



## Monthly Investment Update May 2022

9 June 2022

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 May Investment Update.

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

For and on behalf of the board,

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is positioned above the name of the signatory.

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 respected fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

### Portfolio Commentary

The HM1 portfolio decreased by 1.6% for the month of May, compared to a fall of 0.9% for the MSCI World Net TR Index (AUD); a fall of 2% for the NASDAQ Composite, and a flat outcome for the S&P 500. The ASX 200 was down 3%, while the Australian dollar rallied 1.6% to USD 71.8c. Since inception, the HM1 portfolio has returned 9.5% p.a.

Inflation remains high, partly fuelled by surging energy prices which are exacerbated by supply constraints arising from the Ukraine conflict and subsequent sanctions. Central Banks have commenced monetary tightening and are committed to further interest rate increases to tackle rising inflation. Earnings season in the US highlighted the challenges companies are facing, with Walmart and Target suffering large share price falls after reporting lower margins due to rising input costs.

In this month's update we have provided more detail on our portfolio holdings. The top 10 holdings in the adjacent table represent just over 50% of the value of our current portfolio.

The portfolio was down 1.6% for the month, broadly in line with markets, despite the impact of a stronger Australian dollar. There were some significant price swings in the portfolio in both directions following the first quarter earnings season in the US. The major contributors for the month were: Opthea up 34% (positive clinical trials feedback); ON Semi up 16% (analysts upgrading earnings outlook); Spotify up 11% (recovery from year lows); Avalara up 11% (positive Q1 earnings surprise); The Beauty Health Co. up 9% (strong revenue growth) and Mineral Resources up 9% (stronger lithium and iron ore prices).

The main detractors for May were: Coinbase down 31% (declining crypto trading volumes and revenue); Just Eat Takeaway down 21% (a mooted sale of GrubHub and governance issues); Gitlab down 19% (selling ahead of Q1 update); Megaport down 16% (analysts downgrading earnings); Pinnacle down 13% (market update); Block down 12% (Q1 earnings miss) and Yext down 12%.

The level of volatility remains high, and the market continues to punish missed earnings and growth expectations. The next pivot point for equity markets will be the size of the next interest rate rise, and the Fed's signalling of future rises, versus what is currently factored into market prices. We remain in contact with our managers in these challenging times and will execute any recommended changes to the portfolio.

### Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	-1.6%	-26.2%	-23.2%	6.6%	9.5%
MSCI World Net TR Index (AUD)	-0.9%	-10.3%	2.7%	11.4%	11.5%

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.

Performance figures as at 31 May 2022 unless otherwise stated. Portfolio Commentary as at 8 June 2021. Fund inception 14 Nov 2018. This communication has been prepared by Hearts and Minds Investments Limited (ABN 61 628 753 220). In preparing this document the investment objectives, financial situation or particular needs of an individual have not been considered. You should not rely on the opinions, advice, recommendations and other information contained in this publication alone. This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Past performance is not a reliable indicator of future performance.

Pre-Tax NTA **\$2.78**

Post-Tax NTA **\$2.95**

Share Price  
(ASX: HM1) **\$2.25**

Investment Performance p.a.  
(Since inception 14 Nov 2018) **9.5%**

Cash Weighting **15%**

Latest Dividend  
(Annual fully franked dividend paid April 2022) **13.5cps**

Profits Reserve **59.9cps**

Cumulative Medical Research Funding **\$28.5m**

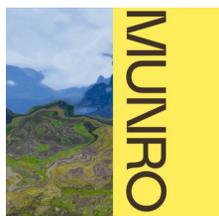
### Top 10 Holdings (in alphabetical order)

 Alphabet, Inc GOOGL US	 Block, Inc SQ US
 Champion Iron Ltd CIA AU	 DanaHER Corporation DHR US
 Formula One Group FWONK US	 IDP Education Limited IDP AU
 Microsoft Corporation MSFT US	 ON Semiconductor Corp ON US
 Spotify Technology SA SPOT US	 Zillow Group Inc Z US

**News from the HM1 Network**



**Founder and Chief Investment Officer of Cooper Investors** was a recent guest on the *Finding the Front* podcast. A rare opportunity to hear from Peter Cooper as he discusses his background and what led to his love of investing, the influence of the great Warren Buffett and Charlie Munger, long-term investing and the Cooper Investors philosophy. Peter also shares his observations on the current rising interest rate and rising inflation environment, the Russian Ukraine conflict, China, Bitcoin, Oil, Gold, Governments, the Australian Dollar, decarbonisation, and his views on active v passive investing. This conversation is full of valuable insights, [listen to the episode here](#).



From sub-areas of interest to the build back better bill, **Munro Partners** climate co-leads, Nick Griffin and James Tsinidis, answer some common questions they get asked in relation to their climate strategy and Area of Interest. [Watch the Q&A video here](#).



The latest memo from previous conference keynote speaker, **Howard Marks of Oaktree Capital** explores recurring investment themes to contextualise the current market correction and the bull market that preceded it. Howard discusses the role played by financial innovations like SPAC's and cryptocurrencies and why he believes psychology, not fundamentals, primarily drives investment cycles – and likely always will. [Listen to the memo here](#), or read the [PDF online here](#).



**Hamish Corlett, Co-Founder of TDM Growth Partners** joins Ethan Berman on a recent episode of the *Manager Meetings* podcast. Hamish shares the TDM story going from \$1m FUM to over \$2b today. Hamish's passion and his chemistry with Ethan, a friend and mentor, is palpable. A worthwhile conversation, [listen to the episode here](#).



This week is World Heart Rhythm Week, a great reminder to listen to your heart. **Victor Chang Cardiac Research Institute** have put together a helpful resource about abnormal heart rhythms, what to listen for and how to assess your heartbeat using your mobile phone. [Learn more on their website here](#).



Researchers from the **Black Dog Institute** and **Orygen** contribute to this article looking at the 'uberisation' of mental health services. Whilst e-mental health may not be suitable for everyone, it can provide immediate and effective help. Integrating technology-based care increases access to help and makes space for each individual to learn what strategies and approaches are most effective for them. [Read the short article online here](#).



**Rory Lucas, HM1's Chief Investment Officer**, writes a jargon-free update providing 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 [here](#).



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

**Core Fund Managers**



**Conference Fund Managers**



**Designated Beneficiaries**



**Pro-Bono Service Providers**

