

10 January 2024

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 December 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 global securities based on the highest conviction ideas from respected fund managers. The Company forgoes any investment fees and instead donates to leading Australian medical research institutes.

Portfolio Commentary

Markets finished the calendar year strongly with good gains in both December and November. The strong finish resulted in outsized returns for the US markets for calendar year 2023, although those returns were concentrated in the so called Magnificent Seven stocks. For December, the S&P 500 increased 4.7%, and the Nasdaq increased 6.1%. The Australian dollar continued to strengthen increasing 3% to US\$0.681 cents which subdued the increase in the MSCI World Index in AUD which was up 1.3% in December. The HM1 portfolio performed well in December increasing 5.1% resulting in a calendar year return of 10.5% for 2023. Since inception in November 2018, the HM1 portfolio has delivered an annualised pre-tax investment return of 8.5% pa and has paid dividends totalling 46 cents per share.

In this month's update we provide an update on major portfolio moves in December and links to a series of conversations with a selection of our Core Fund Managers and medical researchers.

The Core Portfolio performed well in December led by Zillow which was up 40% due to increased real estate search activity and expectations that rates will begin to come down in the second half of next year. Block also benefited and was up 21% for the month following strong third quarter results and an improved earnings outlook.

The Conference Portfolio has got off to a solid start up 6% since inception in November. In particular, Dan Loeb's recommendation of Bath and Body Works is up 40% since purchase recovering well from its Q3 profit warning which assisted the entry price for our investment. Swire Pacific which was pitched by Tom Naughton of Prusik Investment Management is up 24% on the back of the announcement of a significant buyback that should underpin the stock at these levels. We have also enjoyed solid early gains on Webster Financial Corporation and Wise PLC.

On the negative side, our two Chinese listed stocks, China Tourism Duty Free and Miniso Group have continued to struggle down 10% and 19% respectively in December on the back of continued weakness in these sectors. We continue to have conviction in these names. We are pleased with our recent investment performance and believe the portfolio is well positioned going into 2024.

| | |
|---------------------------------------------------------------------|----------------|
| Pre-Tax NTA | \$2.91 |
| Post-Tax NTA | \$2.94 |
| Share Price (ASX: HM1) | \$2.41 |
| Investment Performance p.a. (Since inception 14 Nov 2018) | 8.5% |
| Latest Dividend (Interim paid 19 October 2023) | 7cps |
| Fully Franked Dividend Yield¹ | 5.6% |
| Cash Weighting | 4% |
| Profits Reserve (At 30 June 2023) | 67cps |
| Available Franking Credits² (At 30 June 2023) | 56cps |
| Cumulative Medical Research Funding | \$43.9m |

¹Fully franked dividend of 13.5cps divided by share price at 31 December 2023. ²Represents the level of future dividends (expressed as cents per share) that can be fully franked. All figures as at 31 December 2023 unless otherwise stated. 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.

HM1 Investment Performance

| Investment Performance | 1 month | 6 months | 1 year | 3 years per annum | Since Inception per annum |
|----------------------------|---------|----------|--------|-------------------|---------------------------|
| HM1 Investment Performance | 5.1% | 3.1% | 10.5% | -4.5% | 8.5% |
| MSCI World Index (AUD) | 1.3% | 4.2% | 21.5% | 9.9% | 10.3% |

HM1 Investment Performance is calculated after expenses and before taxes. The comparator is the MSCI World price index in AUD. Source: Citco Fund Services and www.msci.com. Inception 14 Nov 2018.

Dividend History

| Dividend History | 2021 | 2022 | 2023 | 2024 (Interim) |
|---------------------------|-------|---------|---------|----------------|
| Dividends – fully franked | 12cps | 13.5cps | 13.5cps | 7.0cps |

Top 10 Portfolio Holdings

Represents 49% of total portfolio holdings (in alphabetical order)

