810	33,499,770
Non-current liabilities			
Deferred tax liabilities	3	65,340,865	50,671,633
Total non-current liabilities		65,340,865	50,671,633
Total liabilities		101,053,675	84,171,403
Net assets		885,999,277	750,506,830
Equity			
Share capital	8	567,043,973	562,500,001
Reserves	9	318,955,304	188,006,829
Total equity		885,999,277	750,506,830

The accompanying notes form part of these financial statements.

	Notes	Share capital	Investment portfolio revaluation reserve	Profits reserve	Accumulated losses	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2019	8	500,000,001	67,020,422	4,178,905	(746,300)	570,453,028
Net loss for the year	9	–	–	–	(2,684,949)	(2,684,949)
Other comprehensive income, net of tax	9	–	120,238,751	–	–	120,238,751
Transfer to profits reserve	9	–	(69,299,376)	69,299,376	–	–
Transfer from profits reserve	9	–	–	(3,431,249)	3,431,249	–
Transactions with equity holders in their capacity as owners:						
Shares issued	8	62,500,000	–	–	–	62,500,000
Balance at 30 June 2020		562,500,001	117,959,797	70,047,032	–	750,506,830
Balance at 1 July 2020	8	562,500,001	117,959,797	70,047,032	–	750,506,830
Net loss for the year	9	–	–	–	(12,464,141)	(12,464,141)
Other comprehensive income, net of tax	9	–	170,412,616	–	–	170,412,616
Transfer to profits reserve	9	–	(136,100,038)	136,100,038	–	–
Transfer to profits reserve	9	–	–	(12,464,141)	12,464,141	–
Transactions with equity holders in their capacity as owners:						
Shares issued	8	4,543,972	–	–	–	4,543,972
Dividends	4,9	–	–	(27,000,000)	–	(27,000,000)
Balance at 30 June 2021		567,043,973	152,272,375	166,682,929	–	885,999,277

The accompanying notes form part of these financial statements.

	Notes	For the year ended 30 June 2021	For the year ended 30 June 2020
		\$	\$
Cash flows from operating activities			
Interest received		608	49,565
Dividends received		5,378,652	6,016,504
Other income received		19,336	11,482
Interest paid		(5,493)	(4,094)
Offer costs paid		–	(280,908)
Donations paid		(11,320,615)	(4,108,750)
Payments for other expenses		(951,313)	(1,026,914)
Income tax paid		<u>(50,034,601)</u>	<u>(1,853,304)</u>
Net cash used in operating activities	11	<u>(56,913,426)</u>	<u>(1,196,419)</u>
Cash flows from investing activities			
Proceeds from sales of investments		674,467,408	501,356,938
Payments for purchases of investments		<u>(513,149,638)</u>	<u>(515,807,067)</u>
Net cash provided by/(used in) investing activities		<u>161,317,770</u>	<u>(14,450,129)</u>
Cash flows from financing activities			
Proceeds from issuance of shares		–	62,500,000
Dividend paid		<u>(22,456,028)</u>	<u>–</u>
Net cash (used in)/provided by financing activities		<u>(22,456,028)</u>	<u>62,500,000</u>
Net increase in cash and cash equivalents		<u>81,948,316</u>	<u>46,853,452</u>
Cash and cash equivalents at the beginning of the year		52,255,304	7,052,020
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>(10,615,473)</u>	<u>(1,650,168)</u>
Cash and cash equivalents at the end of the year	10	<u>123,588,147</u>	<u>52,255,304</u>

The accompanying notes form part of these financial statements.

1 General information

Hearts and Minds Investments Limited (the “Company”) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The registered office is Level 12, 225 George Street, Sydney NSW 2000.

The Company was incorporated on 12 September 2018. Its shares were admitted for quotation on the Official List of ASX Limited (“ASX”) on 9 November 2018 and commenced operations on 14 November 2018. The financial statements of the Company are for the year ended 30 June 2021.

The financial statements were authorised for issue on 26 August 2021 by the Board of Directors.

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

These financial statements have been prepared on an accruals basis, and are based on historical cost convention except for the revaluation of financial assets at fair value through other comprehensive income and cash flow information.

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

The Company has adopted all of the new and amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting year and there was no material impact on adoption.

(b) Investment income

(i) Dividends

Dividends are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

(ii) Interest income

Interest income is recognised using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

At initial recognition, the Company measures a financial asset at its fair value in the Statement of Financial Position. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Classification of financial assets

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income ("FVTOCI") in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVTOCI are classified as subsequently measured at amortised cost.

