

10 May 2021

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

Dear Shareholders,

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

If you would like to receive these monthly investment updates via email please [subscribe 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 increased 3.5%, compared to increases in the MSCI World Net TR Index (AUD) of 3.2%, the S&P 500 of 5.2%, the NASDAQ Composite of 5.4%, and the ASX200 of 2.9%. The Australian dollar rallied against the US dollar, closing the month back above 77c, up 1.3% for the month. Since inception (November 2018) the compound annual investment return of the HM1 investment portfolio stands at 27.2% compared to 15.1% for the benchmark MSCI World Net TR Index (AUD). The post-tax Net Tangible Asset value of HM1 increased by 2.6% in April and has increased at a compound annual rate of 20.0% since inception.

Global equity markets continued to surge during April, with the vaccination campaign gaining momentum and ongoing monetary and fiscal support giving investors renewed confidence in the economy. The rotation out of secular growth stocks into more cyclical sectors seems to be continuing as the economy gradually re-opens. This has impacted the share prices of technology stocks that have experienced large increases over the last year and/or missed earnings expectations.

Against this, we are seeing the spread of COVID-19 throughout India, where there are now a reported 400,000 cases per day, further variants of the virus appearing, supply side delays with the vaccine rollout, and fears of complications (blood clots) lowering the take-up in some countries. This, coupled with ongoing tensions between China and the Western world, is likely to result in further volatility in equity markets in the near term.

The core portfolio had a pleasing month up over 5% in AUD terms despite the increase in the \$US. Movements during the month were largely driven by earnings and activity reports. Portfolio stocks that exceeded earnings expectations or reaffirmed guidance enjoyed solid increases in share price. Conversely, stocks that missed earnings guidance were badly impacted.

The conference portfolio had a mixed month and was also driven by news flow. On the positive side, DISH Corporation continued on its positive performance in March, rallying by a further 24% in April after announcing an agreement with Amazon to run elements of its 5G network which is under development. Temple and Webster (TPW.AX) rallied almost 18% on the back of a positive trading update, while Fisher and Paykel Healthcare (FPH.AX) increased by 14.5%.

On the negative side, our two telehealth names, Teladoc Health (TDOC.NAS) and Ping An Good Doctor (HK) struggled, both dropping by about 8%. Twitter was also lower in April, falling by 13% after a disappointing earnings report. All of our managers remain comfortable with the recommendations in the current environment, and indeed some are seeing the recent price moves as opportunities to increase exposure at attractive prices.

Whilst we are disappointed with the return of the last 6 months (+6.7% vs our benchmark of +17.4%) and indeed the share price during 2021 (-5% excluding dividends; -7.5% including dividends), we remain confident in our investment strategy for the time horizon we pitched, namely 3-5 years. With a once-in-one-hundred-year pandemic dominating headlines, where the unknowns outweigh the knowns, short term share prices will fluctuate more than would be expected under more stable conditions. The rotation we are seeing away from growth stocks into cyclical names is causing highly priced growth stocks to be sold off, with many investors locking in profits in stocks that have generated supernormal share price gains in recent years. Whether this proves to be the right decision will only become apparent with the passage of time.

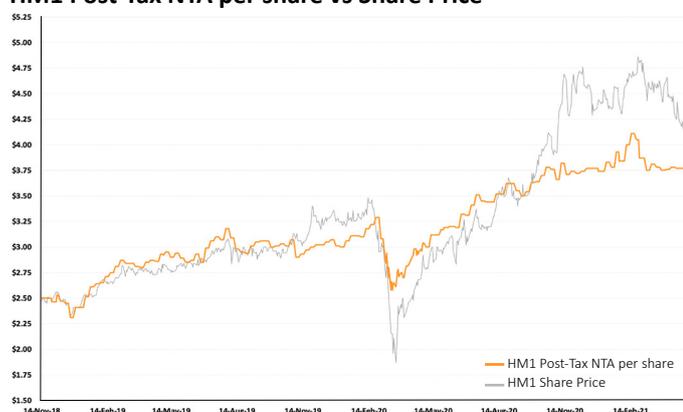
Investment Performance	1 month	6 months	12 months	Since Inception Compound p.a.
Investment Performance	3.5%	6.7%	36.2%	27.2%
MSCI World Net TR Index (AUD)	3.2%	17.4%	23.2%	15.1%