Bath&BodyWorks

Bath & Body Works
BBWI.NYSE



Intercontinental Exchange Ltd
ICE.NYSE

BHP

BHP
BHP.AX



Mastercard Inc
MA.NYSE



Block Inc
SQ.NYSE

Microsoft

Microsoft Corporation
MSFT.NAS



Formula One Group
FWONK.NAS

ROKT

Rokt



Guzman Y Gomez

Zillow

Zillow Group Inc
Z.NAS

Conference Portfolio Holdings

Represents 31% of total portfolio holdings (in alphabetical order)



AIA Insurance
1299.HKG



Miniso Group
9896.HKG

UniCredit

UniCredit
UCG.BIT



Ashland
ASH.NYSE

NexGen

NexGen Energy
NXG.ASX

WebsterBank

Webster Bank
WBS.NYSE

Bath&BodyWorks

Bath & Body Works
BBWI.NYSE



ResMed
RMD.ASX

Wise

Wise
WISE.LON



Games Workshop
GAW.LON

SWIRE PACIFIC

Swire Pacific
0019.HKG



Lamb Weston
LW.NYSE

Telix

Telix Pharmaceuticals
TLX.ASX

Reconnect with our conversations on **impact and investing**

Enjoy listening to season one of the Hearts & Minds Podcast, a series of engaging conversations with a selection of our Core Fund Managers and insightful explorations with ground breaking medical researchers. Discover more about our collective impact and fund manager investment styles [here](#).



The founding partner and Chief Investment Officer of **Munro Partners** Nick Griffin shares how he finds global winners. [Listen here.](#)



Victor Chang Cardiac Research Institute's Prof Sally Dunwoodie shares her research into preventing birth defects and miscarriages. [Listen here.](#)



Regal Funds' Phil King talks about his passion for stocks and where he is currently searching for opportunities. [Listen here.](#)



Learn how **WEHI's** A/Prof Matt Call is teaching our body's immune cells to target and kill cancer. [Listen here.](#)



TDM Growth Partners Investment Team Members Ed Cowan and Fraser Christie share their unique investment philosophy. [Listen here.](#)



Learn how **Magellan** portfolio managers pick a high conviction stock and avoid short term noise. [Listen here.](#)



Discover the world of rare genetic disease research with A/Prof Gina Ravenscroft from the **Harry Perkins Institute**. [Listen here.](#)



Hear why Jun Bei Liu of **Tribeca** is proud to be involved with HM1 and learn more about her high conviction investment strategy. [Listen here.](#)



Explore the expertise of Dr. Marino Festa as he delves into the world of critical care and trauma research within the **Kids Critical Care Research** unit. [Listen here.](#)



Hear from Hall of Famer Peter Cooper, the Founder and Chief Investment Officer of **Cooper Investors**. [Listen here.](#)

Core Fund Managers

CALEDONIA

**COOPER
INVESTORS**

MAGELLAN
EXPERTS IN GLOBAL INVESTING

MUNRO

**REGAL
FUNDS**

tdm.
GROWTH PARTNERS

Tribeca
Investment Partners

Conference Fund Managers

AIKYA

AZORA
CAPITAL

BCP | BAYBERRY
CAPITAL PARTNERS

Z **Ellerston Capital**

EMINENCE
CAPITAL

IFM Investors

METRONOME CAPITAL LLP

MUNRO

PRUSIK

TERRACAPITAL

TOSCAFUND

Tribeca
Investment Partners

Designated Beneficiaries

Baker
HEART & DIABETES INSTITUTE

**Cerebral Palsy
ALLIANCE**
RESEARCH FOUNDATION

The Florey
Advancing Brain Research

centre for population genomics
murdoch childrens
research
institute | **Garvan Institute**
of Medical Research

**kr kids
research** **kids
critical care
research**

NeuRA
Discover — Conquer — Cure

**PAIN
Foundation**

Perkins
HARRY PERKINS INSTITUTE
OF MEDICAL RESEARCH

**rpa Green Light
Institute**
FOR EMERGENCY CARE

**St Vincent's Clinic
Research Foundation**

Victor Chang
Cardiac Research Institute

WEHI
brighter together

Pro-Bono Service Providers

BoardRoom

**Charter
Hall**

CITCO

domestique

**KING & WOOD
MALLESONS**
金杜律师事务所

MONT
LAWYERS

**PITCHER
PARTNERS**