



30 August 2023

The Manager
ASX Market Announcements
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Shareholders,

Please find attached the results announcement for Hearts and Minds Investments Limited for the full year ended 30 June 2023.

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

Dear Fellow Shareholder,

On behalf of the Board and management we would like to thank you for your ongoing support of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or the 'Company') and we are pleased to share the Annual Report for the year ended 30 June 2023.

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

We are pleased to report that, following the changes we made to the management of our investment portfolio over the last year, investment performance is beginning to improve. These changes included:

- We refined the selection process for Conference Fund Managers to provide greater diversification of fund manager style and sector exposure. We also implemented a stock risk filter to avoid an over concentration of single risk factors. These changes were implemented for the current Conference Portfolio.
- In November 2022, we appointed two new Core Fund Managers, Munro Partners and Tribeca Investment Partners to replace Paradise Investment Management at the end of their mandate term. Munro Partners is an investment manager with a core focus on global growth equities. Munro Partners' Founder and Chief Investment Officer, Nick Griffin, has been a Conference Fund Manager to HM1 over the last 4 years and has achieved excellent returns for HM1 in each year. Tribeca Investment Partners manages a suite of specialist strategies across equities, credit, global natural resources and opportunistic mandates. Jun Bei Liu is the Portfolio Manager of Tribeca's Alpha Plus Fund. Since taking over the Alpha Plus Fund, she has doubled funds under management to over \$1bn, making it one of the largest long-short equity funds in the Australian market. Jun Bei has been a Conference Fund Manager for 3 out of the last 4 years and has also achieved excellent returns in each year. Munro Partners' and Tribeca Investment Partners' mandate as a Core Fund Manager to HM1 will be for an initial term of 3 years.
- Also in November 2022, we amended the portfolio investment guidelines for the Core Portfolio to provide additional flexibility to access the expertise, style and investment performance of our Core Fund Managers. The change permits HM1 to gain exposure to the highest conviction strategies of our Core Fund Managers, whether via listed or unlisted securities. The change is expected to provide both performance and diversification benefits whilst retaining the essence of a high conviction portfolio. An investment in unlisted securities will be by exception only, and only where such investment provides HM1 with a better method to gain exposure to a particular Core Fund Manager's expertise, style and investment performance. For clarity, HM1's portfolio exposure will remain predominantly listed equity exposures.

Following these changes, in January 2023 HM1 invested in two unlisted stocks, Guzman Y Gomez Ltd and Rokt Ltd, that are high conviction investments of TDM Growth Partners, one of our Core Fund Managers. HM1 also made an investment in a managed fund operated by another Core Fund Manager, Regal Funds Management. In both these cases, HM1 determined that the investments are appropriate



and provide HM1 with a better form of exposure to the expertise, style and investment performance of those Core Fund Managers. On 30 June 2023, these investments represent in total 8.4% of HM1's investment portfolio.

In March 2023, we announced the appointment of Charlie Lanchester as the new Chief Investment officer for HM1. Charlie is an accomplished fund manager and investor with over 30 years active funds management experience at leading investment organisations. We are delighted to have someone of Charlie's experience and calibre to select and manage HM1's suite of Core and Conference Fund Managers and oversee HM1's investment portfolio.

Over the last year the Board has been very focussed on, and dissatisfied with, the discount at which the HM1 share price is trading to its net tangible assets (NTA). In light of the share price discount, and following shareholder feedback, the Board decided to modify the dividend policy to increase the frequency of dividend payments to twice yearly. The half-yearly dividend will be paid in April and October of each year.

We believe that the changes we have made to the management of HM1's investment portfolio will lead to a sustained improvement in investment performance. We further believe that this, combined with our modified dividend policy and improved insight to, and disclosure of, our investment portfolio, will narrow the share price discount to NTA over time.

The HM1 investment portfolio increased on a pre-tax basis by 15.1% for the year ended 30 June 2023, recovering some of the losses of the prior year. Since the inception of the Company in November 2018, HM1 has generated a compound pre-tax investment return of 8.8% per annum. For the year ended 30 June 2023, HM1 recorded a total comprehensive income after tax of \$63.0 million (2022: total comprehensive loss after tax of \$219.6 million). The result was driven by a strong recovery in the market value of the Core Portfolio generating unrealised gains, partially offset by realised losses from the previous year's Conference Portfolio. Further details of the performance of the investment portfolio can be found in the Investment Committee Report.

In April 2023 HM1 paid its third annual dividend to shareholders. A fully franked dividend of 13.5 cents per ordinary share was paid on 13 April 2023. Our dividend reinvestment plan was operational and many shareholders reinvested their dividend in HM1 shares at the prevailing market price. The Board aims to maintain a policy of paying fully franked dividends to shareholders subject to sufficient cash reserves, available franking credits and prudent business practice. As noted above we have modified the dividend policy to increase the frequency of dividend payments to twice yearly. The first half-yearly fully franked dividend of 7 cents per share will be paid in October 2023.

In line with its philanthropic objective, HM1 provides financial contributions equivalent to 1.5% of NTA per annum to leading Australian medical research organisations, to fund the development of new medicines and treatments and to drive a new generation of medical research in Australia. This is effectively funded by HM1's participating fund managers, its Board of Directors and Committees and many of our service providers all working on a pro bono basis. We sincerely thank everyone for their ongoing involvement and generosity.



During the year ended 30 June 2023, HM1 paid \$10.2 million to its designated medical research organisations and made provision for a further \$5.7 million. These donated monies will be used by the medical research organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders.

Finally, we would also like to thank you, our shareholders, for supporting the advancement of medical research in Australia through your investment in HM1.

For further information on HM1 and our Annual Report for the year ended 30 June 2023, visit the HM1 website at www.hm1.com.au.

Kind regards,

A handwritten signature in black ink, appearing to read "Chris Cuffe". The signature is fluid and cursive, with a large initial 'C'.

Chris Cuffe AO
Chairman