



April 2020

8 May 2020

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

Dear Shareholders,

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

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

For and on behalf of the board,

Tom Bloomfield  
Company Secretary

### Investment objective

Provide a concentrated portfolio of long-only positions in 25-35 Australian and globally listed securities based on the highest conviction ideas from leading fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

### Portfolio Commentary

For the month of April, the HM1 portfolio generated an investment gain of 14.3%, compared to a gain of 3.7% in the benchmark MSCI World Net Total Return Index (AUD). After the dramatic falls across markets in March, hopes of reopening the economy, saw the US share market rally sharply in April. For the month of April the S&P 500 was up 12.7%, the Nasdaq was up 14.4%, while the ASX200 was up 5%. Our portfolio significantly outperformed the benchmark over the month, despite the strengthening Australian dollar, which rallied 7.3% to close just above 65 cents to the US dollar. Since inception (November 2018), the investment portfolio is up 34% compared to 15.5% for the benchmark. The post tax Net Tangible Asset value increased by 10.2% during April to \$3.04 and is now up 23.9% since inception.

The roller coaster ride that markets around the world are on right now continued throughout April, with feared job losses coming in much worse than expected causing an early month sell-off. Evidence of the COVID-19 curve appearing to flatten across most countries, unprecedented fiscal and monetary support by Governments and central banks, and better than expected earnings from heavyweights Google, Microsoft, Amazon and Facebook gave investors comfort. Hopes of a vaccine becoming available sooner rather than later were boosted by Gilead Sciences announcing that its experimental drug was helping some patients recover faster than those without it. Markets always try to predict how the economy will cope with threats like COVID-19, and only time will tell whether the current bounce has correctly predicted the ongoing impact of this pandemic.

In portfolio news, many of the conference stocks bounced enough to more than offset the falls experienced in March. [Tesla](#), which always seems to make the news due to the tweeting of founder Elon Musk, was 17% higher than its February closing price, after rallying 49% in March. [A2 Milk](#) is 18% higher over the 2 months. Smartsheet Inc (SMAR.US), a Software as a Service company that provides a cloud-based platform for collaboration and work management, is 14% higher over the last 2 months. [Spotify](#) (SPOT.US) reported late in April and announced that even with the global disruption of the last 2 months, they have been adding users at accelerating growth rates and that their existing customers remain highly engaged.

Some of the stocks have not recovered the losses from March, with Floor and Decor (FND.US), a multi-channel American specialty retailer of hard surface flooring, is still 17% below its closing price in February. Wizz Air (WIZZ.LN), the low-cost European airline based in Hungary remains 14% below its February close. GDS Holdings (GDS.US), Mineral Resources (MIN.AX), and The Trade Desk (TTD.US) each recovered their March losses evenly.

The core portfolio had a similar month to the conference portfolio where many stocks have now fully recouped the losses sustained in March. In the last quarter there were four changes to the core portfolio, and pleasingly the returns to the portfolio of the new stocks have been positive so far.

The portfolio currently holds 30 stocks, across 6 regions and 7 sectors. At month end approximately 6% of the investable assets was held in cash. As you can see from the stocks mentioned above, the portfolio holds a range of very different stocks. The Managers are selected with this in mind, so that the portfolio can be as diverse as possible with the number of stocks we hold. As always, the investment team is in regular contact with all of the managers, so that when an investment idea plays out, or indeed turns against us, we can act quickly to support investment performance.



Rory Lucas  
Chief Investment Officer

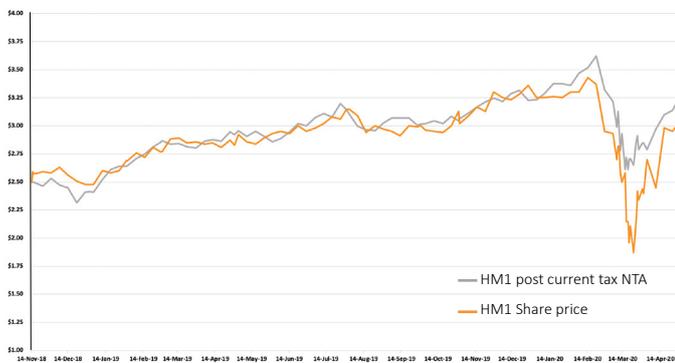
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	14.3%	10.1%	14.7%	34.0%
MSCI World Net TR Index (AUD)	3.7%	-2.4%	3.2%	15.5%

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

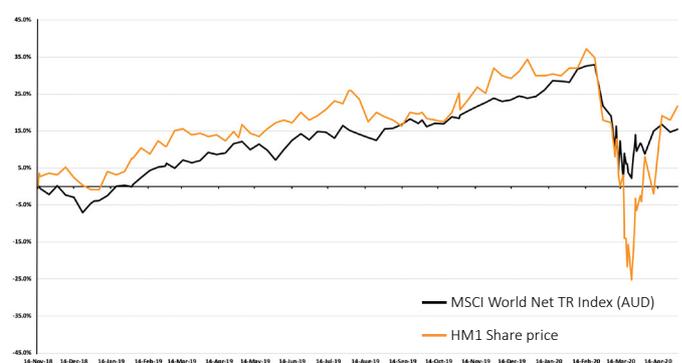
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	10.2%	7.3%	10.7%	23.9%

Source: Hearts and Minds Investments Limited and Citco Fund Services. Fund inception 14 Nov 2018.