Classification of financial liabilities

Financial liabilities recognised by the Company are subsequently measured at amortised cost.

Measurement

The fair value of financial assets is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Usually, the quoted market prices on a recognised exchange or, in its absence, the most advantageous market to which the Company has access at that date. The Company's accounting policy on fair value is disclosed in Note 14.

Changes in the fair value for financial assets at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred tax liability.

When a financial asset held at fair value through other comprehensive income is disposed of, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the profits reserve.

Other receivables

Other receivables are non-derivative financial assets and are stated at their amortised cost. At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and the value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable value is expensed to the Statement of Comprehensive Income.

Long-term equity instruments

Long-term equity instruments comprise ordinary shares in listed entities that are not held for trading. On initial recognition, investments identified by the Company as long-term equity instruments are irrevocably designated (and measured) at fair value through other comprehensive income. This election has been made as the Directors believe that to otherwise recognise changes in the fair value of these investments in profit or loss would be inconsistent with the objective of holding the investments for the long term.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

When a financial asset held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the profits reserve.

(d) Donation provision

In line with the Company's philanthropic objectives, the Company donates a percentage of the Company's net tangible assets to leading Australian medical research organisations every six months. The donations are equal to 1.5% per annum of the average monthly net tangible assets of the previous half-year. The donation provision represents the amount provided for donations at the reporting date.

2 Summary of significant accounting policies (continued)

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars (“AUD” or “\$”) which is the Company’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain or loss.

(f) Income tax

The income tax expense or benefit for the year is the tax payable on that year’s taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences and unused tax losses, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Company has a legally enforceable right to offset and intends to settle on a net basis.

Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity as appropriate.

(g) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST, unless GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of significant accounting policies (continued)

(i) Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares have been recognised in the Statement of Comprehensive Income, net of any tax effects.

(j) Profits reserve

A profits reserve is made up of amounts transferred from current and retained earnings and realised gains on disposal of financial assets that is preserved for future dividend payments.

(k) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year. In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

(l) Earnings/(loss) per share

(i) Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The investments of the Company are recommended by fund managers who provide their expertise and stock recommendations to the Company on a pro bono basis. Therefore, the investment portfolio of the Company does not incur any fund management fees. It is estimated that the investments fees forgone by the fund managers based on normal commercial terms for the year ended 30 June 2021 equates to \$12,700,000 (2020: \$10,300,000). This notional benefit to the Company is not included in the financial statements of the Company. Other than this estimate, there are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2021 (2020: None).

(n) New standards and interpretations applicable and not yet adopted

There are no new standards or interpretations applicable and not yet adopted that would have a material impact for the Company.

3 Income tax

(a) Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Prima facie income tax expense on the net profit at 30%	(5,728,832)	(1,554,608)
Imputation credits and foreign tax credits claimed at 100%	(1,388,365)	(1,346,387)
Imputation credits gross up on dividends received	375,638	340,043
Reversal of prepayments not claimed in 2020 tax return	68,721	–
Foreign tax credits gross up dividends received	40,871	63,873
Income tax benefit recognised in profit or loss	(6,631,967)	(2,497,079)
Deferred tax on net unrealised gains on investments	14,705,391	21,831,160
Income tax on net realised gains on investments	58,328,588	29,699,733
Income tax expense recognised in other comprehensive income	73,033,979	51,530,893
Total income tax expense	66,402,012	49,033,814

(b) Total income tax expense results in a:

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Current income tax benefit	(7,327,335)	(1,404,813)
Deferred tax assets	731,527	(1,193,993)
Deferred tax liabilities	(36,159)	101,727
Income tax benefit recognised in profit or loss	(6,631,967)	(2,497,079)
Deferred tax liability on net unrealised gains on investments	14,705,391	21,831,160
Current income tax liability on net realised gains on investments	58,328,588	29,699,733
Income tax expense recognised in other comprehensive income	73,033,979	51,530,893
Total income tax expense	66,402,012	49,033,814

3 Income tax (continued)

(c) Deferred tax assets relate to the following:

	30 June 2021	30 June 2020
	\$	\$
Opening balance	2,484,033	1,290,040
Net unrealised (loss)/gain on foreign exchange transactions	(808,989)	52,337
Donation accrual not deductible	373,917	1,538,667
Costs associated with the issue of shares	(296,455)	(296,455)
2019 tax return adjustments	—	(75,960)
Provisions	—	(24,596)
Deferred tax assets	1,752,506	2,484,033

