

9 February 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 January 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

For the month of January, the HM1 portfolio generated an investment return of 3.6%, compared to a decline of -0.4% in the MSCI World Net Total Return Index (AUD). Leading indices around the world were mixed, with the S&P 500 registering a 1.1% fall, the technology focused NASDAQ up 1.4%, the FTSE 100 down 0.8%, while the local S&P ASX 200 rallied 0.3%. The Australian dollar was weaker, falling 1c to 76.4c against the US dollar. Since inception (November 2018) the investment portfolio has gained 81.5% compared to 29.1% for our benchmark, while the post-tax Net Tangible Asset value of the portfolio increased by 2.8% during January and is now up 56.8% since inception.

Markets paused during January following the Democratic election victory, as optimism faded over Joe Biden's \$1.9 trillion COVID-19 relief proposal, some poor earnings reports from the US banks, concerns over the efficacy of vaccine rollouts around the world, and Donald Trump's parting shots as President, where he tried to impose investment bans on Chinese companies with military ties, and incited riots on Capitol Hill.

During January we made two changes to the Core Portfolio, partially selling down one of our holdings for a sizeable gain and reinvesting in a new Core Portfolio stock. Apart from this change, the Core Portfolio was broadly flat over the month with individual stock gains offset by falls. The Conference Portfolio had a very strong month, up 10% buoyed by outsized gains coming from Yeahka Limited (9923.HK), and the new recommendation from Cathie Wood (who pitched Tesla in 2019), Teladoc Health, Inc (TDOC.US).

Yeahka, pitched by Beeneet Kothari (Tekne Funds Management), operates a payments-based technology platform for use by Chinese merchants and consumers, and increased in value by 110% in January. Teladoc Health, which provides virtual healthcare services in the US and internationally, rallied by 32%. Hello Fresh Group (HFG.WBO) continued on the 26% share price rally we saw in December, gaining a further 12%. The biggest declines were in Nintendo (7974.JP), Bill.com (BILL.US) and T-Mobile (TMUS.US). Bill.com reported in early February and registered a 32% gain in the session post the report and is now up 87% since Babak Poushanchi (Cota Capital) pitched his thesis three months ago.

For our Core Portfolio, we conduct regular reviews with each of our Core Fund Managers, as the 18 stock recommendations from our six managers represent 65% of the total investment value of the portfolio. These are the three highest conviction stock selections of each fund manager and the time frame for holding the positions is roughly 3-5 years unless investment dynamics change, or a fund manager recommends an alternative high conviction stock.

The Conference Portfolio is completely refreshed every 12 months, meaning the *maximum* holding period for any conference stock recommendation is 12 months. Many stocks from previous conferences have continued to rally after the 12-month holding period has expired, meaning we have not enjoyed the ongoing gains of stocks such as Tesla and DocuSign. This is by design. The total portfolio has a mix of shorter-term conference recommendations, making up 35% of the portfolio, and a suite of longer-term core recommendations (65%).

We believe that the different investment horizons of the Core and Conference Portfolios is a key feature of our investment strategy that balances expected returns and risk management. This, combined with the fact that both portfolios are composed of high conviction stock recommendations from successful fund managers, means that we remain confident that our investment model will continue to provide our shareholders with satisfactory returns over the medium term.

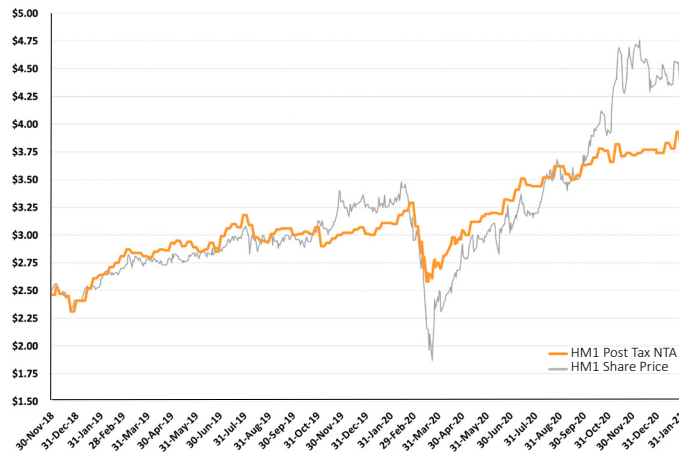
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	3.6%	15.1%	31.7%	81.5%
MSCI World Net TR Index (AUD)	(0.4)%	8.6%	0.7%	29.1%

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. Fund inception 14 Nov 2018.