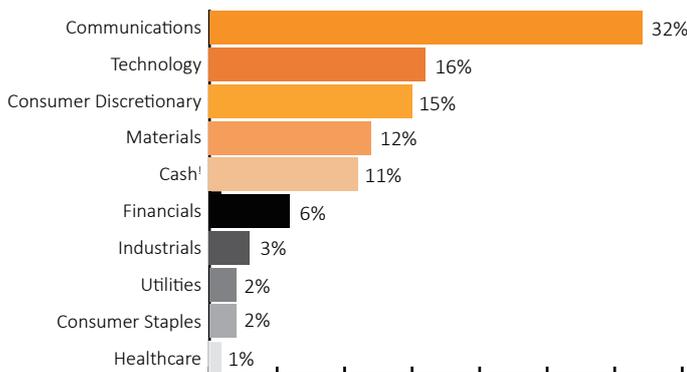
### HM1 share price vs post current tax NTA backing



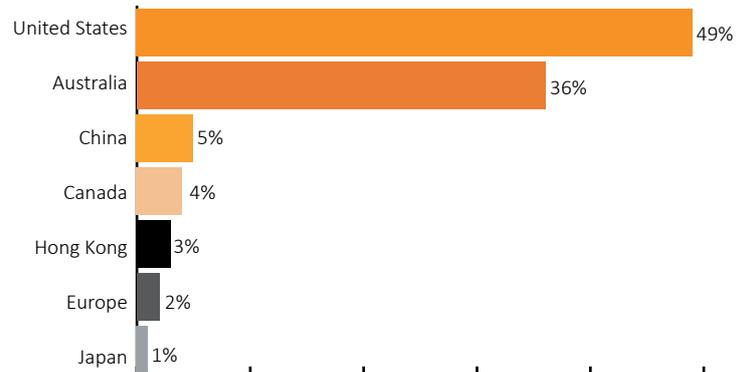
### HM1 share price vs MSCI World Net TR Index (AUD)



### Sector allocation



### Business domicile<sup>4</sup>

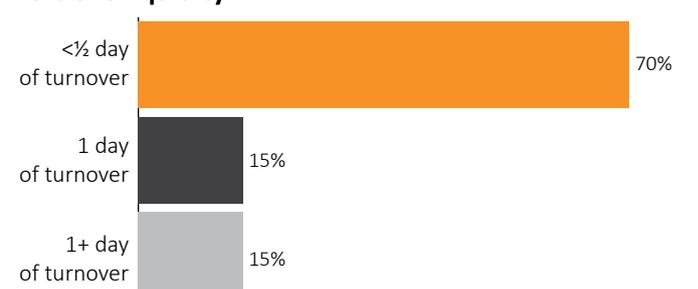


### Key details

Pre Tax NTA <sup>1</sup>	\$3.26
Post current tax NTA <sup>2</sup>	\$3.12
Post tax NTA <sup>3</sup>	\$3.04
ASX code	HM1
Share price	\$2.92
Percent invested	89%
Listing date	14 Nov 2018

All numbers as at 30 April 2020 unless otherwise stated.

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



<sup>1</sup>Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability <sup>2</sup>Pre tax NTA is the NTA of the company before the provision for current or deferred tax. <sup>3</sup>Post current tax NTA includes a provision for tax on operating profits, a provision for tax on realised gains and losses on the Total investment portfolio and a provision for tax on unrealised gains and losses on the Conference investment portfolio <sup>4</sup>Post tax NTA includes the provision for tax on operating profits, and a provision for tax on both realised and unrealised gains and losses on the Total investment portfolio. <sup>5</sup>Determined by location where primary business takes place. <sup>6</sup>Based on 20 day average daily turnover. <sup>7</sup>The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. <sup>8</sup>All NTA figures are unaudited and prepared by Citco Fund Services. <sup>9</sup>All numbers as at 30 April 2020 unless otherwise stated.

## News from our Managers & Beneficiaries

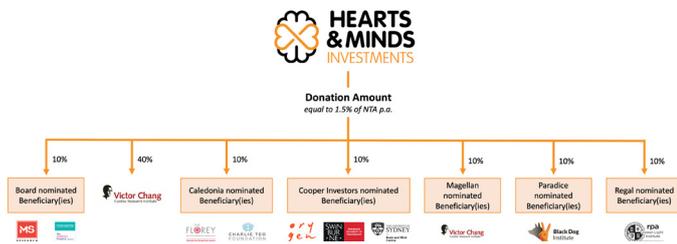
This month we're sharing some insights from our fund managers, whether it's about COVID-19 and its expected economic impact, a disruptive technology, or even about their investment style. We're also going to share with you any developments from our nominated charities. You can see a full list of our Core managers, Conference Managers, and Beneficiaries over the page.

