



November 2020

9 December 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 November 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 written over a faint, light blue circular watermark or background.

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 November, the HM1 portfolio generated an investment return of 2.5%, compared to a rise of 7.5% in the MSCI World Net Total Return Index (AUD). Leading indices around the world were higher, with the S&P 500 registering a 10.7% gain, the technology focused NASDAQ up 11.8%, the FTSE 100 up 12.3%, while the local S&P ASX 200 rallied 10%. The Australian dollar was also stronger, gaining 3c to 73.5c against the US dollar. Since inception (November 2018) the investment portfolio has gained 75.4% compared to 30.3% for our benchmark, while the post-tax Net Tangible Asset value of the portfolio increased by 2.2% during November and is now up 52.8% since inception.

The main driver of equity markets in November was the positive developments in the search for a vaccine against the coronavirus. The announcement of two effective vaccines gave investors hope of an end to the pandemic and a return to more normal conditions in the economy. Additionally, Joe Biden winning the highly contentious US Presidential election soothed investor fears of another Trump term, and it appears we may experience a less volatile economic environment going forward. Markets rotated towards sectors that had been hardest hit during COVID-19, namely travel, energy, and banks. Healthcare stocks were also generally stronger, especially those involved with vaccine developments, such as Pfizer and BioNTech.

Closer to home, the 5th Annual Sohn Hearts & Minds Investment Leaders Conference was held on November 13, where the new suite of stocks were pitched to the online audience. We reported to the ASX after the conference that all 15 stocks pitched will enter the portfolio. [The full list can be seen here](#). We have a mix of healthcare stocks, comprising companies that deliver tele-medicine services, research and development of biopharmaceutical products, and medical device manufacturing; online shopping businesses; a payment based technology platform in China; as well as a textiles business that has as its main clients Nike, Adidas, Puma and Uniqlo. There are companies that likely don't appear on the radar of most Australian investors yet provide interesting investment opportunities. As in previous years we believe there are many quality companies that have been put forward this year, and we look forward to working with the managers to try and deliver attractive risk adjusted returns.

With just three weeks having passed since the conference it is too early to scrutinise performance closely, but as has been reported in the media, it appears one of the stocks pitched, Slack Technologies, which has developed a popular work messaging software platform, which effectively brings e-mail into the 21st century, will disappear from our screens, as software giant Salesforce has made a bid for the entire company. This bid has been accepted in principle by Slack management. Slack stock is up 64% from our purchase price in mid-November. Bill.com, as pitched by Babak Poushanchi from Cota Capital, which provides cloud based software that digitises and automates back office financial operations in SME businesses worldwide, has also started strongly, with its share price up some 25% from our entry level. Other stocks in the Conference portfolio have had mixed performance in the first three weeks since the conference.

The core portfolio had a solid month with most stocks providing positive returns. Our largest holding was the biggest contributor during November, while our second largest position was one of the few to post a negative return for the month. Just four of the current core stocks are giving us a negative return, with two of these being relatively new positions, and all managers remain comfortable with the investments recommended. The 4.5% rally in the Australian dollar was a big detractor to portfolio performance in November, given the quantum of stocks listed on offshore exchanges.

The HM1 share price has been strong in the lead-up to the conference as well as immediately post the conference, such that it is now trading at a premium to our Net Tangible Asset value, as the chart on the following page demonstrates. Whilst we are pleased with HM1's investment performance to date, future investment performance is always an unknown. As we have said since inception, we aim to provide investors with a compelling investment proposition over the long term by investing in the highest conviction ideas from top performing fund managers. Equity markets have retraced most, or all the losses incurred when COVID hit earlier this year. Interest rates remain at all-time lows, as central banks use whatever means possible to stimulate growth. If equity markets correct, whether from possible trade war escalations, failure of vaccines, or further lockdowns that have shown to cripple economies, HM1 will not be immune from such a move in the short term, as we have seen in past selloffs.

