



Hearts and Minds Investments Limited

ABN 61 628 753 220

Appendix 4E Preliminary Final Report for the period 12 September 2018 to 30 June 2019

This report is for the reporting period from 12 September 2018 (the date of incorporation) to 30 June 2019. As this is the first full reporting period for Hearts and Minds Investments Limited the comparative figures and percentage changes for the previous corresponding period are not disclosed.

Results for announcement to the market	For the period 12 September 2018 to 30 June 2019 \$
Revenue from ordinary activities	4,121,063
Loss from ordinary activities after tax attributable to members	(746,300)
Other comprehensive income, net of tax	71,199,327
Total comprehensive income for the period	70,453,027

Dividend Information

There were no dividends paid or proposed during the period. The Company does not have a dividend reinvestment plan.

Net tangible assets per share	As at 30 June 2019
- before tax	\$2.99
- after tax	\$2.85

This report is based on the Annual Report which has been audited by Pitcher Partners. The audit report is included with the Company's Annual Report which accompanies Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.



Hearts and Minds Investments Limited

ACN 628 753 220

**Annual Report
for the period from 12 September 2018
(date of incorporation) to 30 June 2019**

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Corporate Directory

Directors <i>(Pro bono)</i>	Christopher Cuffe AO Lorraine Berends Guy Fowler Matthew Grounds Michael Traill AM Gary Weiss AM Geoffrey Wilson AO David Wright Michael Beaumont	Chairman and Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Previous Director (appointed 12 September 2018, ceased 25 September 2018)
Company Secretary <i>(Pro bono)</i>	Tom Bloomfield	
Investment Committee <i>(Pro bono)</i>	David Wright Christopher Cuffe AO Lorraine Berends Brett Paton Paul Rayson	Chairman
Core Fund Managers <i>(Pro bono)</i>	Caledonia (Private) Investments Pty Limited Cooper Investors Pty Limited Magellan Asset Management Limited Paradice Investment Management Pty Limited Regal Funds Management Pty Limited	
2018 Conference Fund Managers <i>(Pro bono)</i>	Airlie Funds Management Auscap Asset Management Cooper Investors Cota Capital Elephant Asset Management Firetrail Investments Montaka Global Investments	Munro Partners Paradice Investment Management Pengana Capital Group Tekne Capital Management Tribeca Investment Partners Wilson Asset Management
Registered Office	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000	
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099	
Administrator <i>(Pro bono)</i>	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400	
Share Registrar <i>(Pro bono)</i>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600	
Stock Exchange	Australian Securities Exchange The home exchange is Sydney ASX code: HM1 Ordinary Shares	

Chairman and Chief Executive Officer's Letter

Dear fellow Shareholders,

On behalf of the Board and management we would like to thank you for your support in our first seven months of operation, and we are delighted to share the first Annual Report for Hearts and Minds Investments Limited ("HM1" or the "Company").

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

When we commenced the public offering in October last year, we were delighted by the strong support from the market. Our initial public offering, which was oversubscribed, raised \$500 million across 5,500 shareholders. We believe this is a testament to HM1's investment strategy and the generosity of Australian investors.

Since listing on 14 November 2018, HM1 has had a strong performance, with its pre-tax net tangible assets increasing 19.6% from \$2.50 to \$2.99 to 30 June 2019, outperforming the MSCI World Net TR (AUD), a global equity investment benchmark. Total comprehensive income including net unrealised gains and losses on the investment portfolio for the period was \$70.4m. While we are proud of this early performance, resulting from the underlying stock recommendations of our participating fund managers, we also recognise we have been supported by favourable market conditions.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers forego any investment fees and instead an amount equivalent to 1.5% of net tangible assets per annum is donated to designated charities.

The current designated charities are Victor Chang Cardiac Research Institute, Black Dog Institute, Brain and Mind Centre at Sydney University, Charlie Teo Foundation, The Children's Hospital at Westmead – Paediatric Intensive Care Unit, The Florey Institute of Neuroscience and Mental Health, Multiple Sclerosis Research Australia Limited, Orygen, Centre of Human Psychopharmacology at Swinburne University and Royal Prince Alfred Hospital Emergency Research.

HM1 made its first payment of \$4.9 million in June 2019 to Victor Chang Cardiac Research Institute, representing a reimbursement of the offer costs of the initial public offer in accordance with the Company's agreement with them. During FY20 it is expected that the offer costs will be fully repaid and donations to the designated charities mentioned above will commence.

We would like to thank our participating fund managers and service providers for their outstanding and continued generosity since listing.

HM1's Investment Approach

HM1 seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of long positions in 25 to 30 Australian and international listed securities based on the highest conviction ideas from two groups of fund managers.

- HM1 has allocated 40% of the investment portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (Conference Fund Managers).
- HM1 has invested 60% of the investment portfolio based on the highest conviction ideas of five leading fund managers (Core Fund Managers). These fund managers are Caledonia (Private) Investments Pty Limited, Cooper Investors Pty Limited, Magellan Asset Management Limited, Paradise Investment Management Pty Limited and Regal Funds Management Pty Limited.

In the Board’s view the investment approach offers investors an opportunity to:

- capitalise on exposure to the highest conviction ideas, investment approach and expertise of each fund manager, a number of whom are not otherwise readily accessible to retail investors;
- benefit from having a portfolio that is not concentrated on the philosophy or investment style of just one fund manager; and
- access a concentrated portfolio of Australian and international listed securities which HM1 believes provides an opportunity to maximise shareholder returns over the long term (being five years or more).

Company Performance

As a listed Investment company, we will use three key measures to evaluate the performance of HM1: investment portfolio performance; net tangible asset (NTA) growth of HM1; and total shareholder return (TSR).

- Investment portfolio performance measures the growth of the investment portfolio and cash before expenses and taxes. Our investment benchmark, the MSCI World Net TR (AUD), is also measured before expenses and taxes.
- NTA growth is the change in the value of the Company’s assets less liabilities and is essentially the realisable value of the Company. The pre and post-tax NTA of the Company is reported to shareholders every month.
- TSR measures the total return to shareholders from share price growth and dividends paid.