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

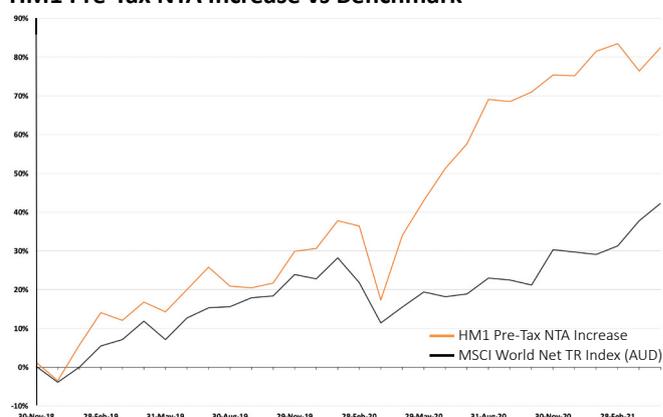
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Inception Compound p.a.
Post Tax NTA Performance*	2.6%	5.4%	27.0%	20.0%

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

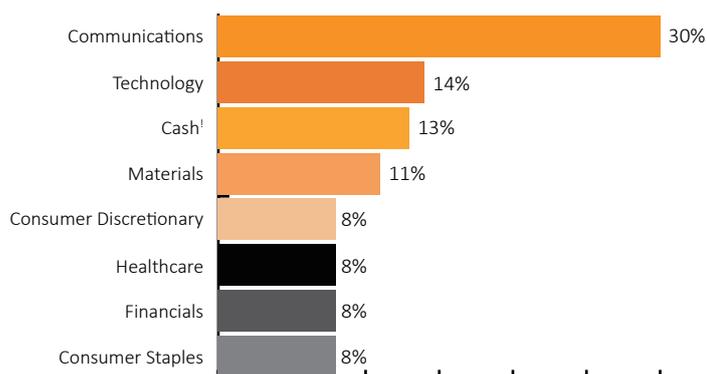
### HM1 Post-Tax NTA per share vs Share Price



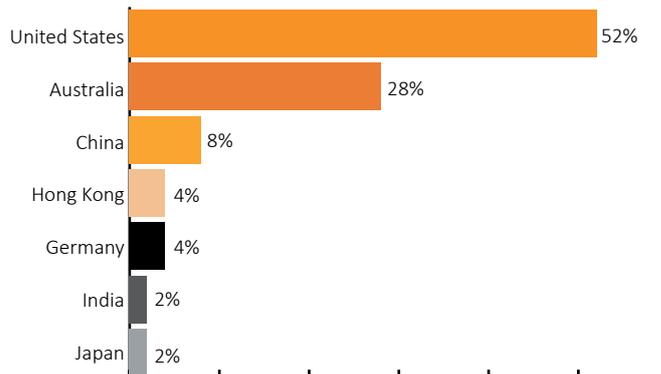
### HM1 Pre-Tax NTA Increase vs Benchmark



### Sector allocation



### Business Domicile<sup>4</sup>

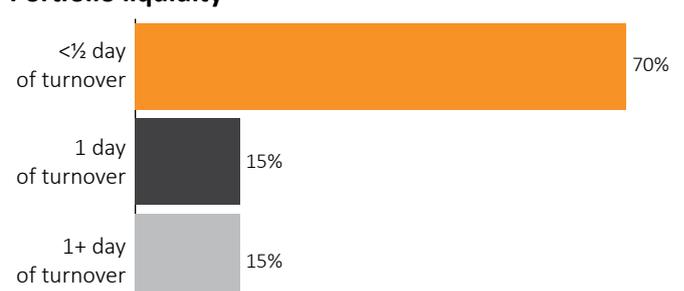


### Key details

Pre Tax NTA <sup>1</sup>	\$4.11
Post current tax NTA <sup>2</sup>	\$3.90
Post tax NTA <sup>3</sup>	\$3.74
ASX code	HM1
Share price	\$4.11
Percent invested	87%
Listing date	14 Nov 2018

All numbers as at 30 April 2021 unless otherwise stated.