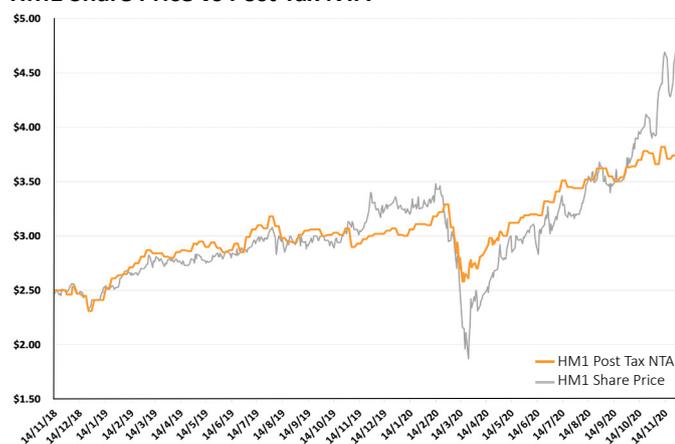
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	2.5%	22.6%	35.0%	75.4%
MSCI World Net TR Index (AUD)	7.5%	9.1%	5.1%	30.3%

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.

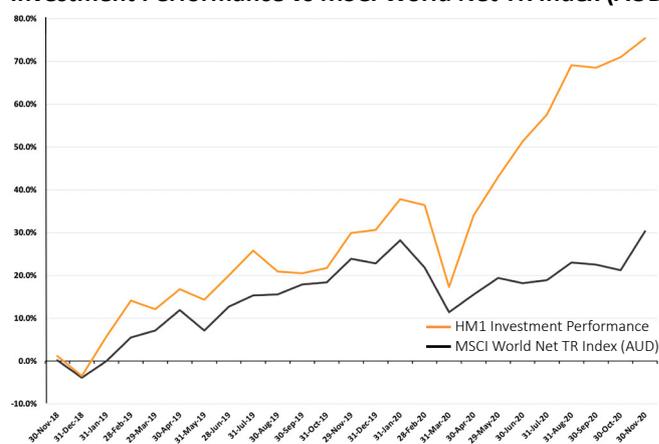
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	2.2%	17.5%	26.1%	52.8%

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

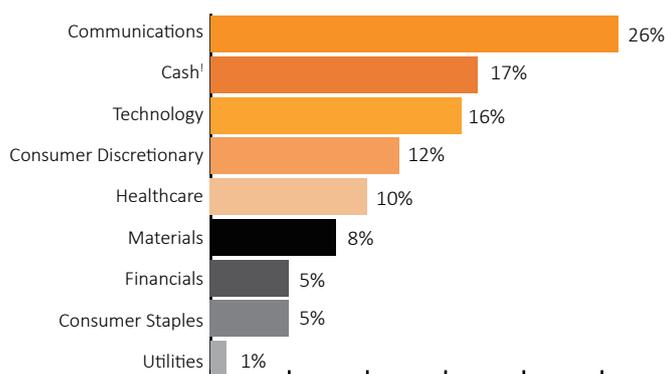
HM1 Share Price vs Post Tax NTA



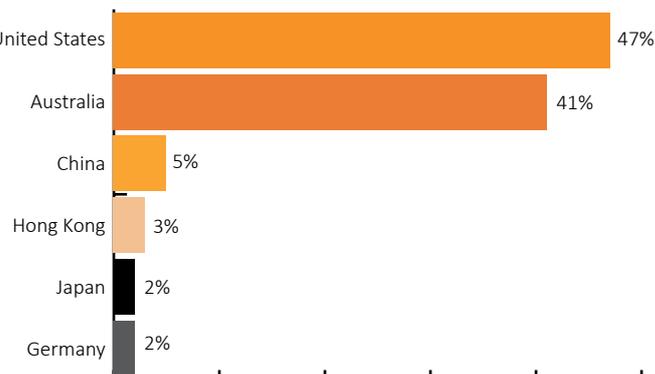
Investment Performance vs MSCI World Net TR Index (AUD)



Sector allocation



Business domicile⁴

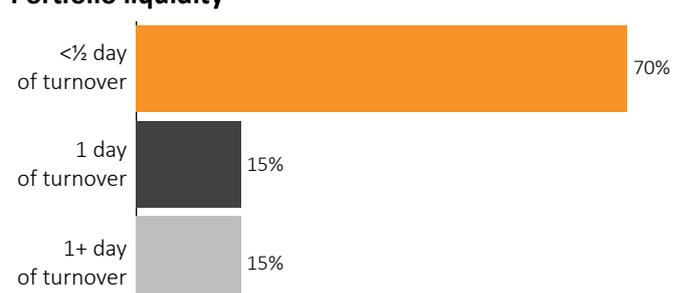


Key details

Pre Tax NTA ¹	\$4.14
Post current tax NTA ²	\$3.95
Post tax NTA ³	\$3.74
ASX code	HM1
Share price	\$4.50
Percent invested	83%
Listing date	14 Nov 2018

All numbers as at 30 November 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 30 November 2020 unless otherwise stated.