(d) Deferred tax liabilities relate to the following:

	30 June 2021	30 June 2020
	\$	\$
Opening balance	50,671,633	28,738,745
Net unrealised gains on investments	14,705,391	21,831,161
Dividend receivable on shares	(36,159)	101,727
Deferred tax liabilities	65,340,865	50,671,633

(e) Movement in deferred tax assets relate to the following:

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Opening balance	2,484,033	1,290,040
Charged to profit or loss	(731,527)	1,193,993
Closing balance	1,752,506	2,484,033

(f) Movement in deferred tax liabilities relate to the following:

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Opening balance	50,671,633	28,738,745
Charged to profit or loss	(36,159)	101,727
Charged to other comprehensive income	14,705,391	21,831,161
Closing balance	65,340,865	50,671,633

3 Income tax (continued)

(g) Dividend franking account

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Opening balance	3,606,179	619,398
Franking credits on dividends received	1,252,128	1,133,477
Franking credits on dividends paid	(11,571,429)	–
Tax paid during the year	50,034,601	1,853,304
Closing balance of franking account	43,321,479	3,606,179
Franking credits on dividends receivable	–	160,500
Tax payable in respect of the year's profit	29,337,532	28,370,880
Franking credits available for use in subsequent reporting years	72,659,011	32,137,559

4 Dividends

Dividend income

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Dividend income - Investments sold during the year	1,270,993	2,447,484
Dividend income - Investments held at year end	4,123,367	4,121,019
Dividend income	5,394,360	6,568,503
Withholding tax on dividends	(136,237)	(212,910)
Dividend income, net of withholding tax	5,258,123	6,355,593

5 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	For the year ended 30 June 2021 \$	For the year ended 30 June 2020 \$
Audit and review of financial statements	51,207	49,052
Other services provided by related practice of the auditor taxation services	5,830	14,000
Total remuneration for audit and other assurance services	57,037	63,052

6 Other receivables

	30 June 2021 \$	30 June 2020 \$
Dividend receivable	270,918	391,447
Other receivables	4,408	10,230
Total other receivables	275,326	401,677

7 Donation provision

	30 June 2021 \$	30 June 2020 \$
Donation provision	6,375,278	5,128,890
Total donation provision	6,375,278	5,128,890

For the year ended 30 June 2021, the amount recognised in the Statement of Comprehensive Income as an expense was \$12,567,003 (2020: \$9,237,640). This amount represents donations paid or payable to medical research beneficiaries to advance medical research in Australia. As at 30 June 2021, the amount recorded as a donation provision in the Statement of Financial Position of \$6,375,278 (30 June 2020: \$5,128,890) represents a provision for donations payable to medical research beneficiaries at balance date.

8 Share capital

(a) Issued capital

	30 June 2021	30 June 2021
	No. of shares	\$
Ordinary shares	<u>226,033,818</u>	<u>567,043,973</u>
	30 June 2020	30 June 2020
	No. of shares	\$
Ordinary shares	<u>225,000,001</u>	<u>562,500,001</u>

(b) Movements in share capital

	For the year ended 30 June 2021	For the year ended 30 June 2021
	No. of shares	\$
Opening balance	225,000,001	562,500,001
Shares issued at \$4.39 per share	<u>1,033,817</u>	<u>4,543,972</u>
Closing balance	<u>226,033,818</u>	<u>567,043,973</u>
	For the year ended 30 June 2020	For the year ended 30 June 2020
	No. of shares	\$
Opening balance	200,000,001	500,000,001
Shares issued at \$2.50 per share	<u>25,000,000</u>	<u>62,500,000</u>
Closing balance	<u>225,000,001</u>	<u>562,500,001</u>

On 20 April 2021 the Company issued 1,033,817 fully paid ordinary shares at \$4.39 pursuant to the dividend reinvestment plan. In the prior financial year, on 27 December 2019 the Company issued 25,000,000 fully paid ordinary shares at \$2.50 pursuant to a fully renounceable rights issue.