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



<sup>1</sup>Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability <sup>2</sup>Pre tax NTA is the NTA of the company before the provision for current or deferred tax. <sup>3</sup>Post current tax NTA includes a provision for tax on operating profits, a provision for tax on realised gains and losses on the Total investment portfolio and a provision for tax on unrealised gains and losses on the Conference investment portfolio <sup>4</sup>Post tax NTA includes the provision for tax on operating profits, and a provision for tax on both realised and unrealised gains and losses on the Total investment portfolio. <sup>5</sup>Determined by location where primary business takes place. <sup>6</sup>Based on 20 day average daily turnover. <sup>7</sup>The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. <sup>8</sup>All NTA figures are unaudited and prepared by Citco Fund Services. <sup>9</sup>All numbers as at 30 April 2021 unless otherwise stated.

## News from our **Managers**



In this conversation on disruptive innovation, Conference Fund Manager **Cathie Wood (ARK Invest)** discusses a broad range of topics including her journey as an institutional investor, her take on innovation as an asset class and using innovation as a hedge. [Listen to the conversation here.](#)



**Phil King of Regal Funds Management** makes his debut on Chris Judd's *Talk Ya Book*. The two discuss a few topics including the case for Australian telecommunications provider Spirit Technology Solutions. Phil outlined the broadening of the company's product range through strategic acquisitions, the importance of having expertise within cybersecurity and more. [Watch the conversation here.](#)



In another great episode of *Equity Mates*, **Ben Gisz, co-founder of TDM Growth Partners** talks to the guys about building a portfolio in today's market conditions. They chat about Ben's unusual first investment, TDM's 'bottom up' investment research process, and some of the key things to be aware of in today's market environment. [Listen to the episode here.](#)



**Hamish Douglass, Co-Founder, Chairman and Chief Investment Officer of Magellan Financial Group** joins Morningstar's *The Long View* podcast. In this episode, they discuss Magellan's unusual origin story, China, and how to build a cohesive world-stock portfolio. [Listen to the episode here.](#)



In this Livewire article, **Cooper Investors' Global Equities Portfolio Manager Chris Dixon** shares details about two great companies trading at a discount and why he believes value creation can be realised with these companies, regardless of what is happening to broader markets. [Read the article here.](#)



In this episode of *The Rules of Investing* podcast, **David Moberley of Paradise Investment Management** shares how his experience at a start-up helped him as an analyst, why Australian gas stocks are well placed for further appreciation, and why CSL's collection problems are likely to just be transitory. [Listen to the episode here.](#)



In an article for the Australian Financial Review, **Tribeca Investment Partners Portfolio Manager Jun Bei Liu** explains the lasting impacts of COVID-19 such as the accelerated rise of environmental, social and governance (ESG) investing, the changing work and consumption patterns and the opportunities these present to investors. [Read the article on our website here.](#)



**Rory Lucas, HM1's Chief Investment Officer**, writes a weekly jargon-free update providing educational insight into what's happening in the portfolio. You can view past updates on our [website here](#), and subscribe to receive these straight to your inbox each [Monday here](#).



Netflix's early dominance in the on-demand streaming industry built its reputation as a must-have offering for consumers. The **Magellan** team shares their analysis of Netflix, and why they see the company continuing to improve the value of its bespoke services. [Read the Livewire article on our website here.](#)

More news from  
the HM1 network

Don't forget we regularly update our News and Insights section on the [HM1 website](#) with interesting articles from our fund managers, beneficiaries and general good reads.



Previous Conference keynote speaker, **Howard Marks of Oaktree Capital Management** joins the *3 Takeaways* podcast. In this episode, Marks talks about the most important things in investing and how the real accomplishment is to have profit potential disproportionate to the risk. He shares how to get the odds on your side, why diversification is not a magic elixir and why stock prices could go much higher. [Listen to the conversation here.](#)

Core fund managers



Conference fund managers



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