

Hearts and Minds Investments Limited (HM1)

ABN 61 628 753 220

Financial Report

Results for Announcement to the Market for the Half-Year ended 31 December 2023

	Change	31 Dec 2023	31 Dec 2022
		\$'000	\$'000
Total net investment income	(36)%	25,990	40,667
Profit/(Loss) from ordinary activities after tax	(41)%	14,547	24,617
Total comprehensive income/(loss) net of tax	(54)%	13,945	30,630

Net Tangible Assets (NTA) Per Ordinary Share

	31 Dec 2023	31 Dec 2022
Pre-tax NTA per ordinary share	\$2.91	\$2.90
Net tax benefit/(liability) per ordinary share	\$0.03	\$0.05
Post-tax NTA per ordinary share	\$2.94	\$2.95

Dividends

The Directors of HM1 are pleased to declare a fully franked interim dividend of 7 cents per share payable on 18 April 2024.

The Dividend Reinvestment Plan (DRP) will be in operation and participating shareholders can reinvest their cash dividend in new HM1 shares at the DRP issue price. The DRP issue price will be based on the market price of shares acquired under the on market acquisition provisions of the DRP.

	Cents per Ordinary share	Franking %
Dividend per ordinary share	7.0	100%
Dividend dates:		
Ex-dividend date:		6 March 2024
Record date:		7 March 2024
DRP election date:		25 March 2024
Payment date:		18 April 2024

Brief Explanation of Results:

HM1 recorded a total comprehensive income after tax of \$13.9 million for the half-year to 31 December 2023. The result for the half-year reflects a continuing recovery in the investment portfolio as markets improved in the last two months of calendar year 2023. Increases in the value of the portfolio over the half-year were partly offset by small realised losses on the disposal of the remaining 2022 Conference stocks. The 2022 Conference Portfolio realised a small overall return for the 1 year holding period to November 2023. The 2023 Conference Portfolio which commenced in late November 2023 is off to a good start and is up 6% as of 31 December 2023. As we reported in the 2023 Annual Report, we have made changes to the selection process for fund managers and the risk parameters of the Conference Portfolio. There are early signs that these changes are having a positive impact. The overall investment portfolio achieved a modest return of 3.1% over the half-year and is up 10.5% for the year to 31 December 2023.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers forego any fees and instead an amount equivalent to 1.5% of net tangible assets per annum is donated to designated medical research organisations. In the half-year to 31 December 2023 the Company paid \$5.0m in funding to medical research and has accrued a further \$4.9m as of 31 December 2023.

This report is based on the Financial Report for the half-year ended 31 December 2023 which has been subject to independent review by Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. The information should be read in conjunction with the 30 June 2023 Annual Report.

**Hearts and Minds
Investments Limited**

Financial Report

**For the half-year ended
31 December 2023**

ACN 628 753 220



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Corporate Directory

Directors <i>(Pro bono)</i>	Christopher Cuffe AO Lorraine Berends AM Guy Fowler OAM Matthew Grounds AM Michael Traill AM Gary Weiss AM Geoffrey Wilson AO David Wright	Chair and Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director
Company Secretary <i>(Pro bono)</i>	Eryl Baron	
Investment Committee <i>(Pro bono)</i>	Lorraine Berends AM David Wright Christopher Cuffe AO Matthew Grounds AM Brett Paton Paul Rayson	Chair
Conference Fund Manager Selection Committee <i>(Pro Bono)</i>	David Wright Gary Weiss AM Michael Walsh Charlie Lanchester	
Core Fund Managers <i>(Pro bono)</i>	Caledonia (Private) Investments Cooper Investors Magellan Asset Management Munro Partners Regal Funds Management TDM Growth Partners Tribeca Investment Partners	
2023 Conference Fund Managers <i>(Pro bono)</i>	Azora Capital Aikya Investment Management Ellerston Capital Eminence Capital Metronome Capital Toscafund Asset Management IFM Investors Munro Partners	Bayberry Capital Partners Regal Funds Management Terra Capital Prusik Investment Management Tribeca Investment Partners Third Point
Registered Office	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000	
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099	
Administrator	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400	

Corporate Directory (continued)

Share Registrar

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000
Telephone: (02) 9290 9600

Stock Exchange

Australian Securities Exchange
The home exchange is Sydney
ASX code: HM1 Ordinary Shares

Directors' Report to Shareholders

The Directors of Hearts and Minds Investments Limited (hereafter referred to as "HM1" or "the Company") present their report together with the financial report for the half-year ended 31 December 2023. Comparative figures shown below are for the half-year ended 31 December 2022.

