



November 2021

10 December 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 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,

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

The HM1 portfolio decreased by 2.5% for the month of November, compared to increases in the MSCI World Net TR Index (AUD) of 3.6% and the NASDAQ Composite of 0.3%, and declines in the S&P500 of -0.8%, and the ASX200 of -0.9%. The Australian dollar fell by 5% to \$US0.71 dollars, led by weaker commodity prices and a slowing in Asian growth expectations.

Since inception (November 2018) the compound annual investment return stands at 22.7% pa, compared to 17.6% pa for the MSCI World Net TR Index (AUD). The post-tax Net Tangible Asset Value decreased by 0.9% in November and has increased at a compound rate of 16.8% pa since inception.

Global equity markets were again very volatile in November, with the technology sector in particular seeing oversized moves. From 1 November to December 3, 495 NASDAQ listed companies fell by over 30%, while 185 of those were down over 40%. The emergence of the new COVID-19 variant, Omicron, whose transmissibility appears broader than Delta, along with ongoing supply chain disruptions, continued to un-nerve investors. Federal Reserve Chair Jerome Powell also removed the word “transitory” from his commentary on inflationary expectations into 2022-23.

The core portfolio, which represents 65% of the investments, experienced many large price moves during November. Unfortunately, Zillow Group, which has been a strong contributor to returns since inception, fell by almost 50% for the month, after announcing the closure of its iBuying business, and returning the focus to the core IMT (Internet Media Technology) business, which has delivered strong growth over the last few years. Whilst obviously a very disappointing outcome in the short term, our manager believes Zillow is now the most discounted it has been, despite having what they also believe to be the most certain outlook in over four years. This decline was greater than the overall portfolio loss for the month, overshadowing positive contributions by other holdings. Since inception the core portfolio has delivered an overall return of 16% p.a despite

the recent drawdowns. As always, we remain in regular contact with our managers, even more so in such volatile times.

During November, the remainder of the 2020 conference portfolio was liquidated. The final investment return for this series of recommendations was a commendable +23% for the 12 month holding period. As has been reported during the year, this year’s stocks have been far more volatile than previous years, and more individual stocks have delivered negative returns. Perhaps the most disappointing were the two tele-health recommendations, Teladoc (US based) and Ping An Good Doctor (China based), which both realised losses of over 35%, in what appeared to be a positive environment for their businesses. Hello Fresh Group was an outstanding positive contributor to the portfolio, delivering a gain of 88% for the year, while locally listed Treasury Wine Estates increased by 26% from our entry level, despite the imposition of hefty tariffs by the Chinese Government in late 2020.

We continue to find ourselves in extremely volatile investment markets, with share prices moving with greater velocity than perhaps ever before. In such times, diligence, fortitude, and patience are required to hold the course. On December 3 we hosted the 2021 Sohn Hearts & Minds Investment Leaders Conference, where our next series of conference recommendations were delivered. There we heard from Berkshire Hathaway’s Charlie Munger, who reminded us in his own unique way just how important these virtues are in such times.

**Investment Performance**

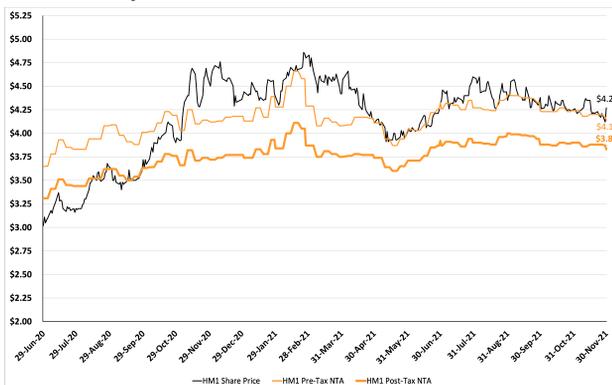
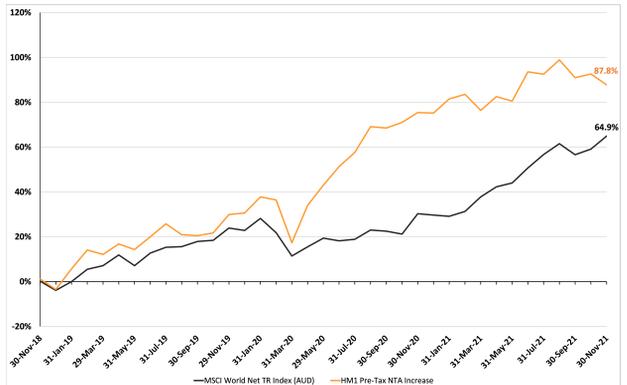
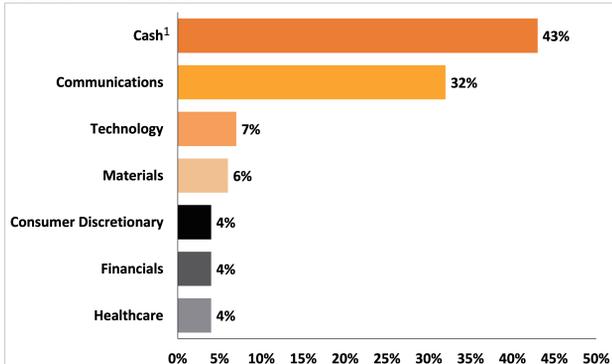
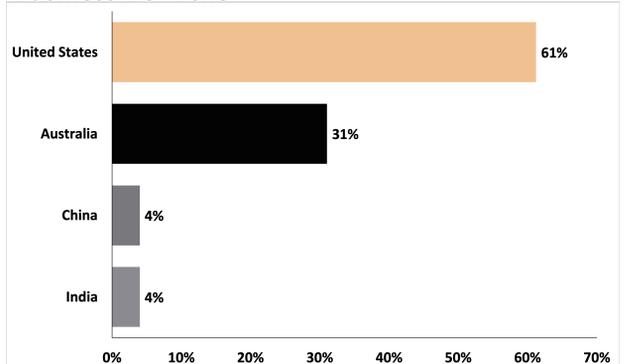
	1 month	6 months	12 months	3 years per annum	Since Inception Compound p.a.
Investment Performance	-2.5%	4.0%	7.1%	22.9%	22.7%
MSCI World Net TR Index (AUD)	3.6%	14.5%	26.6%	18.0%	17.6%