### How does the donation work?

Whilst the primary objective of HM1 is to give shareholders an attractive investment opportunity, HM1 has an important additional objective of providing financial support to leading Australian medical research institutes. In lieu of zero management fees, HM1 donates 1.5% of its Net Tangible Assets per annum to our designated charities. In addition to HM1 foregoing management fees, our Fund Managers and a number of key Service Providers provide their services on a pro bono basis. In March, HM1 made a half yearly donation of \$4,133,750.

### How are the Designated Charities chosen?

The Designated Charities are nominated by our Core Fund Managers and the HM1 Board. Currently HM1 distributes its donations in the following manner:



### Why support medical research?

Investment in medical research provides a direct avenue to curing many diseases. The Coronavirus Crisis has only emphasised the vital need and work of our medical researchers. Australia's response is a testament to the robust network of medical researchers in Australia. A number of key reasons to support medical research include, but are not limited to:

- **Development of new medicine:** All Australians have benefited directly, or indirectly, from the discoveries and results of Australian medical research. This includes the development of new drugs, vaccines, or procedures to prevent or treat diseases.
- **Supporting Australia's world-leading Medical Research:** Australian scientists are responsible for some of the world's most important medical discoveries. Australia is ranked 11<sup>th</sup> in the world for the number of scientific publications produced.
- **Return on investment:** Medical research has historically provided strong returns on investment. Investment in Australian medical research between 1993 and 2005 is estimated to have returned a net benefit of \$29.5 billion to Australia, with every dollar invested in medical research estimated to return on average \$2.17 in health benefits.



**Magellan chief Hamish Douglass**, a Core Fund Manager and founding supporter of Hearts and Minds, has warned that there will be no quick rebound from the economic downturn caused by the COVID-19 crisis. Read *The Australian* article [here](#).



Founder of Core Manager **TDM Growth Partners** Tom Cowan, responds to a client email brilliantly, questioning 'how low can we go?'. Read what he had to say about the impact of Coronavirus on the markets and how TDM are responding. TDM Growth also have their own podcast '[Scaling Up](#)', which is definitely worth a listen.



Nick Griffin, Chief Investment Officer of **Munro Partners** and two-time Conference Manager discusses Covid-19, the 'black swan event' no one saw coming in this [Livewire article](#) titled '[This isn't stimulus...it's compensation](#)'. Nick also joined Chris Judd on '[Masters of the Market](#)' and shared his investment philosophy and approach.



[Watch](#) **Victor Chang Cardiac Research Institute's** Executive Director, Professor Jason Kovacic answer questions about COVID-19 and its impact on the heart, along with their latest COVID-19 [related research](#). Prof Kovacic also featured on 7News discussing the latest collaborations, watch the segment [here](#).



**The Black Dog Institute** has developed a series of evidence-based tools and resources to help provide individuals, workplaces, schools, parents and health professionals with the tools they need to cope the uncertainty surrounding the COVID-19. It's more important than ever for us to look after our mental health and maintain healthy connections with our communities, access their [resources here](#).



**MS Research Australia** [launched](#) their #May50k campaign, a virtual and physical challenge to raise money to help #KissGoodbyeToMS. So far, they have raised a phenomenal \$3.5 million. You can still [register](#) if you would like to partake, and walk or run 50k during the month of May.

More news from the HM1 network

We regularly update our News and Insights section on the [HM1 website](#) with interesting articles from our fund managers, beneficiaries and general good reads.

Core fund managers

CALEDONIA

 COOPER  
INVESTORS

 MAGELLAN  
EXPERTS IN GLOBAL INVESTING

PARADICE  
INVESTMENT MANAGEMENT

REGAL  
FUNDS MANAGEMENT

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GROWTH PARTNERS

Conference fund managers

 Airlie  
Funds Management

 ARK  
INVEST



 COOPER  
INVESTORS

COTA CAPITAL

Montaka  
Global Investments

MUNRO  
PARTNERS

OASIS

REGAL  
FUNDS MANAGEMENT

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GROWTH PARTNERS

TEKNE  
CAPITAL

**Tribeca**  
Investment Partners

Designated charities

 Black Dog  
Institute

 THE UNIVERSITY OF  
SYDNEY  
Brain and Mind  
Centre

 CHARLIE TEO  
FOUNDATION  
funding brain cancer research

Proudly supporting  
 the children's  
hospital at Westmead

THE  
FLOREY  
INSTITUTE OF NEUROSCIENCE & MENTAL HEALTH  
Improving lives through brain research

**MS**  
RESEARCH  
AUSTRALIA

 orygen

 rpa  
Green Light  
Institute  
Transforming Emergency

**SWINBURNE**  
UNIVERSITY OF  
TECHNOLOGY

 Victor Chang  
Cardiac Research Institute

Pro-bono service providers

BoardRoom

CITCO

 IRM

KING & WOOD  
MALLESONS  
金杜律师事务所

 BUCHAN