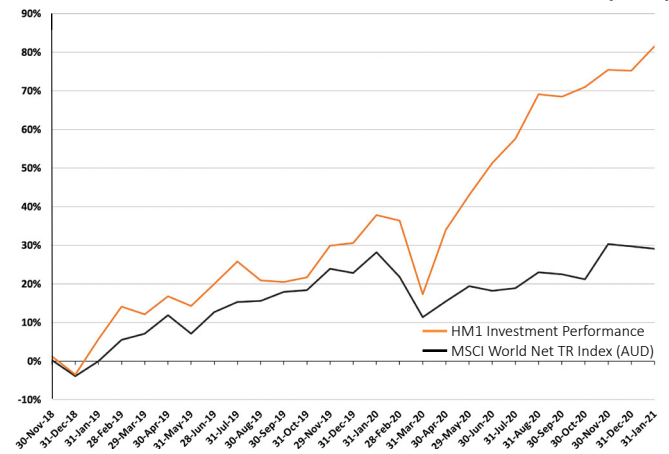
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	2.8%	11.6%	23.8%	56.8%

NTA Performance is calculated after all expenses and taxes. Source: Hearts and Minds Investments Limited and Citco Fund Services. Fund inception 14 Nov 2018.

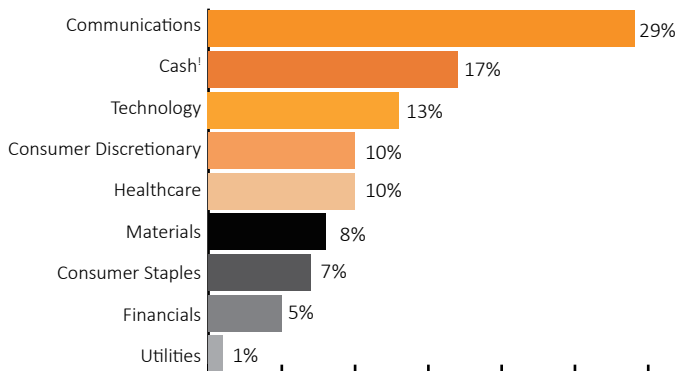
### HM1 Share Price vs Post Tax NTA



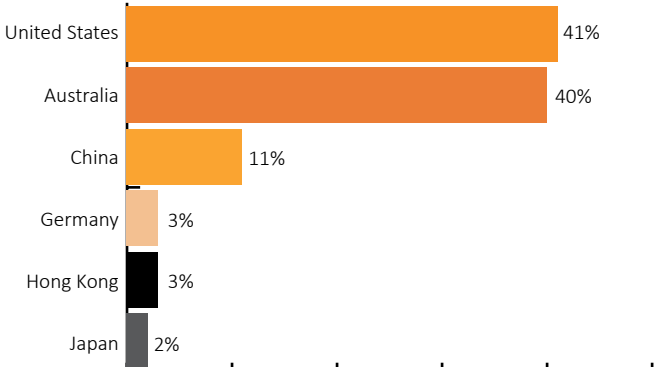
### Investment Performance vs MSCI World Net TR Index (AUD)



### Sector allocation



### Business Domicile<sup>4</sup>

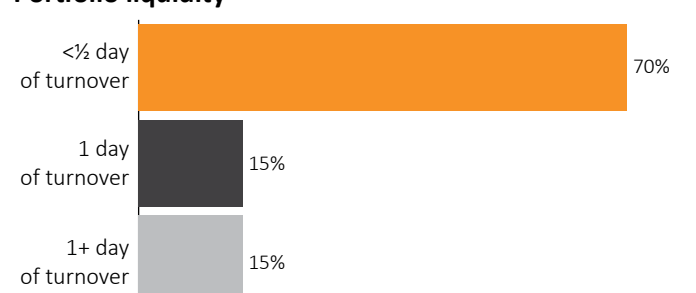


### Key details

Pre Tax NTA <sup>1</sup>	\$4.28
Post current tax NTA <sup>2</sup>	\$4.00
Post tax NTA <sup>3</sup>	\$3.84
ASX code	HM1
Share price	\$4.39
Percent invested	83%
Listing date	14 Nov 2018

All numbers as at 31 January 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 current tax NTA includes a provision for tax on operating profits, a provision for tax on realised gains and losses on the Total investment portfolio and a provision for tax on unrealised gains and losses on the Conference investment portfolio. <sup>4</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>5</sup>Determined by location where primary business takes place. <sup>6</sup>Based on 20 day average daily turnover. <sup>7</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>8</sup>All NTA figures are unaudited and prepared by Citco Fund Services. <sup>9</sup>All numbers as at 31 January 2021 unless otherwise stated.

Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

