



Monthly Investment Update September 2022

12 October 2022

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 September Investment Update.

If you would like to receive these monthly investment updates via email please [subscribe here](#).

For and on behalf of the board,

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is positioned above the printed name.

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 respected fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

Portfolio Commentary

The HM1 portfolio declined by 1.5% for the month of September. Global equity markets saw selling pressure re-emerge, with the S&P 500 declining 9.3%, the NASDAQ Composite down 10.5%, while the local ASX 200 fell 7.3%. The Australian dollar fell by 6.5% to close the month at USD64c which mitigated the fall in the MSCI World Net TR (AUD) to 3.3%. Since inception, the HM1 portfolio has delivered an annualised investment return of 8.4% pa.

As it became clear that the hawkish stance of global central banks looks set to persist longer than expected, risking triggering a recession, investors rushed to the safety of cash, with the S&P 500 index suffering its worst monthly decline since the pandemic hit in March 2020. For the year-to-date period, the S&P 500 is down 25% and the NASDAQ is down 32%. Early trading in October continues to see ongoing selling pressure in equity markets.

According to the IMF, *"The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could be harder to bring down than anticipated, either if labour markets are tighter than expected or inflation expectations unanchor; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. A plausible alternative scenario, in which risks materialize, inflation rises further, and global growth declines to about 2.6% and 2.0% in 2022 and 2023, respectively, would put growth in the bottom ten percent of outcomes since 1970."*

Despite the large exposure to the technology sector, the HM1 portfolio outperformed most markets in September aided by a weaker Australian dollar and a higher allocation to cash, as we wind down the conference portfolio. As a reminder, the maximum holding period for conference portfolio investments, which comprise 35% of the overall portfolio, is 12 months. Despite weaker equity markets, positive contributions to returns came from WISE Payments (UK) up 35%; De Grey Mining up 6%, while The Beauty Company, Opthea and Mineral Resources all eked out small gains. The main detractors were our technology investments and Techtronics and Pinnacle all of which suffered heavy falls in September.

In September we sold the balance of our Gitlab holding, as well as our entire position in OnSemi. In what has been a difficult year for the technology sector, we were pleased to generate a gain of 16% in OnSemi. We also replaced Orica with BHP Limited, which has been a slight positive for the portfolio so far. Our cash weighting now sits at 28%, which will increase further over the coming weeks, as we dispose of the remainder of the 2021 conference portfolio.

Central banks have made it very clear that curbing inflation is their #1 priority, despite the real prospect of sending economies into recession. This, along with the tensions in the Ukraine, and its effects on commodity markets, will most likely see ongoing volatility over the coming months.

Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	-1.5%	-11.3%	-28.3%	4.4%	8.4%
MSCI World Net TR Index (AUD)	-3.3%	-8.2%	-9.7%	6.2%	9.2%

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.

All figures as at 30 September 2022 unless otherwise stated. Portfolio Commentary as at 11 October 2022. 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.

Pre-Tax NTA **\$2.75**

Post-Tax NTA **\$2.93**

Share Price
(ASX: HM1) **\$2.30**

Investment Performance p.a.
(Since inception 14 Nov 2018) **8.4%**











Cash Weighting **28%**

Latest Dividend
(Annual fully franked dividend paid April 2022) **13.5cps**

Profits Reserve **76cps**

Cumulative Medical Research Funding **\$33.9m**

Top 10 Holdings (in alphabetical order)

 Alphabet Inc GOOGL US	 Formula One Group FWONK US
 BHP Group BHP AU	 Microsoft Corporation MSFT US
 Brookfield Asset Management BAM US	 Mineral Resources MIN AU
 Danaher Corporation DHR US	 Visa Inc V US
 De Grey Mining DEG AU	 Zillow Group Inc Z US

News from the **HM1 Network**



Tim Carleton, founder of Auscap Asset Management and 2022 Conference Fund Manager joined Bryce Leske and Alec Renehan from Equity Mates Media to discuss his investment philosophy and what makes a great Australian company ahead of this year's conference in Hobart, Tasmania. A brilliant episode, [listen to the conversation here](#).



In the lead-up to the 2022 Sohn Hearts & Minds Investment Leaders Conference, **Chief Investment Officer of Munro Partners Nick Griffin** spoke to *The Australian* about the reasons why he thought his 2021 stock pick, OnSemi, worked. The article also covers Nick's views on current market volatility as well as the megatrend that Munro is excited about for the months and years ahead. [Read the article on our website here](#).



Three leading investors head to Tasmania to discuss sport as an asset class at this year's Sohn Hearts & Minds Conference: **Gerry Cardinale, founder of RedBird Capital Partners (USA)**, owner of AC Milan, **Kara Nortman, managing partner of Upfront Ventures (USA)**, co-founder of Angel City Football Club the first majority-women owned, women-led professional sports team in the US, and **Matt Berriman, founder of RealVC** and recent bidder for Australia's Super Netball. See them all in conversation with former Australian cricketer **Ed Cowan (of TDM Growth Partners)**. It will be a thought-provoking discussion on the benefits and challenges of securing private capital to fund sporting teams. [Read The Sydney Morning Herald article on our website to learn more](#).



Matt Berriman, founder of RealVC and 'The Business of Sport' panellist at this year's Sohn Hearts & Minds Conference discusses RealVC, his entrepreneurial learnings and the parallels between sports and business – all on the *Talking Tech* podcast. [Listen to the short podcast episode here](#).



Chief Investment Officer of Munro Partners and 2022 Conference Fund Manager Nick Griffin was on a recent episode of *The Australian Investors Podcast* where he discussed his investment philosophy, Munro's Areas of Interest and the impact of geopolitical tensions. [Watch the full conversation here](#).



Victor Chang Cardiac Research Institute's Professor Sally Dunwoodie is leading Australia's first clinical trial to potentially identify pregnant women at risk of recurrent miscarriages or having a baby with birth defects. The landmark clinical trial builds on Professor Dunwoodie's historic breakthrough which discovered that a deficiency in a vital molecule, known as NAD, can cause birth defects and miscarriage in families. To learn more about the study, [read the article here](#).



Emma Fisher, previous Conference Manager and Portfolio Manager at **Airlie Funds Management** shares why it's time to get 'uncomfortable' on Aussie stocks and go against the dominant market narrative. Find out more by [reading the AFR article on our website here](#).



Energy is a standout theme for Phil King, the Chief Investment Officer of **Regal Funds Management (HM1 Core Fund Manager)**, who believes demand for the natural resources that power the world's homes, businesses, industries, and vehicles – including EVs – will remain strong for years to come. In a recent webinar, Phil discussed several companies his fund owns on the back of this bullish view, while portfolio manager Jovita Khilnani explored a sector in which she's running short positions. [Read Livewire's key takeaways here](#).



Rory Lucas, HM1's Chief Investment Officer, writes a jargon-free update providing insight into what's happening in the portfolio. You can view past updates on our [website here](#), and subscribe to receive these straight to your inbox [here](#).

More news from the HM1 network

We regularly update our News and Insights section on the [HM1 website](#) with interesting articles from our fund managers and beneficiaries.

Core Fund Managers



Conference Fund Managers



Designated Beneficiaries



Pro-Bono Service Providers