1. Investment Portfolio Performance

Performance at 30 June 2019	Six Months	Since inception (14 Nov 2018)
HM1 investment portfolio performance	25.4%	21.2%
MSCI World Net TR (AUD)	17.4%	12.7%
Outperformance	8.0%	8.5%

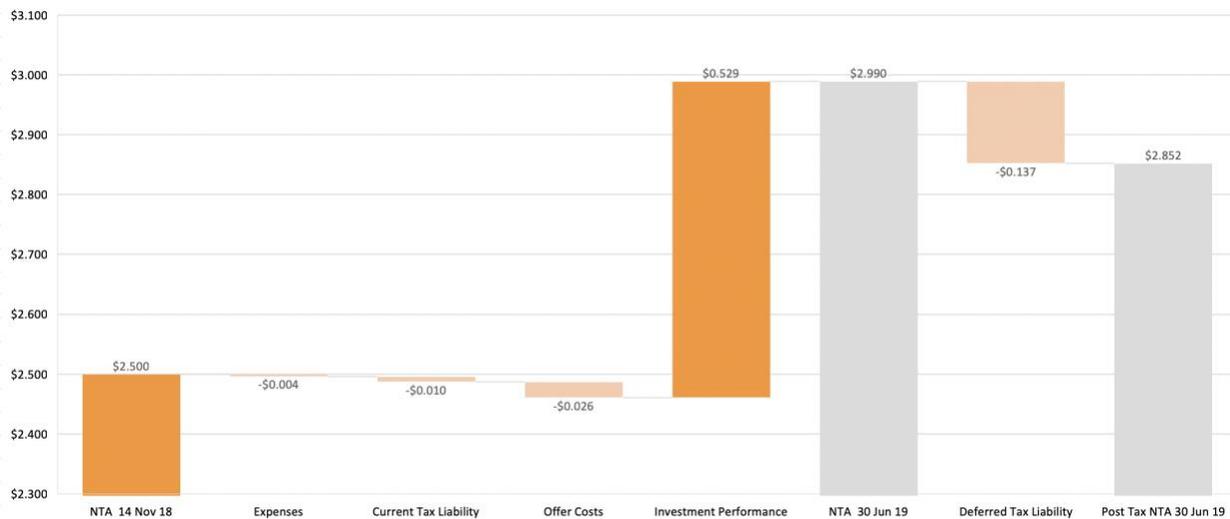
Investment performance and index returns are before expenses and taxes.

For the period since listing to 30 June 2019, HM1’s investment portfolio has produced a 21.2% return compared to the benchmark MSCI World Net TR (AUD) of 12.7%. The strong performance is partly attributable to favourable global markets and a slight fall in the Australian dollar over the period. However, the outperformance to the index is largely due to the stock selection of our participating fund managers and the concentrated nature of the portfolio. Pleasingly, despite the volatility of global markets during this period, the portfolio outperformed the market index in periods of both market increases and market drawdowns.

2. NTA Growth

HM1’s post current tax NTA has increased 19.6% from \$2.50 at listing on 14 November 2018 to \$2.99 at 30 June 2019 (representing total net tangible assets of \$598 million). The chart on the next page shows the components of the change in NTA over this period. The major increase in post current tax NTA came from the investment performance over the period of 21.2% or 53 cents per share, partially offset by the payment of offer costs, the provision for tax on realised portfolio gains and operational expenses. The post-tax NTA of \$2.85 includes a provision for deferred tax on unrealised gains in the portfolio.

HM1 NTA Performance



3. Total Shareholder Return

Total Shareholder Return measures the change in share price plus dividends paid. HM1's share price increased from \$2.50 at listing on 14 November 2018 to \$2.95 as at 28 June 2019, an increase of 18%. No dividends have yet been declared or paid by HM1. This measure does not include the potential value of franking credits arising from the payment of tax and the franking of future dividends.

Dividend Policy

HM1 provides shareholders with exposure to a concentrated portfolio of Australian and international securities. As such, returns to shareholders are predominantly delivered through capital growth. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice. The Board has not declared a dividend in respect to the part-year period to 30 June 2019. The Board will consider a dividend payment following the December 2019 half year, dependent on the quantum of realised profits from the disposal of the first year's stocks recommended by Conference Fund Managers.

Capital Management

In October 2018 the Company successfully raised \$500 million through an initial public offering of 200 million shares at \$2.50 each and listed on the Australian Stock Exchange on 14 November 2018. The funds raised were invested in accordance with the Company's investment strategy described above. A cash reserve of 2% of the funds raised was retained to provide for the payment of donations and to meet operational expenses and reserves. Where securities in the portfolio have been disposed of during the period, the proceeds have either been reinvested in existing securities in the portfolio or held in cash or cash equivalents. Further details are provided in the Investment Committee report.

The objective of the Company is to remain fully invested in the portfolio after providing for operational expenses, current tax liabilities and future dividend payments.

Fund Managers and Service Providers

Through their investment in HM1, shareholders gain exposure to the highest conviction ideas, investment approach and expertise of leading fund managers, and make a significant contribution to advancing medical research in Australia. This is made possible by all of our participating fund managers foregoing investment management and performance fees. The Board of Directors, the Investment Committee and many of our service providers also work on a pro bono basis.

We would like to thank our fund managers and service providers for their support and generosity in the establishment and ongoing operations of HM1. The notional value of the investment and performance fees foregone by the participating fund managers totalled \$5.1 million for the period. The notional value of the service providers and the Board and Investment Committee working on a pro bono basis totalled \$0.3 million for the period.

We would also like to thank you, our shareholders, for supporting HM1's combined objective of providing a compelling and attractive investment proposition whilst also supporting the advancement of medical research in Australia.

We look forward to the 2019 Sohn Hearts and Minds Leaders Conference at the iconic Sydney Opera House on Friday, 22 November.



Christopher Cuffe AO
Chairman



Paul Rayson
Chief Executive Officer

Sydney
23 August 2019

Investment Committee Report

The Investment Committee of HM1, in conjunction with the Chief Investment Officer (CIO) is responsible for implementing the Company's investment strategy, including the selection of fund managers, managing the investment portfolio and reviewing fund manager performance. The Company's Investment Committee consists of David Wright (Chairman), Chris Cuffe, Lorraine Berends, Paul Rayson and Brett Paton. The Investment Committee's experience and qualifications are provided in the Directors Report.

HM1 Investment Strategy

HM1 seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of long positions in 25 to 30 Australian and international listed securities based on the highest conviction ideas from two groups of fund managers.

60% of the investment portfolio is held in up to 15 securities based on the highest conviction ideas of five leading fund managers (Core Fund Managers). The Core Fund Managers are Caledonia (Private) Investments Pty Limited, Cooper Investors Pty Limited, Magellan Asset Management Limited, Paradise Investment Management Pty Limited and Regal Funds Management Pty Limited. On a quarterly basis the Core Fund Managers provide the Company with their top three security holding recommendations and a weighting for each security.

The Company invests 12% of its investment portfolio in the three recommendations from each of the five Core Fund Managers. The investment portfolio is rebalanced based on recommendations from the Core Fund Managers. The Core Fund Managers have agreed to provide investment recommendations to the Company for a period of at least three years.

40% of the investment portfolio is held in 10 to 15 securities based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (Conference Fund Managers). The Company generally allocates an equal weight investment to each of these recommendations. These securities are expected to be held in the portfolio for a period of 12 months. After this period, the securities are expected to be removed in order to invest in the recommendations of the selected Conference Fund Managers who present at the following year's Conference.

The Company may decide to hold a security for a longer or shorter than the annual period in certain circumstances. This may include if the original investment thesis of the fund manager has played out, or if factors have changed such that the original investment thesis no longer applies. In this circumstance the Company may hold cash until the end of the annual period or reinvest in remaining securities based on recommendations from Conference Fund Managers. The holding period of a security may be extended if the original investment thesis of the fund manager remains in place, but the potential value is not yet reflected in the security price.