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. Inception 14 Nov 2018.

**Net Tangible Asset (NTA) Performance**

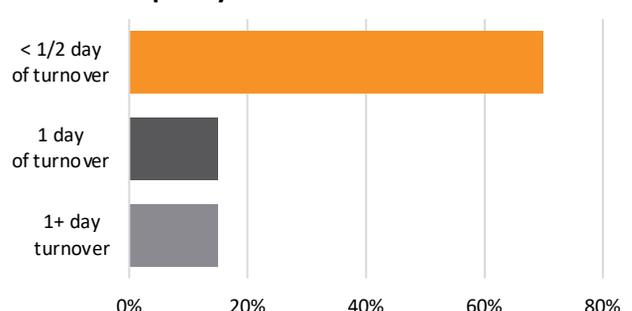
	1 month	6 months	12 months	3 years per annum	Since Inception Compound p.a.
Post Tax NTA Performance*	-1.9%	3.2%	5.5%	16.9%	16.8%

NTA Performance is calculated after all expenses and taxes. Source: Hearts and Minds Investments Limited and Citco Fund Services. Inception 14 Nov 2018. As at 30 November 2021.

**HM1 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>2</sup>	\$4.14
Post tax NTA <sup>3</sup>	\$3.83
ASX code	HM1
Share price	\$4.27
Percent invested	57%
Listing date	14 Nov 2018

All numbers as at 30 November 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 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>4</sup>Determined by location where primary business takes place. <sup>5</sup>Based on 20 day average daily turnover. <sup>\*</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>\*\*</sup>All NTA figures are unaudited and prepared by Citco Fund Services. <sup>†</sup>All numbers as at 30 November 2021 unless otherwise stated.

## News from our **Managers**



**Yen Liow of Aravt Global** sat down with *Equity Mates Media* ahead of this year's conference. Yen shares the story of his first investment, Aravt's investment philosophy, his thoughts on the future of the payments industry and why he's excited to be a part of the Hearts & Minds family. [Listen to the podcast here.](#)



In this *Australian Financial Review* article, learn how new Conference Manager and **Firetrail Investment's** rising star, **Eleanor Swanson** was instrumental in getting the firm to back Afterpay when it was trading at just \$20. [Read the article here.](#)



In this article, *The Australian* shares how **Cota Capital's Babak Poushanchi** emerged as the top picker from the 2020 Sohn Hearts & Minds Conference, with his stock recommendation up more than 200%. [Read the article here.](#)



*The Australian Financial Review* shares how returning Conference Manager **Nick Griffin of Munro Partners** attempts to capitalise on the climate change thematic that Munro has declared as the biggest investment opportunity since the internet. Read the article here. [Read the article here.](#)



New Conference Manager, **Joyce Meng of FACT Capital** was recently profiled in *The Australian Financial Review*. Learn how she's looking to improve the existing Wall Street hedge fund model with Fairness, Alignment, Compounding and Transparency (FACT). [Read the article here.](#)



*The Australian* covers **Beeneet Kothari of Tekne Capital Management** as he gives some background into 'quick commerce', a topic at the heart of his stock pick for the 2021 Sohn Hearts & Minds Conference. [Read the article here.](#)



**Hamish Corlett of TDM Growth Partners** is the only stock picker in the history of the Sohn Hearts & Minds Investment Conference to pitch exactly the same company twice, doubling down on his 2019 stock pick, Spotify. [Read the article here.](#)



In this article, *The Australian* profiles Core Fund Manager **Phil King of Regal Funds Management**, an experienced investor with a track record of short selling, and the only fund manager to tip a short stock at the annual Australian Sohn Conference. [Read the article here.](#)



In this article, *The Australian Financial Review* dives into the annual **Sohn Hearts & Minds Conference** and how it proves that waves of tech disruption continue to break in different ways across different sectors. [Read the article 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.](#)



**TDM Growth Partners** share why they love being involved in HM1 both as a Core Manager and a Conference Manager, aiming to return more than \$40m to the medical research sector through its collaboration with HM1 over the next decade. [Read the article by TDM 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.

**Core Fund Managers**



**Conference Fund Managers**



**Designated Beneficiaries**



**Pro-Bono Service Providers**