Directors

The following persons were Directors of the Company during the half-year ended 31 December 2023 and up to the date of this report:

Christopher Cuffe AO	Chair and Independent Director
Lorraine Berends AM	Independent Director
Guy Fowler OAM	Independent Director
Matthew Grounds AM	Independent Director
Michael Traill AM	Independent Director
Gary Weiss AM	Independent Director
Geoffrey Wilson AO	Independent Director
David Wright	Independent Director

Investment Objective and Principal Activity

HM1 is a listed investment company that was established in 2018 with the combined objective of providing a concentrated portfolio of the highest conviction ideas from respected fund managers, whilst also supporting Australian medical research organisations. It was born out of the investment and philanthropic vision of the Sohn Hearts & Minds Investment Leaders Conference.

HM1 seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of Australian and international securities based on the highest conviction ideas from two groups of fund managers.

- a) HM1 has allocated 35% of its investment portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- b) HM1 has allocated 65% of its investment portfolio based on the highest conviction ideas of seven respected fund managers (known as the Core Fund Managers). The Core Fund Managers are Caledonia (Private) Investments, Cooper Investors, Magellan Asset Management, Munro Partners, Regal Partners, TDM Growth Partners and Tribeca Investment Partners.

No change in this activity took place during the half-year or is likely in the future.

Operating and Financial Review

For the half-year ended 31 December 2023, the Company reported a total comprehensive income after tax of \$13.9m (2022: total comprehensive income after tax of \$30.6m). The result for the half-year reflects a continuing recovery in the investment portfolio as markets improved in the last two months of calendar year 2023. Increases in the value of the portfolio over the half-year were partly offset by small realised losses on the disposal of the remaining 2022 Conference stocks. The 2022 Conference Portfolio realised a small overall return for the 1 year holding period to November 2023. The 2023 Conference Portfolio which commenced in late November 2023 is off to a good start and is up 6% as of 31 December 2023. As we reported in the 2023 Annual Report, we have made changes to the selection process for Conference Fund Managers and the risk parameters of the Conference Portfolio. There are early signs that these changes are having a positive impact. The overall investment portfolio achieved a modest return of 3.1% over the half-year and is up 10.5% for the year to 31 December 2023.

Dividends

HM1 provides shareholders with exposure to a concentrated portfolio of Australian and international securities. As such, returns to shareholders are predominantly delivered through capital growth which, when realised from the sale of securities, is taxed at the corporate tax rate and may be paid as franked dividends to shareholders. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice.

As announced in the 2023 Annual Report the Board has modified the dividend policy to increase the frequency of dividends to twice yearly. The half-yearly dividend will be paid in April and October each year. The first half-yearly fully franked dividend of 7 cents per share was paid on 19 October 2023. The Board is pleased to announce that the next half-yearly fully franked dividend of 7 cents per share will be paid in April 2024.

Company Performance

As a listed investment company, we use three key measures to evaluate the performance of HM1.

1. Investment portfolio performance, which measures the growth of the investment portfolio on a pre-tax basis and after the payment of all expenses, including the donation payments and provisions. Our investment benchmark, the MSCI World Index (AUD), is also measured before taxes. Our investment performance compared to this benchmark is reported to shareholders monthly.
2. Net tangible asset (NTA) growth, which represents the change in the value of the Company's assets less liabilities. The post-tax NTA of the Company is essentially the realisable value of the Company at a point in time. The pre-tax and post-tax NTA per share of the Company are reported to shareholders on a weekly basis.
3. Total shareholder return, which measures the total return to shareholders from share price growth and dividends paid.

Each of these is discussed below in more detail.