The Company aims to be fully invested subject to an appropriate cash buffer to meet donation payments, general expenses, tax and any dividend payments.

HM1 Portfolio Composition

HM1 initially invested in 28 securities in November 2018. This comprised 15 securities in the Core portfolio, and 13 securities in the Conference portfolio. Pleasingly, the two parts of the portfolio have contributed equally to the overall performance of HM1.

The Company has made three changes to the Conference portfolio since November 2018. Holdings in New Oriental Education and Technology Group, KAR Auction Services Inc, and Yangtze Optical Fibre and Cable Limited were disposed of during the year. The investment thesis of New Oriental Education and Technology Group played out earlier than expected and our holding was realised at a substantial gain. Industry specific factors impacted the investments in Yangtze Optical Fibre and Cable Limited and KAR Auction Services Inc and these investments were sold at break even and a small loss respectively. The proceeds from these disposals were re-invested into the remaining holdings in the Conference portfolio based on recommendations from Conference Fund Managers.

The company has made two changes to the Core portfolio since November 2018. One of the holdings in the Core portfolio, Shire PLC, was the subject of an acquisition by Takeda Pharmaceutical Company Limited (Takeda). The Company re-invested the proceeds from the acquisition of Shire PLC in the acquiring company, Takeda. During the period, the Company also sold a poorly performing investment in the Core portfolio and re-invested in a new security based on the recommendation from one of our Core Fund Managers.

As at 30 June 2019, the portfolio comprised 25 securities. The portfolio holdings ranked by market value at 30 June 2019 is set out in the table below.

Portfolio Holdings as at 30 June 2019:

Company Name	Principal Exchange Listing	No. of securities held at 30 June 2019	Market Value of securities held at 30 June 2019	Percentage of Portfolio
PagSeguro Digital Limited	United States	629,000	\$34,922,539	5.89%
Zillow Group Inc - C	United States	518,000	\$34,235,675	5.77%
Appen Limited	Australia	1,150,000	\$32,188,500	5.43%
AIA Group Limited	Hong Kong	1,750,000	\$26,884,784	4.53%
Facebook Inc - A	United States	97,000	\$26,671,890	4.50%
Seven Group Holdings Limited	Australia	1,400,000	\$25,886,000	4.36%
Alphabet Inc Class C	United States	16,600	\$25,563,621	4.31%
TE Connectivity Limited	United States	185,000	\$25,244,764	4.26%
Amazon.com Inc	United States	9,260	\$24,982,211	4.21%
Brambles Limited	Australia	1,900,000	\$24,472,000	4.13%
DocuSign Inc	United States	342,600	\$24,263,636	4.09%
Airbus SE	France	118,400	\$23,912,981	4.03%
Alibaba Group Holding Limited	United States	97,000	\$23,417,367	3.95%
ITT Inc.	United States	250,000	\$23,322,411	3.93%
Bandai Namco Holdings Limited	Japan	330,500	\$22,824,254	3.85%
Takeda Pharmaceutical Company	United States	900,000	\$22,695,541	3.83%
JB HiFi Limited	Australia	835,000	\$21,584,750	3.64%
Lear Corporation	United States	104,950	\$20,824,030	3.51%
Stars Group Inc	Canada	853,400	\$20,755,459	3.50%
Origin Energy Limited	Australia	2,780,000	\$20,321,800	3.43%
Liberty Sirius XM Group	United States	375,000	\$20,200,527	3.41%
Betashares Australian High Interest	Australia	350,000	\$17,549,000	2.96%
Reece Australia Limited	Australia	1,440,000	\$14,054,400	2.37%
Grubhub Inc	United States	120,000	\$13,333,523	2.25%
Microsoft Corporation	United States	62,000	\$11,832,911	2.00%
Nufarm Limited	Australia	2,718,000	\$11,143,800	1.88%
Total Equity Securities			\$593,088,374	100%

HM1 Portfolio Performance

As noted in the Chairman and Chief Executive Officer’s Letter, the investment portfolio has returned 21.2% since inception on 14 November 2018. By way of comparison, the MSCI World Net TR (AUD) has increased by 12.7% over the same period. The positive performance of the portfolio over this period is a combination of buoyant equity markets, a slight fall in the Australian dollar and the strong performance of the individual security recommendations from our fund managers.

Over the period since inception to 30 June 2019, global markets have been characterised by heightened volatility, with on-going trade wars between the US and China, European uncertainty over Brexit, weakening global economic conditions and a reversal of monetary policy tightening. While the portfolio has performed well over the period since inception, given the concentrated nature of the portfolio, it remains exposed to the ongoing volatility in global markets.

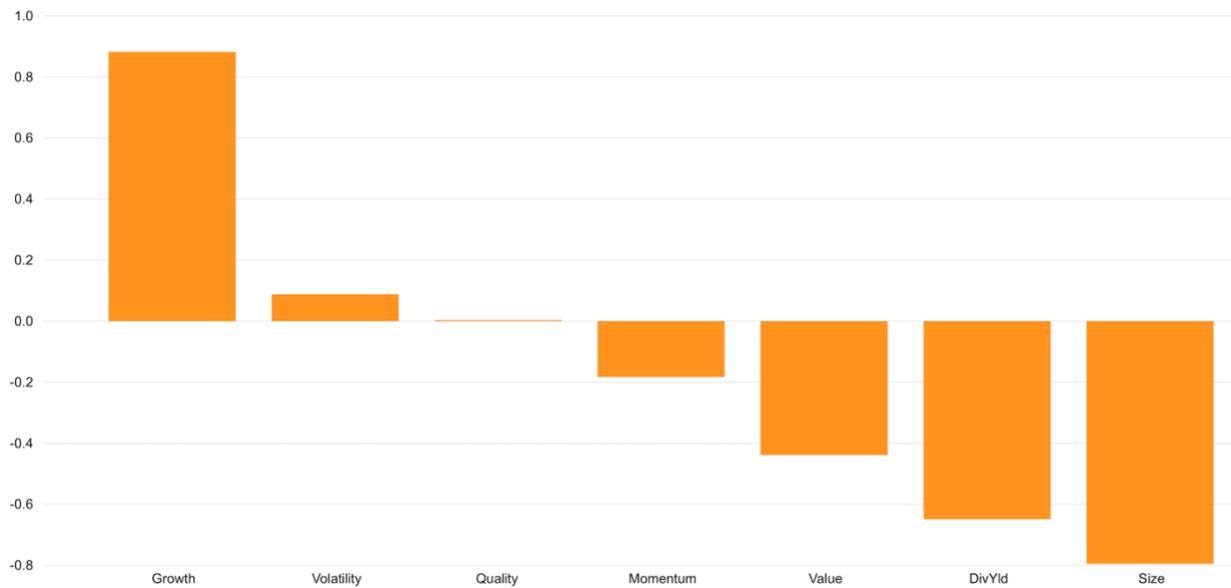
Metrics

The following information summarises the risk metrics of the security holdings in the HM1 portfolio as at 30 June 2019. The analysis is a snap-shot of the portfolio structure and biases at that point in time and does not reflect any future biases within the portfolio.

