



Monthly Investment Update July 2022

10 August 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 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,

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

Portfolio Commentary

The HM1 portfolio increased by 9.4% for the month of July rebounding from the losses experienced in June. Gains were recorded across equity markets with rises of +6.4% in the MSCI World Net TR Index (AUD); +9.1% for the S&P 500; +12.3% for the NASDAQ Composite; and +5.7% for the local ASX 200. The AUD was 1c higher against the USD at 69.9c. Since inception the HM1 portfolio has delivered an annualised investment return of 9.5%.

After equity markets fell heavily in the first half of 2022 (S&P 500 down 20%, NASDAQ Composite down nearly 30%), markets recovered some ground in July. With the bellwether US 10-year bond yield falling from over 3.5% in mid-June to the 2.8% level now, bond markets are signalling peak interest rates of 3% in the US, and 3.5% in Australia. The rapid rise in interest rates from near zero in November last year to 3% has seen the price-earnings multiple contract from around 21-22x back to 15-16x earnings now. How equity markets fare for the remainder of 2022 (and beyond) will now largely be a function of earnings growth, and whether the current expectations are achieved. With reporting season in full swing, the technology mega-caps Apple, Google, Microsoft and Amazon in particular, have given investors some comfort in their earnings sustainability throughout the cycle. How much this transfers to the disruptive technology sector will play out over the coming months. Private equity funds are looking at companies in the tech sector, as evidenced by the bid this week from Vista Equity Partners to buy Avalara Inc (a conference stock) for US\$8.4B.

The portfolio had a better month with most holdings performing in line with or better than their respective markets. The largest positive contributors to returns were: WISE Payments +58%, Pinnacle +42%, OnSemi +33%, Delivery Hero +31%; and Avalara +24%. The main detractor was Champion Iron Limited (-11%) following recent falls in the iron ore price.

During the month we sold our holdings in CSL Limited and IDP Education and re-allocated most of the proceeds to other stocks in the Core portfolio.

Despite the bounce in July, global markets remain susceptible to external shocks. With no end in sight for the war in Ukraine, energy supplies remain uncertain, which will continue to fuel inflation. New strains of COVID keep emerging, which also disrupt supply chains, while Governments are increasingly concerned with the possibility of economic recession as Federal Banks continue to try and tame supply driven inflation. The deteriorating relationship between the US and China, centred around Taiwan, is the latest geopolitical event causing headlines around the world and nervousness amongst the investing community. As always, we remain in regular contact with our managers and will continue to adjust the portfolio exposures as necessary.

Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	9.4%	-15.6%	-26.9%	3.8%	9.5%
MSCI World Net TR Index (AUD)	6.4%	-8.5%	-4.3%	9.1%	11.4%

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.

Pre-Tax NTA **\$2.82**

Post-Tax NTA **\$2.98**

Share Price
(ASX: HM1) **\$2.38**

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

Cash Weighting **19%**

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	 ON Semiconductor Corp ON US
 Brookfield Asset Management BAM US	 Orica Ltd ORI AU
 Danaher Corporation DHR US	 Spotify Technology SA SPOT US
 Formula One Group FWONK US	 Visa Inc V US
 Microsoft Corporation MSFT US	 Zillow Group Inc Z US

News from the **HM1 Network**



Airlie Funds Management share their view on why Mineral Resources' ('MIN') unique business model is the driving force behind its ability to consistently deliver high returns on its invested capital. They also explore some of the company's major growth projects currently in the pipeline, which is believed will continue to compound capital at high rates of return over the next few years. [Read the article here.](#)



Access **Magellan's** 2022 InReview to gain insights into how the events dominating global economies and markets in the coming 12 months are affecting investment decisions now, a Q&A with former US Defence Secretary Leon Panetta on why current geopolitical challenges have left democracies in a precarious state, and the best way for investors to engage companies in changing for the better. [Read, watch or listen to Magellan's 2022 InReview here.](#)



Previous Conference Manager, **Tim Carleton, Co-Founder of Auscap Asset Management**, breaks down the root causes behind the current global spike in inflation and why investors should remain optimistic that these inflationary pressures will likely subside over the coming year. [Read the Livewire article here.](#)



Munro Partners have released their 2022 Annual where Chief Investment Officer, **Nick Griffin** addresses the current bear market and why it is an unfortunate, but necessary part of the market cycle. Nick delves into how this has affected investment strategy, as well as some of the signposts he is on the lookout for to signal the eventual return to normalised earnings. [Download the report here.](#)



Remarkable, Australia's first disability-tech accelerator made possible by **Cerebral Palsy Alliance**, recently released a video of their Demo Day event where founders from the 2022 cohort shared the innovative products they have been building to positively impact the lives of people with disabilities. From a navigation app that uses touch to communicate information, to a wearable device that provides real-time continuous monitoring of brain activity and blood flow for stroke patients, view this video to learn more about exciting developments happening in the disability-tech space. [Watch here.](#)



In a podcast episode of *Between Meetings with Matt Heine*, **David Wright, HM1 Investment Committee Chairman and CEO of Zenith Investment Partners**, speaks about founding Zenith and how the finance industry has evolved over the span of his 30-year career. David also explores the industry trend towards outsourcing investments and managed accounts, in addition to some of the challenges posed by the ESG movement. [Listen to the episode here.](#)



Previous Conference Manager **Jun Bei Liu of Tribeca Investment Partners** explores some of the dominant themes shaping the upcoming reporting season and what investors should be on the lookout for to maximise the long-term value of their portfolios. [Read the AFR article on our website 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](#).

**More news from
the HM1 network**

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