1. Investment Portfolio Performance

Performance to 31 December 2023	6 Months	1 Year	3 Years per annum	Since Inception ¹ per annum
HM1 investment portfolio performance	3.1%	10.5%	-4.5%	8.5%
MSCI World Index (AUD)	4.2%	21.5%	9.9%	10.3%

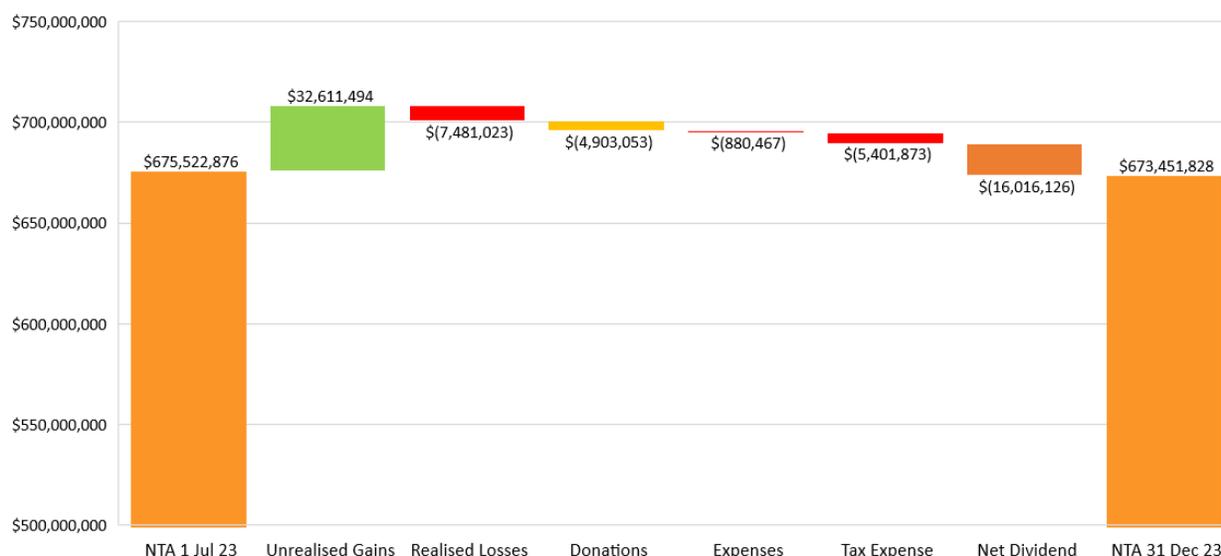
1. Inception was 14 November 2018.

Most investment markets entered correction territory in the 4 months from July 2023 to October 2023 then recovered strongly in November to December 2023 to record modest gains for the half-year. Our portfolio followed a similar profile and was up 3.1% for the half-year to 31 December 2023. Since inception the investment portfolio has returned 8.5% per annum.