Style Factor Analysis

The chart below illustrates the style tilts exhibited in the portfolio based on the securities in the portfolio as at 30 June 2019 and analysis produced by Zenith Investment Partners.

All Factor Betas Portfolio Comparison

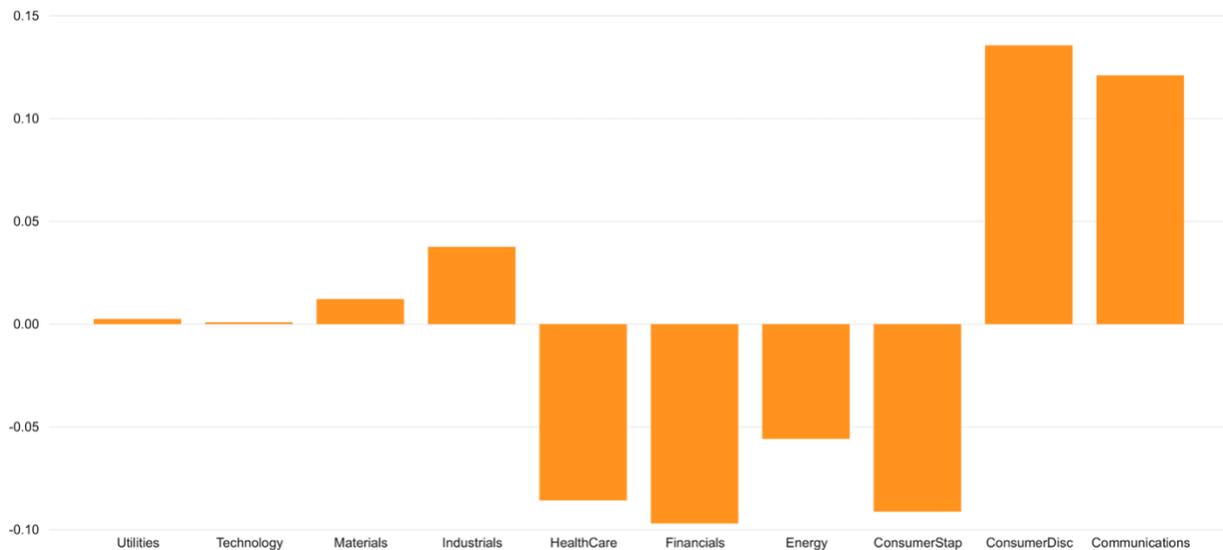


Consistent with HM1’s capital growth objective, the portfolio exhibits a strong bias to growth securities. Other significant style biases include a negative bias to size, dividend yielding securities and value securities. The negative size factor indicates a bias to mid and / or small capitalisation securities in the portfolio compared to that of the comparative benchmark the MSCI World Index. Eight of the companies in the portfolio have a market capitalisation of over USD50 billion. The smallest security is capitalised at USD900 million.

Industry Factor Analysis

Industry Factor Betas – Portfolio Comparison

While the portfolio is concentrated in a relatively small number of securities, sector exposure is diverse, with investments across eight industry sectors, being Communications, Consumer Discretionary, Financial, Healthcare, Industrials, Materials, Technology, and Utilities. From an industry factor perspective, the portfolio biases to the Consumer Discretionary and Communications sectors with material negative (underweight) biases to the Financial, Healthcare, Consumer Staples and Energy sectors. Whilst the majority of the securities are listed on US exchanges, seven are listed on the Australian Stock Exchange, with the remaining securities listed in Hong Kong, Japan, France and Canada.



Risk Assessment

The following table provides a number of risk measures associated with the blend of securities that form the HM1 portfolio since inception compared to the MSCI World Index (AUD). Given the short-term performance history of HM1, caution needs to be exercised in assessing these factors which may not be predictive of the risk characteristics of the HM1 portfolio going forward.

Portfolio Beta	0.37
Tracking Error	15.8%
Portfolio Volatility	14.1%
Benchmark Volatility	14.0%
Correlation (with Benchmark)	0.36
Sharpe Ratio	0.78
% Monthly Excess Returns (All Markets)	42.8%
% Monthly Excess Returns (Up Markets)	40.0%
% Monthly Excess Returns (Down Markets)	50.0%



David Wright
Chairman

Sydney
23 August 2019



Rory Lucas
Chief Investment Officer

Our Leading Fund Managers

We sincerely thank our participating fund managers that provide their time, expertise and highest conviction investment idea/s on a pro bono basis. The notional value to HM1 of the investment management fees and performance fees foregone is equivalent to \$5.1m.

Core Fund Managers

Five core fund managers each provide their three highest conviction investment ideas which are reviewed quarterly. These 15 securities represent 60% of the total investment portfolio. Each core fund manager has made a minimum three-year commitment to HM1.

Conference Fund Managers

The remaining 40% of the investment portfolio is invested in 10 to 15 recommendations from the fund managers who present at the annual Sohn Hearts & Minds Investment Leaders Conference. Each year this group of fund managers will change based on the conference program of speakers and their eligible recommendations. The speakers are invited onto the program following a rigorous six-month selection process by the HM1 Board and Investment Committee.

Core Fund Managers

CALEDONIA

Caledonia is a global investment management firm with offices in Sydney and New York. With over 25 years' investment experience, Caledonia's goal is to achieve high absolute returns for their clients over a long-term time horizon. The firm manages a long short equity strategy with a focus on deep fundamental research and high conviction long-term investing.



Cooper Investors Pty Limited is a specialist equities fund manager with funds under management of approximately \$14 billion. Cooper Investors commenced operations in 2001 and manages money for a range of clients, including large pension and superannuation funds, religious institutions, Australian State Government agencies, school endowments, charities, high net worth families and retail clients. Cooper Investors is 100% owned by its employees. Cooper Investors seeks to invest in quality companies with a strong value proposition.



Magellan Asset Management Limited (Magellan) is an Australian-based asset manager that is a wholly-owned subsidiary of Magellan Financial Group Limited, an ASX top-100 company that was formed by Hamish Douglass and Chris Mackay in Sydney in 2006. Magellan manages approximately \$75 billion of funds under management as at 31 August 2018 across its global equities, global listed infrastructure and Australian equities strategies for retail, high net worth and institutional investors and employs over 120 staff globally.



Paradice Investment Management Pty Limited (Paradice) is a privately-owned Australian boutique funds management business established in 1999 by David Paradice. Paradice currently manages over \$15 billion in assets across five distinct investment strategies including Australian small cap, mid cap and large cap equities, global small cap equities and emerging market equities. Paradice has offices in Sydney, Denver and San Francisco.



Regal Funds Management is a specialist alternatives investment manager. It was founded in early 2004 and is one of Australia's leading investment managers servicing a wide range of institutional investors and high net worth individuals. The investment team has extensive investment experience through many market cycles and a long track record of delivering superior returns for investors. Regal offers a range of products to suit different investment objectives.

