

ASX Announcement

3 November 2022

AMENDMENT TO CORE PORTFOLIO INVESTMENT GUIDELINES

The Hearts and Minds Investments Limited (**HM1**) Board has approved an amendment to its portfolio investment guidelines. The amendment is as follows;

HM1's portfolio investment guidelines for its Core Portfolio have been amended to provide HM1 with the flexibility to invest in a fund or individually managed account operated by a Core Fund Manager, where the HM1 Board determines that such investment is appropriate, and it provides a better form of exposure to the investment performance and risk profile for a particular Core Fund Manager.

The new guideline will be effective from 1 January 2023.

Background

HM1's investment strategy is to invest in a portfolio based on the highest conviction ideas from respected fund managers. Currently the HM1 portfolio consists of:

- *65% of the investment portfolio is held in up to 18 securities based on the highest conviction ideas of our Core Fund Managers.*
- *35% of the investment portfolio is held in 10 to 15 securities based on the annual investment recommendations of our Conference Fund Managers.*

Currently, HM1 gains exposure to its selected Core Fund Managers by investing in three listed securities recommended by each of its Core Fund Managers. An analysis of HM1's investment performance over the last four years shows that this form of portfolio construction does not always provide a high correlation with the actual investment performance, style and risk profile of some of our Core Fund Managers.

The amendment to the investment guidelines for the Core Portfolio will provide HM1 with additional flexibility to better access the expertise, style and investment performance of selected Core Fund Managers. The amended investment guidelines will be extended to allow exposure to a Core Fund Manager either via;

- Investing in direct listed equities recommended by the Core Fund Manager, or;
- Investing in an interest in a fund or individually managed account operated by the Core Fund Manager.

An investment in a Core Fund Manager's fund or individually managed account will only occur where, in the opinion of the HM1 Investment Committee and Board, such investment provides HM1 shareholders with a better method of gaining access to the particular Core Fund Manager's expertise and investment performance, and after having regard to the overall risk profile of HM1.

For clarity, HM1's asset class exposure in the Core Portfolio will remain predominantly listed equity exposure, regardless of whether the exposure to a Core Fund Manager is via directly held listed equities, or via a fund or individually managed account. It is expected the change will provide some diversification benefits whilst retaining the essence of a high conviction portfolio. Exposure via a Core Fund Manager's fund or individually managed account may involve some exposure to unlisted equity securities, derivatives and/or short positions.



Any investment by HM1 in the fund or individually managed account of a Core Fund Manager will continue to be provided on a pro-bono basis by the Core Fund Manager. HM1 will not incur any management fees or performance fees.

The Conference Portfolio, which represents 35% of the HM1 portfolio, is not impacted by the amended investment guidelines and it will continue to be based on 10 to 15 listed securities recommended by selected fund managers at the annual Sohn Hearts and Minds Investment Leaders Conference.

HM1 will provide notification of any investments in a Core Fund Manager's fund or individually managed account if and when that occurs.

-ENDS-

This announcement was authorised for release by the Chief Executive Officer.

Investor contact

ir@hm1.com.au