9 Reserves and accumulated losses

(a) Reserves

	30 June 2021	30 June 2020
	\$	\$
Investment portfolio revaluation reserve	152,272,375	117,959,797
Profits reserve	<u>166,682,929</u>	<u>70,047,032</u>
Total reserves	<u>318,955,304</u>	<u>188,006,829</u>

(b) Investment portfolio revaluation reserve

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Opening balance	117,959,797	67,020,422
Net realised gains on investments	194,428,626	98,999,109
Income tax on net realised gains on investments	(58,328,588)	(29,699,733)
Net unrealised gains on investments	49,017,969	72,770,536
Deferred income tax on unrealised gains on investments	(14,705,391)	(21,831,161)
Transfer to profits reserve	<u>(136,100,038)</u>	<u>(69,299,376)</u>
Closing balance	<u>152,272,375</u>	<u>117,959,797</u>

During the year a number of investments held at fair value through other comprehensive income were sold realising a net gain as set out below. The investments were sold following recommendations from our portfolio fund managers and in accordance with our investment strategy.

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Proceeds from sale of investments	674,467,408	501,356,938
Original cost of investments sold	<u>(480,038,782)</u>	<u>(402,357,829)</u>
Net realised gains on investments before tax	<u>194,428,626</u>	<u>98,999,109</u>

9 Reserves and accumulated losses (continued)

(c) Profits reserve

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Opening balance	70,047,032	4,178,905
Transfer from investment portfolio revaluation reserve	136,100,038	69,299,376
Transfer to accumulated losses	(12,464,141)	(3,431,249)
Dividends	<u>(27,000,000)</u>	—
Closing balance	166,682,929	70,047,032

During the year the Company paid a fully franked dividend of \$0.12 per share to shareholders amounting to a total dividend payment of \$27,000,000.

(d) Accumulated losses

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Opening balance	—	(746,300)
Net loss for the year	(12,464,141)	(2,684,949)
Transfer from profits reserve	<u>12,464,141</u>	3,431,249
Closing balance	—	—

10 Cash and cash equivalents

Cash at the end of the reporting year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2021	30 June 2020
	\$	\$
Cash at bank	6,367,406	755,994
Cash at custodian	<u>117,220,741</u>	51,499,310
Total cash and cash equivalents	123,588,147	52,255,304

The cash at bank is denominated in AUD, is at call and is earning interest at a fixed rate of 0.01% (30 June 2020: 0.01%). The cash at custodian is at call and denominated in AUD, United States Dollars (“USD”), Japanese Yen (“JPY”) and Hong Kong Dollars (“HKD”) and is non-interest bearing.

10 Cash and cash equivalents (continued)

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 13. The maximum exposure to credit risk in relation to cash at the end of the reporting year is the carrying amount of cash in bank and cash at custodian.

Cash in bank is with Commonwealth Bank of Australia that has a Standard and Poor's short-term rating of A-1+ (30 June 2020: A-1+) and long-term rating of AA- (30 June 2020: AA-). Cash at custodian is with JP Morgan Chase Bank that has a short-term rating of A-1 (30 June 2020: A-1) and a long-term rating of A+ (30 June 2020: A+).

11 Reconciliation of net loss for the year to net cash provided by/(used in) operating activities

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Net loss for the year	(12,464,141)	(2,684,949)
Effects of foreign currency exchange rate changes on cash and cash equivalents	10,615,473	1,650,168
Change in operating assets and liabilities:		
Decrease/(increase) in prepayments	229,071	(229,071)
Decrease/(increase) in other receivables	126,351	(348,179)
Decrease/(increase) in deferred tax assets	731,527	(1,193,993)
Decrease in current tax liability	(57,361,936)	(3,258,117)
Increase in donation provision	1,246,388	5,128,890
(Decrease)/increase in deferred tax liabilities	(36,159)	101,727
Decrease in other payables	—	(362,895)
Net cash used in operating activities	(56,913,426)	(1,196,419)

12 Basic and diluted loss per share

	For the year ended 30 June 2021	For the year ended 30 June 2020
	\$	\$
Net loss for the year used in the calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company	(12,464,141)	(2,684,949)
Basic and diluted loss per share attributable to the ordinary equity holders of the Company	(5.53)	(1.26)

12 Basic and diluted loss per share (continued)

Weighted average number of shares used as denominator

	For the year ended 30 June 2021	For the year ended 30 June 2020
	No. of shares	No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share attributable to the ordinary equity holders of the Company	225,203,932	<u>212,708,570</u>

At the end of the year, there were no outstanding securities that are potentially dilutive in nature for the Company (30 June 2020: None).