Conference Fund Managers



Babak Poushanchi
Cota Capital



Beeneet Kothari
Tekne Capital Management



Blake Henricks
Firetrail Investments



Christina McQuire
Elephant Asset Management



Christopher Demasi
Montaka Global Investments



Emma Fisher
Airlie Funds Management



Geoff Wilson AO
Wilson Asset Management



Jun Bei Liu
Tribeca Investment Partners



Nick Griffin
Munro Partners



Paul Mason
Paradice Investment Management



Peter Cooper
Cooper Investors



Steven Glass
Pengana Capital Group



Tim Carleton
Auscap Asset Management

Our leading medical research partners

Building on the philanthropic vision of the Sohn Hearts & Minds Investment Leaders Conference, HM1 is committed to providing significant financial support to leading Australian medical research organisations.

How do we support medical research?

Instead of charging an investment management fee, HM1 donates an amount equal to 1.5% of the Company's net tangible assets per annum to the designated medical research organisations. To help maximise our impact, our fund managers and key service providers have committed to waiving their usual fees.

Why do we support Australian medical research?

Hearts and Minds supports leading Australian medical research institutes. Investment in medical research provides a direct avenue to curing many diseases and can provide a strong economic return on investment. Reasons to support medical research include, but are not limited to:

- **Development of new medicine**
Every person in Australia has benefited from the results of medical research, from the development of new drugs, vaccines, or procedures that prevent or treat diseases.
- **Excellent return on investment**
Medical research provides an excellent return on investment. Investment in medical research is estimated to have returned a net benefit of \$78 billion to Australia. Every dollar invested in Australian medical research returns on average \$3.90 in benefits to the population¹.
- **Australia is a world leader**
Australia produces quality medical research. Australian scientists are responsible for some of the world's most important and life-changing medical discoveries. Australia is ranked 8th in the world for producing the top scientific publications per capita (ahead of the U.S. and the U.K.)².
- **Support a new generation of researchers**
To tackle the clinical problems of today, and those yet to come, we must find a way to support medical research and encourage our best and brightest minds to follow a career in science.

¹Association of Australian Medical Research Institutes (AAMRI). Australian medical research delivers outstanding returns on investment; 2018. Available from: <https://aamri.org.au/resources/reports/komg-medical-research-delivers-roi/>

²Organisation for Economic Co-operation and Development (OECD). (2015). OECD Science, Technology and Industry Scoreboard 2015. Section 2.6.1 The quantity and quality of scientific production. Geneva OECD. Available from <http://dx.doi.org/10.1787/888933273656> (per capita data derived from OECD dataset)

Our designated beneficiaries are:



The Black Dog Institute

The Black Dog Institute is dedicated to understanding, preventing and treating mental illness, and aims for mental illness to be treated with the same concern, immediacy and seriousness as physical illness. As a translational research facility, research discoveries are developed into health services, technology-based treatments and education programs. Key areas of focus include:

- Suicide prevention, through delivery of integrated and community-led initiatives.
- Workplace mental health and wellbeing, through research and delivery of mental health training programs to Australian workplaces.
- Novel treatment approaches, such as magnetic brain stimulation techniques, for difficult-to-treat depression and other conditions.
- Youth mental health, through the development and delivery of early intervention and prevention programs, targeting young people, their parents and teachers.
- e-Mental health treatments and programs, which deliver online, accessible and anonymous therapy for everyone, regardless of their geographic location or socio-economic circumstances.

<https://www.blackdoginstitute.org.au/>



Every day, at least 6
Australians die from
suicide and a further
30 people will
attempt to take their
own life.

The Brain and Mind Centre

The University of Sydney's Brain and Mind Centre is a global leader in research and treatment with a focus on conditions that affect child development, youth mental health and brain ageing. The Centre is developing solutions that improve the quality of life for both patients and their loved ones. Here's just a few ways the Centre is transforming brain and mind health:

- New therapies for autism: In a world-first discovery, they have shown the potential benefit of a medication to improve social responsiveness in young children with autism.
- Transforming trajectories for young people with emerging mood disorders.
- Tackling the challenges of ageing and neurodegeneration: our multidisciplinary research teams are discovering early detection methods, identifying new treatments and understanding the mechanisms of neurodegenerative diseases.
- Alleviating human suffering with medicinal cannabis: they are helping patients with a range of conditions including paediatric epilepsy, cancer, chronic pain, obesity, neurological and mental health disorders. This aims to optimise safe and effective cannabinoid therapeutics into mainstream medicine in Australia.

<https://sydney.edu.au/brain-mind>



Suicide is the
biggest killer of
young Australians
and accounts for
the deaths of more
young people than
car accidents.

Charlie Teo Foundation

Charlie Teo Foundation is dedicated to funding brain cancer research with a low-cost model that's redefining how charities operate. Charlie Teo Foundation is all about disruptive thinking, about funding brilliant, original minds who are not afraid to think outside the box.



Brain cancer is an incredibly complex problem and there has been no improvement in survival rates for over 30 years. The Foundation's research strategy encourages making more 'bets' to increase chances of success, whilst learning from both success and failure.

Key areas of focus for 2019 includes:

- Openly sharing more data. The Charlie Teo Foundation Brain Tumour Bank is one of the largest brain tumour banks in the southern hemisphere, where tumour and blood samples are collected by researchers for study when Dr Charlie Teo removes a brain tumour. With this resource, a world-first, large scale brain tumour study is being conducted. An advanced 'single cell RNA sequencing' technique will be used to produce the first complete picture of everything that's in one cancer and will help develop new ways to better diagnose and treat brain cancer.
- Developing better tools for researchers by harnessing the power of big data to map the network of gene interactions in a brain tumour. This is lean science done at a fast pace.
- Funding Teo Fellowships that empower left field brain cancer thinkers to pursue ambitious and unusual ideas that may otherwise go unfunded.

Brain cancer kills
more young adults
than any other
cancer.

<https://www.charlieteofoundation.org.au/>

The Florey Institute

The Florey is one of the largest and highly respected brain research centres in the world. Their teams work on a range of serious conditions including mental illnesses, addiction, stroke, epilepsy, Alzheimer's disease, Parkinson's disease and motor neurone diseases. The Florey seeks to improve lives through brain research. Recent breakthroughs include:

- A compound investigated by the Florey has shown some positive impacts for those living with motor neurone disease, and a phase 1 clinical trial shows some positive improvements in symptoms of Parkinson's disease.
- In a world-first study, Florey researchers have used advanced imaging to identify functional brain networks which are affected in concussion.
- Isolation and testing of a naturally occurring peptide from spider venom which could be used to provide precision treatments for rare forms of genetic epilepsies.
- Enrolled 6,000+ Australians in *The Healthy Brain Project*, an Australian-first online study which seeks to optimise brain health and ageing.
- Launched a trial which seeks to understand whether aerobic exercise after stroke can help to preserve brain volume and function, as well as general physical and psychological wellbeing.



