

10 August 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 July 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 July, the HM1 portfolio generated an investment return of 4.2%, compared to a gain of 0.6% in the MSCI World Net Total Return Index (in AUD). Leading indices around the world were stronger in July, with the broad-based S&P 500 registering a 5.5% gain, while the local bourse was up just 0.5%. The Australian dollar was again stronger, finally regaining the 70c level, and closed out the month at 71.5c, which is its highest level since April 2019. The increase in the Australian dollar over the month partially offset market gains in our offshore stock holdings. Since inception (November 2018) the investment portfolio has gained 57.6% compared to 18.9% for the benchmark. The post-tax net tangible asset value of HM1 increased by 3.3% during July and is now up 40.5% since inception.

Global markets continue to be driven by the economic impact of the global pandemic, reports of possible vaccines being developed, calls for further relief packages to be delivered, and the upcoming US election, where Democrat Joe Biden has now emerged as the clear favourite over Donald Trump with the betting agencies. We are also seeing the first quarterly report updates from US companies since COVID-19 changed the way we live our lives and how companies operate. So far, the reports have generally been better than expected, and despite the pandemic concerns, the S&P 500 is now almost back to the all-time highs it achieved in mid-February.

In portfolio news, within the conference portfolio, only Smartsheet (SMAR.NYS) and Wizz Air (WIZZ.LN) had declines of more than 2%, while four stocks had gains of over 10%, with Tesla (TSLA.NAS) leading the way with a gain of just over 32% for the month. Mineral Resources (MIN.AX) was also very strong, registering a gain of 21%, while Floor and Decor (FND.NYS) and The Trade Desk (TTD.NAS) were up 14% and 11% respectively. Tesla did manage to report a quarterly and annual profit, which is a requirement for consideration for inclusion in the S&P 500 index. This was the reason for the continued rally into the profit announcement. The top performer in June, Spotify (SPOT.NAS), had a subdued month, closing flat at month end, but still up over 76% since we first invested in November last year.

The Core portfolio also had a pleasing month, with three stocks registering gains of over 15% for the month, while our worst performer was down 8%, and the other two stocks that detracted from performance were down just 3% and 2%. Of the three stocks that provided the strongest returns, two of these were also our largest holdings.

Our managers continue to evaluate the changing investment landscape on a regular basis. We believe this regular interaction with all of our managers is a core reason for the outperformance we have delivered to our shareholders and continue to engage with all of them on a regular basis. Of our twelve Conference stocks we hold, we have made adjustments to the position size of ten of these since November, either locking in super-normal gains, trimming holdings where the original investment thesis has been changed by COVID-19, or adding to holdings when our managers believe that the shorter term price action has not matched the underlying fundamentals of the company.

We will be releasing our 2019/20 Annual Report later this month, where all of our holdings will be reported as at 30 June 2020.

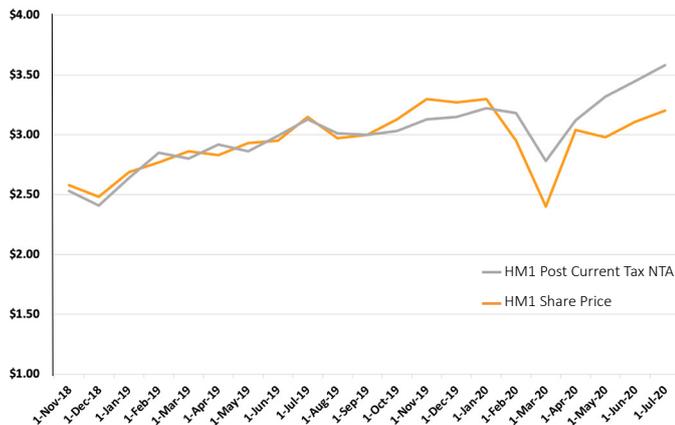
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	4.2%	14.4%	25.3%	57.6%
MSCI World Net TR Index (AUD)	0.6%	-7.3%	3.1%	18.9%

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.