2. Change in Net Tangible Assets (NTA)

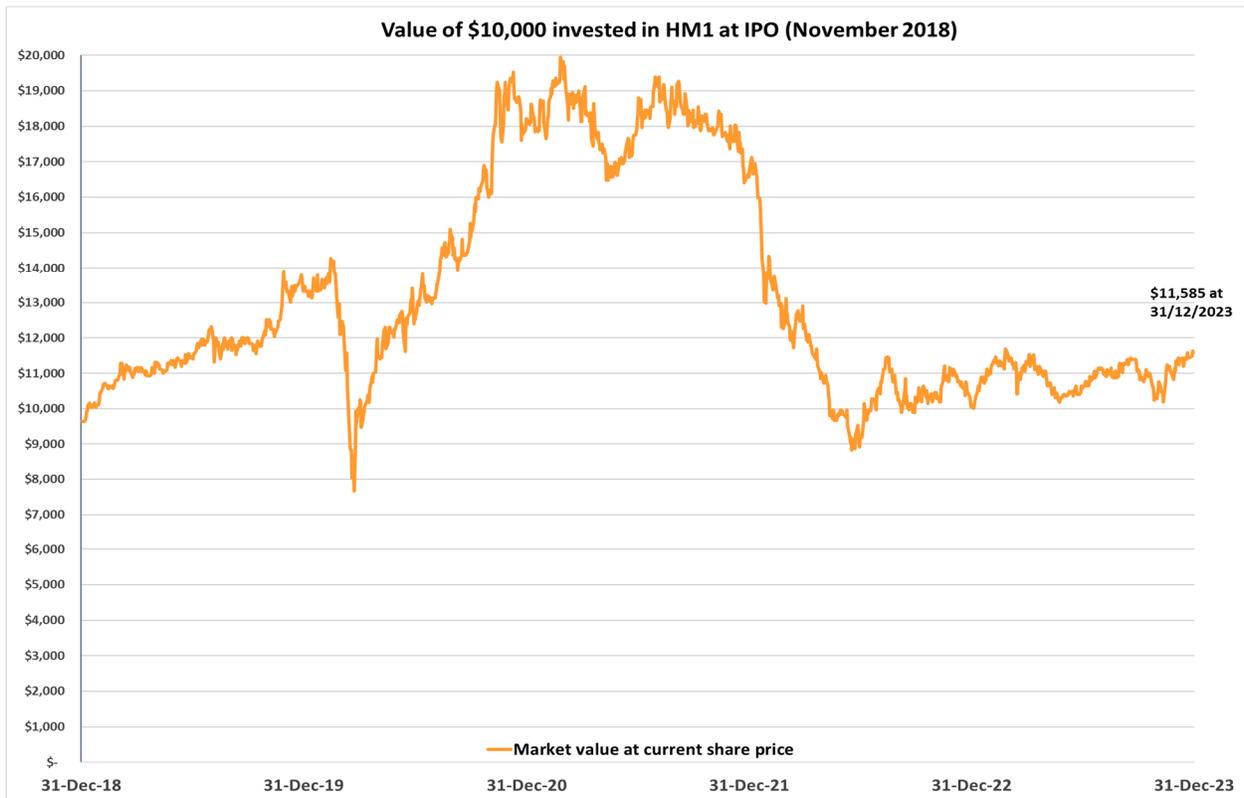
The NTA of the Company was broadly stable over the half-year reflecting modest increases in the value of the portfolio, offset by the dividend payment made in October 2023. On 31 December 2023 the NTA of the Company was \$673.5 million compared to \$675.5 million on 30 June 2023. This equates to a post-tax NTA per share of \$2.94 on 31 December 2023. The chart below shows the components of the change in NTA over the half-year. Unrealised mark to market gains of \$32.6 million were partly offset by realised losses of \$7.5 million. Prior to the payment of the dividend, post-tax NTA increased 2.1% for the half-year. The dividend payment of \$16.0 million represented a half-yearly fully franked dividend of 7 cents per share. The NTA on 31 December 2023 does not include the value of franking credits that have been generated on tax paid.

Change in Net Tangible Assets
 Half Year to 31 December 2023



3. Total Shareholder Return

Total shareholder return measures the change in the HM1 share price plus dividends paid. HM1's share price increased 6.6% over the half-year from \$2.26 on 30 June 2023 to \$2.41 on 31 December 2023. HM1 has paid fully franked dividends amounting to a total of 46 cents per share to shareholders. The notional value of a \$10,000 invested in HM1 shares from the date of listing, assuming the reinvestment of dividends, would be \$11,585 on 31 December 2023. The share price of \$2.41 on 31 December 2023 represented a 17% discount to the pre-tax NTA per share of HM1 of \$2.91.



Medical Research

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers and service providers forego any fees and instead an amount equivalent to 1.5% of net tangible assets per annum is donated to designated charities.

In the half-year to 31 December 2023 the Company paid \$5.0 million in donations and has accrued a further \$4.9 million as of 31 December 2023.

We would like to thank our participating fund managers and service providers for their outstanding and continued generosity since listing.

Corporate Tax Rate

The Company is taxed at the corporate rate of 30.0% The Company maintains a franking account and may declare franked dividends to shareholders.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the period other than disclosed in the report and the Company's announcements to the ASX.

Subsequent Events

In the latest release to the ASX, the Company reported a NTA per share as of 9 February 2024, as follows:

Net Tangible Assets per Share	9 Feb 2024	31 Dec 2023
Pre-tax NTA per ordinary share	\$3.08	\$2.91
Post-tax NTA per ordinary share	\$3.06	\$2.94

Auditors Independence Declaration

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 in relation to the review for the half-year is set out on page 8 of this Financial Report.

Rounding of Amounts to Nearest Dollar

In accordance with *ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' Report and Interim Financial Report have been rounded to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.