Every year over 4.7
million Australians
are directly affected
by one of the
illnesses that the
Florey researches.

<https://www.florey.edu.au/>

Kids Critical Care Research - The Children's Hospital Westmead

Kids Critical Care Research at The Children's Hospital at Westmead is the research hub of the largest paediatric intensive care unit (PICU) in NSW. The purpose of Kids Critical Care Research is to partner with consumers and staff to improve outcomes for critically ill children and their families. They collaborate with national and international research groups and participate in a number of large multicentre trials related to cardiac surgery, invasive ventilation and early rehabilitation of children with critical illness.



Key areas of current research include:

- A leading role in the largest international study to date of infants and children undergoing cardiac surgery with more than 100 patients from our centre enrolled
- Participation in a multi-centre observational study investigating apnoeic oxygenation in children.
- Current active enrolment evaluating the impact of ventilation strategies and positioning on recovery from severe paediatric acute respiratory distress syndrome.
- Ongoing enrolment in a multi-centre observational study of paediatric cardiac arrest outcomes.
- Data linkage to investigate long term outcomes of intensive care patients by utilising existing NSW data registries.
- Studies to evaluate the workflow patterns of doctors and nurses, with the aim of improving the efficiency and quality of care delivery.

Each year the PICU cares for more than 1500 children with life-threatening conditions.

www.kidsresearch.org.au/research/kids-critical-care-research

MS Research Australia

In MS Research Australia's short 15-year history, it has become the largest Australian not-for-profit organisation dedicated to funding, coordinating, educating and advocating for multiple sclerosis (MS) research as part of the worldwide effort to solve MS. Investing \$44.3 million in funding and facilitating vital research and awarding 274 research grants. Recent achievements include:



- 10-fold improvement in the time taken to diagnosis MS
- 45% reduction in mortality rates with people living with MS
- A world-first blood biomarker discovery to help differentiate between types of MS
- 12 effective and accessible therapies on the market for the most common form of MS
- Vast improvements in the employment outcomes for people living with MS
- The largest trial of its kind in the world studying vitamin D and MS prevention (PrevANZ)
- First ever joint research fellowship awarded by MS Research Australia in partnership with JDRF Australia to identify the common genetic pathways in MS and type 1 diabetes driving autoimmunity in both diseases.

10 people on average are diagnosed with MS every week.

<https://msra.org.au/>

Orygen

Orygen is leading the revolution in youth mental health. Orygen is redefining what's possible in global research, policy, education and clinical care. Orygen has pioneered progress for young people aged 12 to 25 who are experiencing mental illness. The world-leading work they are doing today is as vital as it's ever been.



Orygen focuses on turning clinical research and policy work into evidence-based solutions that improve the lives of young people working through mental health challenges. Their research strives to deliver improvements in treatment, service delivery, health economics and clinical practice.

Orygen works across all levels of clinical service delivery – from primary care right through to specialist services and an inpatient unit.

Orygen's current priorities are:

- Developing a global model for youth mental health in partnership with the World Economic Forum;
- Designing, developing and evaluating digital interventions designed to address the gaps and key limitations in youth mental health services;
- Developing new treatments and interventions for psychotic disorders, personality disorders, bipolar disorder, mood disorders, suicide and self-harm; and
- Upskilling the youth mental health workforce internationally to integrate early intervention for mental illness into their models of care.

Three-quarters of people who experience mental illness do so before they turn 25.

www.orygen.org.au

RPA Green Light Institute

The RPA Green Light Institute is a newly established centre within Royal Prince Alfred Hospital designed to improve emergency care in Australia. The Institute focuses on high impact acute medical conditions with significant public health ramifications. These include trauma care, stroke, acute cardiac conditions, mental health and sepsis management. Together, they represent the most important causes of preventable death and disability around the world. Key research activities for 2019 are:



- Better understand and improve patient flow in NSW Emergency Departments by incorporating advanced data analytics into real time emergency clinical care.
- Analysis of stroke pathways through the emergency department.
- Investigate the role of Extracorporeal Membranous Oxygenation (ECMO) in patients who have suffered a cardiac arrest.
- Develop a state-wide trauma outcomes registry for NSW which aims to improve the care and outcomes for all severely injured patients.

One in five Australians present to an Emergency Department for health care each year.

https://www.slhd.nsw.gov.au/research/department_details.html?research=emergencydept

Swinburne's Centre for Human Psychopharmacology

The Centre for Human Psychopharmacology at Swinburne University of Technology is a research leader exploring the cognitive and mood effects of natural substances, pharmaceuticals, recreational drugs and dietary interventions on humans. The Centre investigates the fundamental aspects of neurocognitive change and seeks new ways to enhance human cognition, behaviour and emotion. The Centre is focused on five key areas of research:

1. Natural substances for cognition and mood enhancement.
2. Pharmaceutical and natural treatments for neurocognitive ageing.
3. The immediate and long-term effects of recreational and prescription drugs on the brain.
4. The impact of recreational and prescription drugs on applied behaviours such as driving.
5. The effects of anaesthetics and other psychoactive compounds on human brain dynamics



Worldwide, around 50 million people have dementia, and there are nearly 10 million new cases every year.

<http://www.swinburne.edu.au/research/human-psychopharmacology/>

Victor Chang Cardiac Research Institute

The Victor Chang Cardiac Research Institute is dedicated to finding cures for cardiovascular disease by using innovative transplantation techniques and conducting complex molecular and genetic analysis to discover better ways to diagnose, treat and ultimately prevent the onset of heart disease. Victor Chang focuses on pregnancy and birth defects, heart transplants, genetic analysis, heart attacks and strokes, stem cells and cardiac arrests. Recent discoveries include:

- Pregnancy & birth defects – a double breakthrough identified that a deficiency in a vital molecule (NAD) during pregnancy can cause recurrent miscarriages and multiple types of birth defects. The team also discovered a potential prevention for this in the form of a dietary supplement – vitamin B3.
- Heart attacks & strokes - demonstrated that a MRI scan could be used to diagnose likely heart attack sufferers and identified a new drug target that may decrease heart attacks by preventing dangerous plaque formation.



Every 27 minutes an Australian suffers a heart attack.

<https://www.victorchang.edu.au/>

Directors' Report to Shareholders

The Directors of Hearts and Minds Investments Limited (the "Company") present their report together with the annual report of the Company for the period from 12 September 2018 (date of incorporation) to 30 June 2019.

Investment Objectives and Principal Activity

The Company has been established with the combined objective of providing a concentrated investment portfolio of the highest conviction ideas from leading fund managers, while also supporting Australian medical research institutes.

The Company seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated investment portfolio of long positions in 25 to 30 Australian and international listed securities based on the highest conviction ideas from two groups:

- a) The Company has invested 40% of the investment portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference held in Australia.
- b) The Company has invested 60% of the investment portfolio based on the highest conviction quarterly recommendations of five leading fund managers ("Core Fund Managers"). The Core Fund Managers are Caledonia (Private) Investments Pty Limited, Cooper Investors Pty Limited, Magellan Asset Management Limited, Paradise Investment Management Pty Limited and Regal Funds Management Pty Limited.