13 Financial risk management

The Company's financial instruments consist mainly of cash and cash equivalents, other receivables, financial assets at fair value through other comprehensive income and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk, liquidity risk and other risks. The Board of the Company have implemented a risk management framework to mitigate these risks.

Risks are managed in the context of the Company's strategic objectives, the size and complexity of its operations, and the Board's expectations and attitude to risk. The Company has implemented a risk management framework based on the Australian New Zealand International Standard Organisation 31000:2009 *Risk management – Principles and guidelines*. Details of the Company's risk management framework are available on the Company's website.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The investment portfolio is exposed to market risk. The market risk of securities in the Company's investment portfolio can fluctuate as a result of market conditions. The value of the investment portfolio may be impacted by factors such as economic conditions, interest rates, currency exchange rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes. In addition, as the Company is listed on the ASX, its securities are exposed to market risks. As a result, the security price may trade at a discount or a premium to its net tangible assets.

Currency risk

The Company holds monetary assets denominated in currencies other than the Australian dollar. The Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company does not hedge against its foreign exchange exposure, and consequently, the impact of foreign exchange movements is directly reflected in the Statement of Comprehensive Income.

13 Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain investments in which the Company invests, even if those investments are denominated in Australian dollars. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Company's equity of future movements in foreign exchange rates.

The table below summarises the Company's monetary assets exposed to foreign currency risk at 30 June 2021 and 30 June 2020:

	30 June 2021	30 June 2020
	Net currency exposure*	Net currency exposure*
	%	%
United States Dollar	58	62
Hong Kong Dollar	8	3
Euro	4	—
Japanese Yen	1	1
Pound Sterling	—	1
Total	71	67

* As percentage of investment portfolio exposure.

Sensitivity

The following tables illustrate the sensitivities of the Company's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the AUD weakened/strengthened by 10% against the other currencies.

30 June 2021	USD impact	HKD impact	EUR impact	JPY impact
	AUD	AUD	AUD	AUD
Impact on total comprehensive income	+/- 39,285,122	+/- 4,931,157	+/- 2,495,447	+/- 1,383,867
30 June 2020	USD impact	HKD impact	JPY impact	GBP impact
	AUD	AUD	AUD	AUD
Impact on total comprehensive income	+/- 36,245,847	+/- 1,655,164	+/- 458,754	+/- 838,900

Equity price risk

The Company is exposed to price risk on its financial assets classified in the Statement of Financial Position as financial assets at fair value through other comprehensive income. There is a risk that securities will fall in value over short or extended periods of time. Equity markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. The Company's typical investment portfolio is expected to hold 25 to 30 securities, which represents a high level of investment concentration. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility. The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of fund managers.

13 Financial risk management (continued)

Market risk (continued)

Equity price risk (continued)

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the market risk that the Company was exposed to at reporting date, assuming a tax rate of 30%.

	30 June 2021	30 June 2020
	\$	\$

Impacts on total comprehensive income

MSCI World Index (AUD)

Change in variable +/- 5%	30,150,294	26,048,384
Change in variable +/- 10%	60,300,588	52,096,769

Cash flow and interest rate risk

The Company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The tables below summarise the Company's exposure to interest rate risks:

30 June 2021	Interest bearing	Non-interest bearing	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents			
	6,367,406	117,220,741	123,588,147
Financial assets at fair value through other comprehensive income	–	861,436,973	861,436,973
Other receivables	–	275,326	275,326
Total financial assets	6,367,406	978,933,040	985,300,446
Financial liabilities			
Donation provision	–	6,375,278	6,375,278
Total financial liabilities	–	6,375,278	6,375,278
30 June 2020	Interest bearing	Non-interest bearing	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents	755,994	51,499,310	52,255,304
Financial assets at fair value through other comprehensive income	–	779,308,148	779,308,148
Other receivables	–	401,677	401,677
Total financial assets	755,994	831,209,135	831,965,129
Financial liabilities			
Donation provision	–	5,128,890	5,128,890
Total financial liabilities	–	5,128,890	5,128,890

13 Financial risk management (continued)**Market risk (continued)***Cash flow and interest rate risk (continued)**Sensitivity*

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. At 30 June 2021, if interest rates had increased by 100 basis points (bps) or decreased by 100 bps from the year end rates with all other variables held constant, post tax profit for the year would have been \$615,452 (2020: \$330,321) higher or \$615,452 (2020: \$330,321) lower, as a result of higher or lower interest income from cash and cash equivalents.