Christopher Cuffe AO
Chair and Independent Director

Sydney
22 February 2024

Pitcher Partners Sydney

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**Auditor's Independence Declaration
To the Directors of Hearts and Minds Investments Limited
ABN 61 628 753 220**

In relation to the independent auditor's review of Hearts and Minds Investments Limited for the half year ended 31 December 2023, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



Richard King
Partner

Pitcher Partners
Sydney

22 February 2024

		For the half-year ended 31 December 2023 \$	For the half-year ended 31 December 2022 \$
Investment income from ordinary activities			
Net realised losses on financial assets at fair value through profit or loss		(5,640,721)	(71,442,978)
Net unrealised gains on financial assets at fair value through profit or loss		28,889,176	108,134,808
Net realised (losses)/gains on foreign exchange transactions		(6,076,696)	1,375,502
Net unrealised gains on foreign exchange transactions		5,341,655	652,236
Dividend income	4	3,472,722	1,939,064
Other income		4,245	8,265
Total investment income		25,990,381	40,666,897
Expenses			
Donations	3	(4,903,053)	(5,007,234)
Employee costs		(514,553)	(340,155)
Interest expense		(6)	(1,651)
Other expenses		(365,908)	(484,431)
Total expenses		(5,783,520)	(5,833,471)
Income before income tax		20,206,861	34,833,426
Income tax expense		(5,659,846)	(10,216,117)
Net income for the period		14,547,015	24,617,309
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments taken to equity, net of tax	6	531,599	3,693,183
Net unrealised (losses)/gains on investments taken to equity, net of tax	6	(1,133,536)	2,319,447
Net realised and unrealised (losses)/gains on investments taken to equity, net of tax		(601,937)	6,012,630
Other comprehensive (loss)/income for the period, net of tax		(601,937)	6,012,630
Total comprehensive income for the period		13,945,078	30,629,939
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share		6.36	10.80

The accompanying notes form part of these half-year financial statements.

	Notes	31 December 2023 \$	30 June 2023 \$
Assets			
Current assets			
Cash and cash equivalents		29,001,741	59,246,589
Financial assets at fair value through profit or loss	7	524,979,994	479,951,559
Other receivables and prepaid expenses		139,072	862,881
Total current assets		554,120,807	540,061,029
Non-current assets			
Financial assets at fair value through other comprehensive income	7	118,428,151	129,231,792
Deferred tax assets		6,652,237	12,056,061
Total non-current assets		125,080,388	141,287,853
Total assets		679,201,195	681,348,882
Liabilities			
Current liabilities			
Donation provision	3	5,649,367	5,726,006
Other payables		100,000	100,000
Total current liabilities		5,749,367	5,826,006
Total liabilities		5,749,367	5,826,006
Net assets		673,451,828	675,522,876
Equity			
Share capital	5	574,476,801	574,476,801
Reserves	6	146,538,763	163,156,826
Accumulated losses	6	(47,563,736)	(62,110,751)
Total equity		673,451,828	675,522,876

The accompanying notes form part of these half-year financial statements.

Note	Share capital \$	Investment portfolio revaluation reserve \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 30 June 2022	572,278,169	(10,342,285)	174,031,046	(94,837,235)	641,129,695
Net income for the period	–	–	–	24,617,309	24,617,309
Other comprehensive income, net of tax	–	6,012,630	–	–	6,012,630
Transfer to profits reserve	–	(3,693,183)	3,693,183	–	–
Balance at 31 December 2022	572,278,169	(8,022,838)	177,724,229	(70,219,926)	671,759,634
Balance at 30 June 2023	574,476,801	9,886,072	153,270,754	(62,110,751)	675,522,876
Net income for the period	6	–	–	14,547,015	14,547,015
Other comprehensive income, net of tax	–	(601,937)	–	–	(601,937)
Transfer to profits reserve	6	(531,599)	531,599	–	–
Transactions with equity holders in their capacity as owners:					
Dividends	–	–	(16,016,126)	–	(16,016,126)
Balance at 31 December 2023	574,476,801	8,752,536	137,786,227	(47,563,736)	673,451,828

The accompanying notes form part of these half-year financial statements.

	For the half-year ended 31 December 2023 \$	For the half-year ended 31 December 2022 \$
Cash flows from operating activities		
Dividends received	4,285,776	1,767,404
Other income received	6,196	–
Interest paid	(6)	(1,651)
Donations paid	(4,979,692)	(5,187,851)
Payments for other expenses and prepayments	(969,706)	(912,336)
	(1,657,432)	(4,334,434)
Cash flows from investing activities		
Proceeds from sales of investments	200,749,886	375,058,545
Payments for purchases of investments	(212,586,135)	(376,648,780)
	(11,836,249)	(1,590,235)
Cash flows from financing activities		
Dividends paid	(16,016,126)	–
	(16,016,126)	–
Net decrease in cash and cash equivalents	(29,509,807)	(5,924,669)
Cash and cash equivalents at the beginning of the period	59,246,589	122,026,366
Effect of foreign currency exchange rate changes on cash and cash equivalents	(735,041)	2,027,738
	29,001,741	118,129,435
Cash and cash equivalents at end of the period	29,001,741	118,129,435

The accompanying notes form part of these half-year financial statements.