No change in this activity is anticipated in the future.

Review of Operations

The Company was incorporated on 12 September 2018 with 1 share. The Company allotted a further 200,000,000 shares at \$2.50 per share. The Company was admitted to the official list on 9 November 2018 and official quotation of the securities on the ASX commenced on 14 November 2018, when the Company began its operations.

For the period ended 30 June 2019, the Company reported an operating loss before realised and unrealised net gains on investments of \$0.7 million. The operating result of the Company primarily comprises dividend income, less offer costs and operating expenses. The operating result of the Company does not include the investment performance of the Company which is accounted for through other comprehensive income. Since inception, the investment portfolio has increased 21.2% outperforming the MSCI World Net TR (AUD), a global equity investment benchmark. Total comprehensive income, including net unrealised gains and losses on the investment portfolio for the period was \$70.4 million.

Since listing on 14 November 2018, the Company's post current tax net tangible assets has increased by 19.6% from \$500 million or \$2.50 per share to \$598 million or \$2.99 per share at 30 June 2019. The major increase in post current tax net tangible assets is the investment performance over the period of 21.2% or 53 cents per share, partially offset by offer costs, the provision for tax on realised investment portfolio gains and operational expenses. The post-tax net tangible assets of \$570 million or \$2.85 per share includes a provision for deferred tax on unrealised gains in the investment portfolio.

In line with its philanthropic objective, the Company provides financial support to leading Australian medical research organisations, in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. The Company and its participating fund managers forego any investment fees and instead donate an amount equivalent to 1.5% of its net tangible assets per annum to designated charities.

The Company made its first payment of \$4.9 million in June 2019 to Victor Chang Cardiac Research Institute, representing a reimbursement of the offer costs of the initial public offer in accordance with the Company's agreement with them. During FY20 it is expected these offer costs will be fully repaid and donations to the designated charities will commence.

Further information on the financial performance of the Company is contained in the Chairman and Chief Executive Officer's letter on pages 2 to 5 of this report and in the Investment Committee report on pages 6 to 11 of this report.

Financial Position

The net asset value of the Company as at 30 June 2019 was \$570.5 million.

Corporate Tax Rate

The Company is taxed at the corporate rate of 30.0%.

The Company maintains a franking account and may declare franked dividends to shareholders.

Dividends

The Directors have not declared a dividend during the period ended 30 June 2019.

Directors

The following persons held office as Directors during the period or since the end of the period and up to the date of this report:

Christopher Cuffe AO	Chairman and Independent Director (appointed 12 September 2018)
Lorraine Berends	Independent Director (appointed 25 September 2018)
Guy Fowler	Independent Director (appointed 22 October 2018)
Matthew Grounds	Independent Director (appointed 22 October 2018)
Michael Traill AM	Independent Director (appointed 25 September 2018)
Gary Weiss AM	Independent Director (appointed 12 September 2018)
Geoffrey Wilson AO	Independent Director (appointed 25 September 2018)
David Wright	Independent Director (appointed 25 September 2018)
Michael Beaumont	Previous Director (appointed 12 September 2018, ceased 25 September 2018)

Information of Directors

Christopher Cuffe AO (Chairman and Independent Director)

Experience and expertise

Commencing his career as a chartered accountant, Christopher Cuffe entered the fund management industry in 1985. In 1988, he joined Colonial First State where he was CEO from 1990 until 2003. In 2003, he became CEO of the listed Challenger Group.

He holds a Bachelor of Commerce from the University of New South Wales and a Diploma from the Securities Institute of Australia. He is a Fellow of the Chartered Accountants in Australia and New Zealand, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia.

Christopher Cuffe has been Chairman of the Company since 12 September 2018, the date of incorporation.

Other current directorships

Christopher Cuffe is currently involved in a portfolio of activities in the investment and non-profit sectors which include being a member of the investment committee of UniSuper, which provides superannuation services to employees of Australia's higher education and research sector; Chairman of Australian Philanthropic Services and Atrium Investment Management; Director of various listed companies including Global Value Fund, Antipodes Global Investment Company, Argo Investments and Class; and founder, director and manager of Third Link Growth Fund.

Former directorship in the last 3 years

Christopher Cuffe was previously a non-executive director of UniSuper from 2007 to 2017, of which the last six years was as Chairman.

Special responsibilities

Chairman of the Board and member of the Investment Committee.

Interests in shares of the Company

Details of Christopher Cuffe's interests in shares of the Company are included later in this report.

Information of Directors (continued)

Interests in contracts

Christopher Cuffe has no interest in contracts of the Company.

Lorraine Berends (Independent Director)

Experience and expertise

Lorraine Berends has worked in the financial services industry for over 35 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014, she worked for 15 years with US based investment manager Marvin & Palmer Associates. She contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (IMCA Australia) for 13 years (7 years as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (3 years as Chair). She has been awarded life membership of both IMCA Australia and ASFA. She holds a Bachelor of Science from Monash University, is a fellow of the Actuaries Institute and a fellow of ASFA.

Other current directorships

Lorraine Berends is an independent non-executive director of ASX listed Pinnacle Investment Management Group Limited and of listed investment companies Antipodes Global Investment Company Limited, Plato Income Maximiser Limited and Spheria Emerging Companies Limited. She is also a director of Qantas Superannuation Limited and MDC Foundation Limited (a not-for-profit company).

Special responsibilities

Member of the Investment Committee.

Interests in shares of the Company

Details of Lorraine Berends' interests in shares of the Company are included later in this report.

Interests in contracts

Lorraine Berends has no interest in contracts of the Company.

Guy Fowler (Independent Director)

Experience and expertise

Guy Fowler is a co-founder of the Hearts and Minds Investment Leaders Conference. He has worked in a range of senior positions at UBS Australia for over 25 years including as the Head of Capital Markets and as the Head of the Corporate Advisory business. In these roles he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. He is a qualified Chartered Accountant.

Other current directorships

None.

Special responsibilities

None.

Interests in shares of the Company

Details of Guy Fowler's interests in shares of the Company are included later in this report.

Interests in contracts

Guy Fowler has no interest in contracts of the Company.

Information of Directors (continued)

Matthew Grounds (Independent Director)

Experience and expertise

Matthew Grounds is a co-founder of the Hearts and Minds Investment Leaders Conference. Over the past 25 years, he has held a variety of senior roles at UBS including CEO and Country Head, Joint Global Head of the Investment Banking business, Head of Capital Markets and Head of the Corporate Advisory business. In these roles, he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. He is also a Council Member of the University of NSW, Chairman of Victor Chang Cardiac Research Institute and a Director of the Financial Markets Foundation for Children. He is currently the CEO and Country Head of UBS Australia, a role he has held for over ten years. He holds a Bachelor of Commerce (Finance major) and a Bachelor of Laws from the University of New South Wales.

Other current directorships

None.

Special responsibilities

None.

Interests in shares of the Company

Details of Matthew Grounds' interests in shares of the Company are included later in this report.