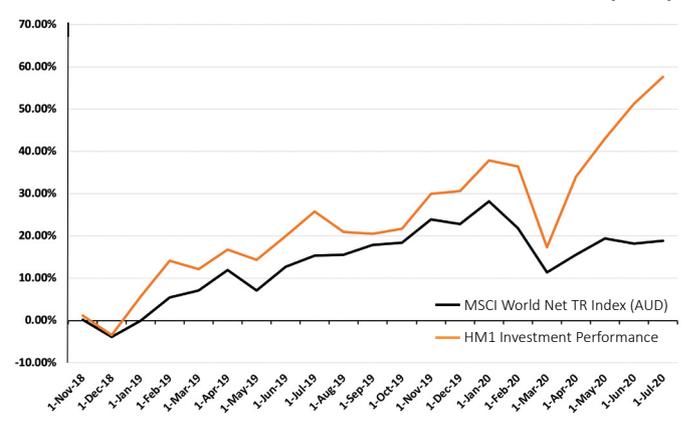
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	3.3%	10.9%	18.9%	40.5%

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

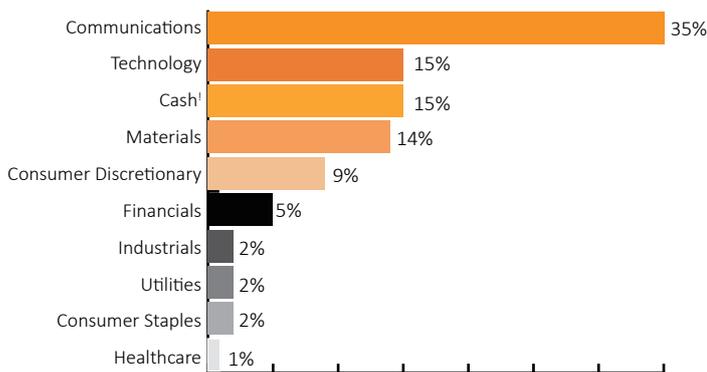
HM1 Share Price vs Post Current Tax NTA



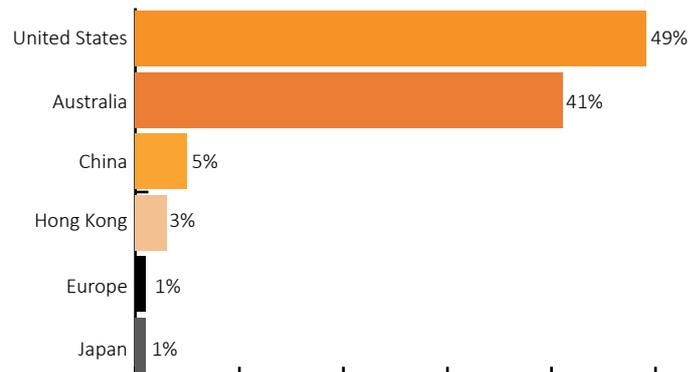
Investment Performance vs MSCI World Net TR Index (AUD)



Sector allocation



Business domicile⁴

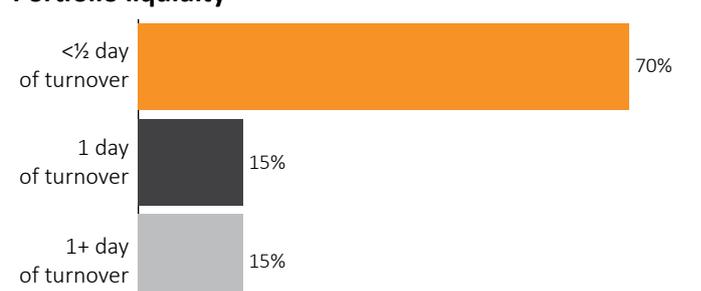


Key details

Pre Tax NTA ¹	\$3.83
Post current tax NTA ²	\$3.58
Post tax NTA ³	\$3.44
ASX code	HM1
Share price	\$3.20
Percent invested	85%
Listing date	14 Nov 2018

All numbers as at 31 July 2020 unless otherwise stated.