1 General information

The half-year financial statements of the Company are for the half-year ended 31 December 2023.

The half-year financial statements were authorised for issue on 22 February 2024 by the Board of Directors.

2 Summary of material accounting policies

Basis of preparation

These general purpose financial statements for the half-year ended 31 December 2023 have been prepared in accordance with Australian Accounting Standards Board (“AASB”) 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The material accounting policies adopted are consistent with those of the 30 June 2023 financial statements.

In accordance with *ASIC Corporations (Rounding in Financial/Directors’ Report) Instrument 2016/191*, the amounts in the half-year financial report have been rounded to the nearest dollar, unless otherwise indicated.

The Company has adopted all of the new and amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period and there was no material impact on adoption.

3 Donations

In line with the Company’s philanthropic objectives, the Company donates a percentage of the Company’s net tangible assets to leading Australian medical research organisations every six months. The donations are equal to 1.5% per annum of the average monthly net tangible assets for the previous half-year and roughly equivalent to the value of the investment management fees foregone by participating fund managers. The donations accrue monthly and will vary month-to-month in proportion to the net tangible asset value. The accrual of the donation amount each month increases expenses and decreases the Company’s net tangible assets.

4 Dividends

(a) Dividend franking account

	For the half-year ended 31 December 2023 \$	For the year ended 30 June 2023 \$
Opening balance	54,424,109	81,873,826
Franking credits on dividends received	371,415	711,702
Franking credits on dividends paid	(6,864,054)	(13,182,592)
Tax refund during the period/year	–	(14,998,758)
Closing balance of franking account	47,931,470	54,404,178
Franking credits on dividends receivable	–	19,931
Franking credits available for use in subsequent reporting periods	47,931,470	54,424,109

(b) Dividend income from financial assets at fair value

	For the half-year ended 31 December 2023 \$	For the half-year ended 31 December 2022 \$
Dividend income from financial assets at fair value – Investments sold during the half-year	813,498	426,854
Dividend income from financial assets at fair value – Investments held at year end ¹	2,859,612	1,605,296
Dividend income from financial assets at fair value	3,673,110	2,032,150
Withholding tax on dividends	(200,388)	(93,086)
Dividend income from financial assets at fair value	3,472,722	1,939,064

¹ Dividend income related to investments in other comprehensive income for the half-year ended 31 December 2023 is \$165,822 (2022: \$548,127).

5 Share capital

(a) Issued capital

	31 December 2023	31 December 2023
	No. of shares	\$
Ordinary shares	228,802,420	574,476,801

	30 June 2023	30 June 2023
	No. of shares	\$
Ordinary shares	228,802,420	574,476,801

(b) Movements in share capital

	For the half-year ended 31 December 2023	For the half-year ended 31 December 2023
	No. of shares	\$
Opening and closing balance	228,802,420	574,476,801

	For the year ended 30 June 2023	For the year ended 30 June 2023
	No. of shares	\$
Opening balance	227,850,849	572,278,169
Shares issued at \$2.31 per share	951,571	2,198,632
Closing balance	228,802,420	574,476,801

On 4 April 2023, the Company issued 951,571 fully paid ordinary shares at \$2.31 pursuant to the dividend reinvestment plan. On 19 October 2023, 692,568 fully paid shares were acquired on market and transferred to shareholders pursuant to the dividend reinvestment plan.

6 Reserves and accumulated losses

(a) Reserves

	31 December 2023	30 June 2023
	\$	\$
Investment portfolio revaluation reserve	8,752,536	9,886,072
Profits reserve	137,786,227	153,270,754
Accumulated losses	(47,563,736)	(62,110,751)
Total reserves	98,975,027	101,046,075

(b) Investment portfolio revaluation reserve

	For the half-year ended 31 December 2023	For the year ended 30 June 2023
	\$	\$
Opening balance	9,886,072	(10,342,285)
Net realised gains on investments	759,427	14,284,414
Income tax on net realised losses on investments	(227,828)	(4,285,324)
Net unrealised (losses)/gains on investments	(1,619,337)	28,897,653
Deferred income tax on net unrealised gains/(losses) on investments	485,801	(8,669,296)
Transfer to profits reserve	(531,599)	(9,999,090)
Closing balance	8,752,536	9,886,072

(c) Net realised gains and losses on investments

During the period, a number of investments held at fair value through other comprehensive income were sold realising a net loss as set out below. The investments were sold following recommendations from our portfolio fund managers and in accordance with our investment strategy.