News from our **Managers & Beneficiaries**

Beneficiary Profile: MS Research Australia

MS Research Australia is the largest non-government funder of research into multiple sclerosis (MS). They have invested over \$44.3 million into funding and facilitating research into MS via major collaborative research platforms and investigator-led research projects, supporting the 26,500+ Australians living with MS. This has led to impactful research breakthroughs, advancing MS clinical practice here in Australia.

Their funded research has produced 26 new research methods, 7 new blood tests and 2 new assessment tools for use in the clinic, along with 5 new laboratory models of MS and 5 new ways to track the disease. Additionally, 7 data registries, 18 biological sample banks and 5 patents have arisen from their supported research.

MS Research Australia's funding is significantly leveraged by their research recipients for maximum impact. For every \$1 granted to Project researchers, they have been able to source on average, an additional \$5 of funding to further their research. For the researcher recipients of their seed funding Incubator grants, this leverage averages a huge 27 times.

Untied financial support such as that received from Hearts and Minds, allows MS Research Australia to also develop unique research projects that encourage matched funding. Their 3-year Paired Fellowships Project supported by the Macquarie Group Foundation is an example of this, enabling a senior research fellow and a clinician to work together to fast-track research breakthroughs and improve outcomes for people living with MS. In addition to significant findings made to date, the researchers have also sourced over \$13 million in additional funding for their research, as a direct result of this Paired Fellowship Project.

MS Research Australia's goal is to Stop and Reverse MS within the next 10 years. MS Research Australia thanks the Heart and Minds Community for their invaluable and generous support to assist in this ambitious but hopeful mission.

MS Research Australia has a message of thanks to the Hearts & Minds Community which you can [watch here](#).



In this episode of *Equity Mates* hear from Core and Conference Manager **Hamish Corlett, Co-Founder of TDM Growth Partners**. This episode covers a lot, including Hamish's recent Conference pitch, why it's important for TDM to be involved with Hearts & Minds and Hamish's journey in taking TDM from \$1 million under management to over \$1 billion. [Make sure to take a listen here.](#)



In this episode of TDM's Scaling Up podcast you'll hear from a very special guest, **Magellan's Co-Founder, CIO and Chairman, Hamish Douglass**. In this episode, among many things, you'll learn the power of compounding and hear how Hamish scaled Magellan from humble beginnings to now an ASX-100 listed company with a market cap of over \$10b. [Take a listen here.](#)



Nick Griffin shares his Sohn Hearts & Minds Conference pitch, outlining his investment thesis for an underappreciated company thinking 'inside the box', German-listed meal kit delivery service, HelloFresh. [Watch his presentation here.](#)



David Moberley of Paradice Investment Management discusses how he seeks to combat the concentration found in Aussie equities by adding short selling to his toolbox. David shares his 'four bucket' strategy to identifying a company to short, and details the pros and cons of this investment approach. [Watch here.](#)



Jun Bei Liu of Tribeca Investment Partners discusses how to get exposure to the re-opening trade and how the 'barbell' approach helps to maximise returns while managing risk. Take a listen to *The Rules of Investing* [episode here](#). Jun Bei also spoke with *ausbiz* about her investment thesis for her conference recommendation, Treasury Wines. You can [watch the interview here](#) (you will need to subscribe for free).



You can read the key themes from the 2020 Virtual Sohn Hearts & Minds conference, along with the stocks presented and fund manager profiles on the [conference website here](#).

More news from
the HMI network

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

Introducing our 2020 **Conference Fund Managers**



Babak Poushanchi
Cota Capital (USA)
returning



Beeneet Kothari
Tekne Capital Mgmt (USA)
returning



Cathie Wood
ARK Invest (USA)
returning



David Halpert
Prince St Capital (SG)
new



David Moberley
Paradise Investment Mgmt
new



Gavin Baker
Atreides Mgmt (USA)
new



Hamish Corlett
TDM Growth Partners
returning



Josh Resnick
Jericho Capital (USA)
new



Jun Bei Liu
Tribeca Investment Partners
returning



Nick Griffin
Munro Partners
returning



Qiao Ma
Cooper Investors
new



Robert Luciano
VGI Partners
new



Todd Guyot
Regal Funds Mgmt
new



William Curtayne
Milford Asset Mgmt
new

Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