Portfolio liquidity⁵



¹Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability ²Pre tax NTA is the NTA of the company before the provision for current or deferred tax. ³Post 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 ⁴Post 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. ⁵Determined by location where primary business takes place. ⁶Based on 20 day average daily turnover. ⁷The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. ⁸All NTA figures are unaudited and prepared by Citco Fund Services. ⁹All numbers as at 31 July 2020 unless otherwise stated.

News from our Managers & Beneficiaries

Beneficiary Profile: RPA Green Light Institute

Emergency departments are the frontline of health care, with one in seven Australians seeking help from a hospital emergency department every year. Our medical staff depend on research findings to help inform their responses to urgent patient needs.

Funding from Hearts and Minds Investments Limited helps to connect research and frontline staff. It supports Royal Prince Alfred Hospital's Green Light Institute, based on a concept unique in Australasia — to embed research infrastructure and training facilities entirely within an emergency department, enabling seamless implementation of new research findings into clinical practice at the bedside.

“The concept and vision behind the Green Light project has been made entirely possible through funding from Hearts and Minds. We’re so appreciative to have been chosen by Phil King and Regal Funds Management as their designated medical research organisation,” says Associate Professor Michael Dinh, Green Light Institute Clinical Director.

The Green Light Institute focuses on high impact acute medical conditions with significant public health ramifications like trauma care, stroke, acute cardiac conditions, mental health and sepsis management. The COVID-19 pandemic has brought the need for research into even sharper focus, with research focusing on better treatments for COVID-19 and access to health care for members of the community in quarantine.

Supporting research today benefits patients now and whole communities in the future. Green Light Institute research coordinator, Saartje Berendsen Russell, says “On behalf of our patients and their families, as well as generations of future emergency clinical leaders, I would like to extend a big warm-hearted thank you for the generosity and shared vision of Hearts and Minds”.

HM1 spoke with Associate Professor Michael Dinh, Clinical Director at the RPA Green Light Institute as part of the impact video series and discussed the importance of emergency and trauma medicine research. You can [watch the video here](#).



HM1 CIO, Rory Lucas recently spoke with the Financial Standard about our 12-month performance and the challenges we've faced in receiving ratings from the major research houses. Read the article on our website [here](#).



Nick Griffin, founding partner of Munro Partners, weighs in on the growth versus value debate. Nick looks to the digital revolution and the factors driving it to demonstrate why you're going to need a growth investor in your corner to deal with the next 10 years. Read the [article here](#).



In this episode of the *Rules of Investing* podcast, **Paradice portfolio manager Troy Angus** talks about the important question most investors ignore – ‘Am I wrong?’. Take a listen as they discuss Paradise’s history and investment philosophy, what the perfect investment looks like, where we are on the curve and much more. [Listen here](#).



Qiao Ma, Portfolio Manager at Cooper Investors discusses the importance of investing in culture and leadership, demonstrating this with an insurance company that is overcoming the challenges of COVID-19 and pivoted to help substantially improve their operations for the long-term. You can read the [article here](#).



Jun Bei Liu of Tribeca Investment Partners (current conference manager) and Blake Henricks of Firetrail Investments (conference manager alum) discuss the upcoming earnings season; what to look for, whether they're bullish or bear on particular sectors and call out where the re-rating opportunities are. [Watch here](#).



This [Livewire](#) article looks at the tough conundrum fundies and investors are facing - go all out to maximise gains and beat the competition? Or keep cash for a possible crash, and risk precious alpha? For **Magellan**, it's the latter. This article summarises the thought process that led to Magellan's decision to play defence right now.



Nick Griffin shares his market outlook and two technology stocks with strong structural tailwinds. Griffin notes that it's more important than ever to correctly identify areas of structural growth and the companies set to benefit than to try and predict the direction of the economy or market. Read the [article here](#).



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



Conference fund managers



Designated charities



Pro-bono service providers