	For the half-year ended 31 December 2023	For the year ended 30 June 2023
	\$	\$
Proceeds from sale of investments	200,749,886	444,410,176
Original cost of investments sold	(205,631,180)	(501,610,995)
Net realised losses on investments before tax	(4,881,294)	(57,200,819)

6 Reserves and accumulated losses (continued)
(d) Profits reserve

	For the half-year ended 31 December 2023 \$	For the year ended 30 June 2023 \$
Opening balance	153,270,754	174,031,046
Transfer from investment portfolio revaluation reserve	531,599	9,999,090
Dividends	(16,016,126)	(30,759,382)
Closing balance	137,786,227	153,270,754

During the half-year ended 31 December 2023, the Company paid a fully franked dividend of 7 cents per share to shareholders amounting to a total dividend payment of \$16,016,126. On 19 October 2023, 692,568 fully paid shares were acquired on market and transferred to shareholders pursuant to the dividend reinvestment plan. During the year ended 30 June 2023, the Company paid a fully franked dividend of 13.5 cents per share to shareholders amounting to a total dividend payment of \$30,759,382, of which \$3,766,855 was reinvested by shareholders in HM1 shares via the dividend reinvestment plan.

(e) Accumulated losses

	For the half-year ended 31 December 2023 \$	For the year ended 30 June 2023 \$
Opening balance	(62,110,751)	(94,837,235)
Net income for the period	14,547,015	32,726,484
Closing balance	(47,563,736)	(62,110,751)

7 Financial assets
Fair value measurements
(a) Fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

7 Financial assets (continued)

Fair value measurements (continued)

(a) Fair value estimation (continued)

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted closing price, without any deduction for transaction costs.

(b) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following tables represent the Company's assets and liabilities measured and recognised at fair value at:

31 December 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Listed equity securities on major exchanges	468,016,615	–	–	468,016,615
Unlisted equity securities	–	16,502,360	40,461,019	56,963,379
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	118,428,151	–	–	118,428,151
Total financial assets at fair value	586,444,766	16,502,360	40,461,019	643,408,145
30 June 2023				
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Listed equity securities on major exchanges	423,574,173	–	–	423,574,173
Unlisted equity securities	–	15,465,021	40,912,365	56,377,386
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	129,231,792	–	–	129,231,792
Total financial assets at fair value	552,805,965	15,465,021	40,912,365	609,183,351

There were no transfers between levels for recurring fair value measurements during the half-year ended 31 December 2023 and for the year ended 30 June 2023.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

7 Financial assets (continued)

Fair value measurements (continued)

(b) Fair value hierarchy (continued)

The carrying amounts of other receivables and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques and key inputs used in Level 2 and Level 3 fair value measurements:

	Fair value as at 31 December 2023 \$	Valuation techniques	Unobservable inputs	Range inputs
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
Unlisted equity securities	56,963,379	Recent material arm's length market transaction	N/A	N/A
	Fair value as at 30 June 2023 \$	Valuation techniques	Unobservable inputs	Range inputs
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
Unlisted equity securities	56,377,386	Recent material arm's length market transaction	N/A	N/A

(c) Level 3 fair value measurements

The table below shows reconciliation of all movements in the fair value of Level 3 investments:

	31 December 2023 \$	30 June 2023 \$
At beginning of period	40,912,365	–
Purchases	–	39,625,405
Net change in unrealised (losses)/gains through profit or loss	(451,346)	1,286,960
At end of year	40,461,019	40,912,365

The net change in unrealised (losses)/gains on Level 3 investments still held as at half-year ended 31 December 2023 and as at year end 30 June 2023 amounted to \$451,136 and \$1,286,960, respectively, are included in the Statement of Comprehensive Income.