Interest rate risk also arises from the effects of fluctuations in the prevailing levels of market interest rates on the Company's financial assets at fair value through other comprehensive income. The sensitivity to changes in the value of financial assets at fair value through other comprehensive income is set out in the price risk and currency risk sensitivity tables. The Directors do not consider it meaningful to provide a separate analysis of the sensitivity of the investment portfolio to changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions and other receivables.

The maximum exposure to credit risk at balance sheet date of recognised financial assets is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the Statement of Financial Position and Note 10 to the financial statements.

The Company held no collateral as security or any other credit enhancements. None of the assets exposed to a credit risk are overdue or considered to be impaired.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board and Investment Committee monitor the Company's cash flow requirements in relation to the investment portfolio taking into account dividends, tax payments and investing activity.

The Company's inward cash flows depend on the level of dividend and interest revenue received, investment disposals and capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. The major cash outflows are investments, donations, general expenditure and future dividends paid to shareholders and the level of these outflows is managed by the Board and Investment Committee. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. A sufficient level of the Company's cash is held at call to meet cash outflows and mitigate liquidity risk.

13 Financial risk management (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted cash flows:

30 June 2021	On demand	1 to 3	3 to	More than	No fixed	Total
		months	12 months	12 months		
Financial assets						
Cash and cash equivalents	123,588,147	—	—	—	—	123,588,147
Financial assets at fair value through other comprehensive income	—	—	—	—	861,436,973	861,436,973
Other receivables	275,326	—	—	—	—	275,326
Total financial assets	123,863,473	—	—	—	861,436,973	985,300,446
Financial liabilities						
Donation provision	—	6,375,278	—	—	—	6,375,278
Total financial liabilities	—	6,375,278	—	—	—	6,375,278
30 June 2020	On demand	1 to 3	3 to	More than	No fixed	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	52,255,304	—	—	—	—	52,255,304
Financial assets at fair value through other comprehensive income	—	—	—	—	779,308,148	779,308,148
Other receivables	401,677	—	—	—	—	401,677
Total financial assets	52,656,981	—	—	—	779,308,148	831,965,129
Financial liabilities						
Donation provision	—	5,128,890	—	—	—	5,128,890
Total financial liabilities	—	5,128,890	—	—	—	5,128,890

14 Financial assets

Fair value measurements

(a) Fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

14 Financial assets (continued)

Fair value measurements (continued)

(a) Fair value estimation (continued)

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting year.

(b) Fair value hierarchy

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

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

The following tables present the Company's assets and liabilities measured and recognised at fair value at:

30 June 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	861,436,973	—	—	<u>861,436,973</u>
Total financial assets at fair value through other comprehensive income				
	<u>861,436,973</u>	—	—	<u>861,436,973</u>
30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	779,308,148	—	—	<u>779,308,148</u>
Total financial assets at fair value through other comprehensive income				
	<u>779,308,148</u>	—	—	<u>779,308,148</u>

There were no transfers between levels for recurring fair value measurements during the year (2020: None).

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting year.

The carrying amounts of other receivables and other payables are assumed to approximate their fair values due to their short-term nature.

15 Segment information

The Company is solely engaged in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments. It has no reportable business or geographical segments.

The Company's investments are listed equity securities on major exchanges. The split of the Company's investments by the country of listing is set out below.

	30 June 2021	30 June 2020
	Country of Listing	Country of Listing
	%	%
United States	58	62
Australia	29	33
Hong Kong	8	3
Germany	4	–
Japan	1	1
United Kingdom	–	1
	100	100

16 Key management personnel compensation

The names and positions held of the Company's key management personnel (KMP) (including Directors in office at any time during the year ended 30 June 2021) are:

Christopher Cuffe AO	Chairman and Independent Director
Lorraine Berends	Independent Director
Guy Fowler	Independent Director
Matthew Grounds AM	Independent Director
Michael Traill AM	Independent Director
Gary Weiss AM	Independent Director
Geoffrey Wilson AO	Independent Director
David Wright	Independent Director
Paul Rayson	Chief Executive Officer
Rory Lucas	Chief Investment Officer

(a) Remuneration

KMP include the Directors, the Chief Executive Officer and the Chief Investment Officer. Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 30 June 2021, no Directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer are set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three month notice period. The remuneration of the Chief Executive Officer and the Chief Investment Officer is salary based and does not include securities or options in the Company and no element of the remuneration is tied to Company performance. The Chief Executive Officer and the Chief Investment Officer are not provided with retirement benefits apart from statutory superannuation.

