



23 November 2020

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

Dear Shareholders,

Please find attached the Chairman's address presented at today's Annual General Meeting of Hearts and Minds Investments Limited.

For and on behalf of the board,

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is written over a light blue horizontal line.

Tom Bloomfield  
Company Secretary



## **HEARTS AND MINDS INVESTMENTS LIMITED**

### **2020 AGM Chairman's Address**

#### **Welcome**

Good afternoon and welcome to the 2nd Annual General Meeting of Hearts and Minds Investments Limited (which I will refer to as HM1 or the Company). My name is Chris Cuffe and I am Chairman of the Company. As you know we are conducting our AGM online this year via the Lumi platform. This allows shareholders, Proxyholders and Guests to participate in the meeting virtually. All attendees can listen to a live webcast of the meeting. In addition, shareholders and proxyholders can ask questions and submit votes. We hope to revert back to a face to face AGM next year.

I am joined today by my fellow Directors and company officers:

Paul Rayson (Chief Executive Officer), Rory Lucas (Chief Investment Officer) David Wright (also Chairman of the Investment Committee), Lorraine Berends, Guy Fowler, Geoff Wilson, Michael Traill, Matthew Grounds, Gary Weiss and our Company Secretary, Tom Bloomfield.

On behalf of the Board and management we would like to thank you for your support of HM1 and I'm delighted to report on the Company's financial results and charitable donations for the year ended 30 June 2020. Scott Whiddett from our auditors, Pitcher Partners, is also present, and will be available to address any questions relating to the Company's financial statements.

#### **Performance Update**

HM1 is a listed investment company that was established with the combined objective of providing a concentrated securities portfolio of the highest conviction ideas from leading 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.

We acknowledge that the pandemic presents a major challenge for communities around the world and that many families and businesses have been severely impacted by the ongoing health crisis and economic impact. The economic impact of the pandemic has led to various government measures to support business and communities through the impact of lockdown, border closures and other public health measures.

The pandemic also led to extreme market volatility with significant falls in global equity markets in March this year. This was followed by a steep recovery in April and May in sectors that were less impacted by the pandemic, or indeed were beneficiaries of the pandemic, such as certain technology companies.



Despite this extraordinary backdrop, I am pleased to report that the investment portfolio of HM1 has proved to be resilient during the market turmoil and has generated an excellent performance for the full year to 30 June 2020.

HM1 posted a pre-tax return of 26.1% for the year ended 30 June 2020, significantly outperforming the global equity benchmark, the MSCI World Net TR (AUD) index, which increased 4.8% over the same period. We are very pleased with this performance, particularly during this period of heightened market volatility, which has tested many investment strategies. Since inception of the Company in November 2018, HM1 has generated a pre-tax return of 51.3% to 30 June 2020, compared to a return of 18.2% for the benchmark over the same period.

During the year ended 30 June 2020, HM1 recorded total comprehensive income after tax of \$117.5m (2019: \$70.5m). The result was partly driven by net realised gains from the 2018 Conference Portfolio which was disposed of during the year. Further net realised gains were generated from both the Core Portfolio and the 2019 Conference Portfolio where our fund managers recommended the taking of some profits on investment holdings that had met or 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 as at 30 June 2020.

During December 2019, HM1 raised \$62.5m from the issue of 25,000,000 new ordinary shares issued at \$2.50 each through a fully renounceable rights issue to existing shareholders. The funds raised were used to invest in the three highest conviction investment recommendations from our new Core Fund Manager, TDM Growth Partners. We are pleased to report that the three investment recommendations of TDM have all performed well over the period.

HM1's post-tax net tangible assets have increased from \$570m at 30 June 2019 to \$750m as at 30 June 2020. Excluding the increase in capital of \$62.5m from the share issue, the Company's post-tax net tangible assets have increased 19.3% or \$117.6m over the year.

Given the strong returns generated by HM1 since inception and the generation of net realised gains, the Board will consider a dividend payment at our next Board meeting in February 2021.

### **Investment in Medical Research**

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 charities.



The current designated charities are Victor Chang Cardiac Research Institute, Black Dog Institute, Brain and Mind Centre at Sydney University, Charlie Teo Foundation, The Paediatric Intensive Care Unit of the Children's Hospital at Westmead, The Florey Institute of Neuroscience and Mental Health, Multiple Sclerosis Research Australia Limited, Orygen, Centre of Human Psychopharmacology at Swinburne University and Royal Prince Alfred Hospital Emergency Research.

During the year ended 30 June 2020, HM1 paid \$4.1 million to its designated charities. A further \$5.1m was paid in August 2020 bringing total donations paid this year to \$9.3m. 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.

We would like to thank our Fund Managers and service providers for their support and generosity in the establishment and ongoing operations of HM1. 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.

A handwritten signature in black ink, appearing to read "Chris Cuffe", is centered within a light gray rectangular box.

**Chris Cuffe AO**  
**Chairman**

23 November 2020