7 Financial assets (continued)**Fair value measurements (continued)****(d) Valuation process for Level 3 investments**

The Company holds investments in unlisted securities which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. These investments are valued at fair value. The method that the Company uses to determine the fair value of these investments is generally the reported or latest available unit price or valuation received from the underlying investment fund managers. The Board has determined that it is appropriate to use these reported or latest available unit prices in determining the fair value of the investments in unlisted securities. The Company classifies the fair value of these investments as Level 3 in the fair value hierarchy.

The reported or latest available unit price, received from the underlying investment fund managers of an unlisted fund is calculated by the relevant underlying investment fund manager in accordance with their methodologies and assumptions to determine the fair value of the unlisted fund's investment in any portfolio companies. The methodologies that are used by the underlying investment fund manager to determine the fair value of the Company's investment in any unlisted portfolio companies are as follows:

- market approach (whereby fair value is derived by reference to material arms-lengths transactions or observable valuation measures for comparable companies;
- income approach (such as the discounted projected cash flow method); or
- cost approach, as the best initial approximation of fair value upon acquisition of an investment.

The Company reviews valuation models in its determination of the fair value of its investments in unlisted securities. The reported or latest available unit price or valuation model received from the underlying investment fund managers is considered to be the key input in the determination of fair value. The Company has the following control procedures in place to evaluate whether the latest available unit prices of the unlisted funds or the latest valuation of the unlisted portfolio companies is calculated in a manner consistent with Australian Accounting Standard AASB 13: *Fair Value Measurement*:

- Thorough initial due diligence process and ongoing monitoring procedures, primarily discussions with the underlying investment fund managers;
- Historical realisations or quoted market values of comparable companies to the last reported fair values;
- Review of the financial statements, key assumptions and significant judgements used in determining the fair value of each investment; and
- The evaluation of detailed valuation assessments provided by the Investment Manager, (where available).

Due to the inherent uncertainty of the valuation of the unlisted securities, the values used and the methodologies and assumptions adopted in the valuation may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of revaluation of the unquoted investments fair value within the next financial period.

8 Segment information

The Company is solely engaged in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments. It has no reportable business or geographical segments.

The Company's investments are listed equity securities on major exchanges. The split of the Company's investments by the country of listing is set out below.

	31 December 2023	30 June 2023
	Country of Listing	Country of Listing
	%	%
United States	59	56
Australia	16	28
Hong Kong	8	1
Germany	6	10
Canada	6	3
United Kingdom	5	2
	100	100

9 Related party transactions

All transactions with related entities were made on normal commercial terms and at market rates, except as noted below.

Management fees

The Company will forego any investment management fees associated with implementing and managing the investment strategy. Instead, donations will be paid by the Company to the designated charities every six months.

The Company Secretary has waived her right to receive fees. The Company holds professional indemnity insurance to her benefit. She receives an indemnity as an officer of the Company to the maximum extent permitted by law and is entitled to be reimbursed for any external costs and expenses she incurs. The Company Secretary is an employee of Boardroom Pty Limited. Boardroom Pty Limited provide company secretarial services to the Company.

Matthew Grounds is Chair of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$2,174,347 to Victor Chang Cardiac Research Institute for the half-year ended 31 December 2023 (half-year ended 31 December 2022: \$2,616,481).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$2,174,347 to Victor Chang Cardiac Research Institute for the half-year ended 31 December 2023 (half-year ended 31 December 2022: \$2,616,481).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation holds 4,270,106 shares in HM1 on 31 December 2023 (half-year ended 31 December 2022: 4,270,106 shares).

Directors' fees

The Directors have agreed to waive any right to be paid director fees.

10 Commitments and contingencies

The Company had no material contingent liabilities or commitments as at 31 December 2023 (2022: Nil).

11 Events occurring after the reporting period

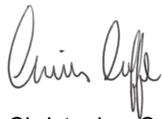
No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

In accordance with a resolution of the Board of Directors of Hearts and Minds Investments Limited, the Directors declare that:

- (a) The financial statements and notes as set out in pages 9 to 22 are in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position of the Company as at 31 December 2023 and of its performance, as represented by the results of the operations and the cash flows, for the half-year ended on that date.
- (b) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chair and Independent Director

Sydney
22 February 2024

Pitcher Partners Sydney

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**Independent Auditor's Review Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220**

Report on the Half-Year Financial Report**Conclusion**

We have reviewed the half-year financial report of Hearts and Minds Investments Limited ("the Company") which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of material accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hearts and Minds Investments Limited does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Richard King
Partner



Pitcher Partners
Sydney

22 February 2024