Year ended 30 June 2021	Post-employment benefits	Total Remuneration				
	Short-term benefits	Salary	Superannuation	\$	\$	\$
Paul Rayson		169,909	15,992	185,901		
Rory Lucas		180,688	16,586	197,274		

16 Key management personnel compensation (continued)

(a) Remuneration (continued)

Year ended 30 June 2020	Short-term benefits	Post- employment benefits		Total Remuneration
		Salary	Superannuation	
Paul Rayson	150,000	14,157		164,157
Rory Lucas	175,000	15,938		190,938

(b) Shareholdings

The Company's KMP and their related parties held the following interests in the Company:

30 June 2021 Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	1,475,000	—	(375,000)	1,100,000
Lorraine Berends	45,000	—	—	45,000
Guy Fowler	1,258,042	—	—	1,258,042
Matthew Grounds AM	1,201,397	—	—	1,201,397
Michael Traill AM	1,422,281	—	(250,000)	1,172,281
Gary Weiss AM	495,002	—	—	495,002
Geoffrey Wilson AO	1,687,500	—	—	1,687,500
David Wright	45,000	50,000	—	95,000
Paul Rayson	149,907	—	—	149,907
Rory Lucas	113,984	15,650	(13,593)	116,041

30 June 2020 Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	1,300,000	175,000	—	1,475,000
Lorraine Berends	40,000	5,000	—	45,000
Guy Fowler	1,000,000	258,042	—	1,258,042
Matthew Grounds	1,000,000	201,397	—	1,201,397
Michael Traill AM	1,208,031	214,250	—	1,422,281
Gary Weiss AM	440,002	55,000	—	495,002
Geoffrey Wilson AO	1,500,000	187,500	—	1,687,500
David Wright	40,000	5,000	—	45,000
Paul Rayson	133,250	16,657	—	149,907
Rory Lucas	80,694	33,290	—	113,984

Directors, other KMP and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

17 Related party transactions

All transactions with related entities were made on normal commercial terms and at market rates, except as noted below.

Investment and management fees

The Company will forego any investment and management fees associated with implementing and managing the investment strategy. Instead, donations will be paid by the Company to the designated charities every six months.

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$4,518,246 to Victor Chang Cardiac Research Institute for the year ended 30 June 2021 (2020: \$1,653,500).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$4,518,246 to Victor Chang Cardiac Research Institute for the year ended 30 June 2021 (2020: \$1,653,500).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation holds 4,009,419 shares in HM1 on 30 June 2021.

Michael Traill is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Chris Cuffe is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Directors' fees

The Directors have agreed to waive any right to be paid director fees (see Note 16).

18 Commitments

The Company had no material contingent liabilities or commitments as at 30 June 2021 (30 June 2020: Nil).

19 Events occurring after the reporting year

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

Directors' Declaration

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

- (a) The financial report as set out in pages 32 to 56 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 26 to 28, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company as at 30 June 2021 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- (b) At the date of this declaration, in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the person who performs the Chief Executive Officer and Chief Financial Officer functions, for the purpose of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
26 August 2021

Hearts and Minds Investments Limited
Independent Auditor's Report to the Shareholders
For the year ended 30 June 2021



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Independent Auditor's Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hearts and Minds Investments Limited ("the Company"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 30 June 2021, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Hearts and Minds Investments Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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Hearts and Minds Investments Limited
Independent Auditor's Report to the Shareholders (continued)
For the year ended 30 June 2021

Independent Auditor's Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<i>Existence, Completeness and Valuation of Financial Assets</i>	
<i>Refer to Note 14: Financial Assets</i>	
We focused our audit effort on the existence and valuation of the Company's financial assets as they are the most significant driver of the Company's Net Tangible Assets and profits. Investments consist of listed Australian and global securities and are considered to be non-complex in nature with fair value based on readily observable market data. Consequently, these investments are classified under Australian Accounting Standards as "Level 1" (i.e. where the valuation is based on quoted prices in the market). All foreign investments are valued in presentation currency (Australian dollars) utilising the year end rates.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">▪ Obtaining an understanding of the investment management process and controls;▪ Reviewing and evaluating the independent audit reports on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian;▪ Reviewing and evaluating the independent auditor's report on internal controls (ASAE 3402 Assurance Report on Controls at a Service Organisation) for the Administrator;▪ Making enquiries and obtaining bridging letters as to whether there have been any changes to these controls or their effectiveness.▪ Obtaining confirmation of the investment holdings directly from the Custodian;▪ Recalculating and assessing the Company's valuation of individual investment holdings to independent pricing sources;▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; and▪ Assessing the adequacy of disclosures in the financial statements.

Hearts and Minds Investments Limited
Independent Auditor's Report to the Shareholders (continued)
For the year ended 30 June 2021

Independent Auditor's Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220



Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the financial year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Hearts and Minds Investments Limited
Independent Auditor's Report to the Shareholders (continued)
For the year ended 30 June 2021

Independent Auditor's Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220



- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 28 of the Directors' Report for the financial year ended 30 June 2021. In our opinion, the Remuneration Report of Hearts and Minds Investments Limited, for the financial year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'S M Whiddett'.

S M Whiddett
Partner

26 August 2021

A handwritten signature in black ink, appearing to read 'Pitcher Partners'.

Pitcher Partners
Sydney

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information is current as of 30 July 2021.

CORPORATE GOVERNANCE STATEMENT

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on HM1's website (heartsandmindsinvestments.com.au) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

NUMBER OF HOLDINGS OF EQUITY SECURITIES

As of 30 July 2021, the number of holders in each class of equity securities on issue in HM1 is as follows:

Security type	No. of securities	No. of shareholders
Fully Paid Ordinary Shares	226,033,818	8,995

VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in the Company which carry voting rights is ordinary shares.

DISTRIBUTION OF HOLDERS OF ORDINARY SHARES

	Class of Ordinary Shares		
	Total holders	Units	% Units
1-1,000	1,545	705,100	0.310
1,001-5,000	3,077	8,235,846	3.640
5,001-10,000	1,577	11,927,739	5.280
10,001-100,000	2,619	65,730,337	29.080
100,001-9,999,999,999	177	139,434,796	61.690
Totals	8,995	226,033,818	100.000

The number of shareholdings held in less than marketable parcels is 60.

UNMARKETABLE PARCELS

The number of holders of less than a marketable parcel of ordinary shares as of 30 July 2021, is as follows:

Unmarketable parcels as reporting date	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$4.60 per unit	109	104	1,638

SUBSTANTIAL HOLDERS

There are no substantial holders (voting interest greater than 5%) in HM1 as of 30 July 2021 (2020: Nil).

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder as of 30 July 2021, is as follows:

Shareholder name	Shares held	% Held
HSBC Custody Nominees (Australia) Limited	40,685,112	18.000%
National Nominees Limited	14,636,472	6.475%
Netwealth Investments Limited <Wrap Services A/C>	8,477,323	3.750%
Koll Pty Ltd <No 1 Account>	4,443,750	1.966%
HSBC Custody Nominees (Australia) Limited - A/C 2	3,300,758	1.460%
Beta Gamma Pty Ltd <Walsh Street Super Fund A/C>	2,671,056	1.182%
Navigator Australia Ltd <Mc Investment Sett A/C>	2,318,684	1.026%
Associated World Investments Pty Ltd	2,250,000	0.995%
Skip Enterprises Pty Limited <Farquhar A/C>	2,250,000	0.995%
Jane Hansen Super Pty Ltd <Jane Hansen Super Fund A/C>	2,200,228	0.973%
John Shearer (Holdings) Pty Limited	2,000,000	0.885%
Wroxby Pty Limited	2,000,000	0.885%
Charles & Cornelia Goode Foundation Pty Ltd <CCG Foundation A/C>	1,849,192	0.818%
The Ian Potter Foundation Ltd <No 1 A/C>	1,800,000	0.796%
Wilson Foundation Pty Ltd <Wilson Foundation A/C>	1,687,500	0.747%
Netwealth Investments Limited <Super Services A/C>	1,565,181	0.692%
J P Morgan Nominees Australia Pty Limited	1,539,632	0.681%
MIDAS Touch Investments Pty Ltd	1,386,894	0.614%
Ravenscourt Proprietary Limited	1,335,528	0.591%
Bnp Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,289,638	0.571%
Total number of shares of Top 20 Holders:	99,686,948	44.100%
Total Securities:	226,033,818	100.000%

STOCK EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: HM1). There are no unquoted equity securities

OTHER INFORMATION

There are no issues of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.