Interests in contracts

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Michael Traill AM (Independent Director)

Experience and expertise

Michael Traill founded Social Ventures Australia in 2002, after 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. He is the author of "Jumping Ship – From the world of corporate Australia to the heart of social investment" which won the prestigious Ashurst Business Literature Prize. In 2010, he was made a member of the Order of Australia in recognition of his services to non-profit organisations. He holds a BA (Hons) from the University of Melbourne and an MBA from Harvard University. He is also an Adjunct Professor for the Centre for Social Impact (UNSW) and Chair of the Federal Government Task Force on Social Impact Investing.

Other current directorships

Michael Traill currently has a range of primarily social purpose Chair and board roles including Chair of Goodstart Early Learning; Executive Director of For Purpose Investments, and a Director of M H Carnegie & Co, Sunsuper and Australian Philanthropic Services.

Special responsibilities

None.

Interests in shares of the Company

Details of Michael Traill's interests in shares of the Company are included later in this report.

Interests in contracts

Michael Traill has no interest in contracts of the Company.

Information of Directors (continued)**Gary Weiss AM (Independent Director)***Experience and expertise*

Gary Weiss was formerly Chairman of Clearview Wealth Limited and Coats PLC, is a former Non-Executive Director of Premier Investments Limited and Pro-Pac Packaging Limited, a former Executive Director of Whitlam, Turnbull & Co and Guinness Peat Group PLC and sat on the board of Westfield Holdings Limited and a number of other public companies. He has also been involved in overseeing large businesses with operations in many regions including Europe, China and India and is familiar with investments across a wide range of industries, corporate finance and private equity type deals. He is a Co-founder of the Sohn Hearts & Minds Investment Leaders Conference. He holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales. He is also a Commissioner of the Australian Rugby League Commission.

Other current directorships

Gary Weiss is currently the Executive Director of Ariadne Australia Limited. He is Chairman of Ardent Leisure Group, Ridley Corporation Limited and Estia Health Limited, and a Non-Executive Director of Victor Chang Cardiac Research Institute, Thorney Opportunities Limited and The Straits Trading Company Limited.

Special responsibilities

None.

Interests in shares of the Company

Details of Gary Weiss' interests in shares of the Company are included later in this report.

Interests in contracts

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Geoffrey Wilson AO (Independent Director)*Experience and expertise*

Geoffrey Wilson has over 39 years direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. He founded Wilson Asset Management in 1997 and created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies. He holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited, WAM Leaders Limited, WAM Research Limited, WAM Active Limited, WAM Microcap Limited, WAM Global Limited and the Australian Stockbrokers Foundation. He is the Founder and a Director of Future Generation Global Investment Company Limited, Future Generation Investment Company Limited, Wilson Asset Management (International) Pty Limited and MAM Pty Limited, and a Director of Australian Leaders Fund Limited, Global Value Fund Limited, 8IP Emerging Companies Limited, Wealth Defender Equities Pty Limited, Wollongong 2022 Limited, Century Australia Investments Pty Limited, Incubator Capital Limited, Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation and the Australian Children's Music Foundation. He is a member of the Second Bite NSW Advisory Committee.

Special responsibilities

None.

Information of Directors (continued)

Geoffrey Wilson AO (Independent Director) (continued)

Interests in shares of the Company

Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Geoffrey Wilson has no interest in contracts of the Company.

David Wright (Independent Director)

Experience and expertise

David Wright is a Managing Partner and joint founder of Zenith Investment Partners ("Zenith"). He established Zenith in October 2002 and has extensive investment industry experience. His role includes overall responsibility of the business and remains closely involved in servicing the firm's investment consulting clients with portfolio construction, management and monitoring advice.

Prior to establishing Zenith, he held senior positions within the financial services industry including IWL Limited (Head of Research), an ASX listed company in which he was also a significant equity holder. He was instrumental in building and further developing IWL's managed investment research methodology and process and expanding the group's distribution of research to financial advisers. Other roles included Associate Director and Head of Managed Funds research at Lonsdale Limited and an analyst with the Advisor Group, a national financial planning group. He has extensive experience researching, assessing and rating many forms of managed investments including, unlisted managed funds, listed managed investments including LIC's, ETF's, ETMF's and property syndicates. He is also a former practitioner lecturer of the Securities Institute of Australia (now FINSIA).

Other current directorships

None.

Special responsibilities

Chair of the Investment Committee.

Interests in shares of the Company

Details of David Wright's interests in shares of the Company are included later in this report.

Interests in contracts

David Wright has no interest in contracts of the Company.

Chief Executive Officer

Paul Rayson

Paul Rayson is a Chartered Accountant and has worked in the financial services industry for over 20 years and has extensive experience in investment markets, technology, retail banking, risk management and insurance.

He is the former Managing Director of CommSec, Australia's leading online broker and former Managing Director of Australian Investment Exchange Limited and Colonial Mutual Life Assurance Society Limited. He has also held a number of CFO and governance positions across large financial services businesses. Prior to financial services, he held senior roles in Chartered Accounting and Consulting firms specialising in corporate advisory, risk management and strategy.

He holds a Commerce degree from Swinburne University and is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Chief Investment Officer

Rory Lucas

Rory Lucas has worked in the Australian and global equity markets for nearly 30 years. Whilst having worked in a variety of roles, his specialty is in trade execution as well as portfolio construction and risk management.

He has had previous roles with Rothschild Australia Asset Management in managing a fund of funds. His specific responsibility was to source and vet potential managers as well as to determine the allocation of capital between them and manage the consolidated risk of the portfolio.

In 2006, he took up a senior Equity Facilitation role at UBS Australia. As part of this role, he oversaw the management of a high conviction portfolio of UBS Equity Research ideas known as alpha preferences. He was responsible for portfolio execution, re-weighting and all aspects of the portfolio trading strategy. More recently, he has held trading and execution roles at Commonwealth Bank of Australia, prior to their exit from the institutional equities business.

Company Secretary

Tom Bloomfield

Tom Bloomfield held the position of Company Secretary during the financial period. Tom has over fifteen years of international Corporate Secretarial experience working for global organisations, both 'in-house' and for corporate services providers. He has experience working with and consulting to a range of international and domestic clients. He acts as Company Secretary to a number of ASX listed, unlisted and private companies in Australia in numerous industry sectors. Tom is a Chartered Company Secretary, Fellow of ICSA (Institute of Chartered Secretaries and Administrators) and Member of the Australian Institute of Company Directors. He holds a Law degree with Honours and a Graduate Diploma in Applied Corporate Governance.

Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

Brett Paton

Brett Paton is currently Chairman of the management company of Escala Partners, an Australian wealth management advisory group, Chairman of PLC Asset Management, a global venture capital investment organisation and Chairman of Pointsbet Holdings Limited. He has worked in a range of senior positions including Vice Chairman at UBS Australia where he spent 23 years. He also spent 5 years at Citi serving as Vice Chairman Australia, Institutional Clients Group. He has served as a Non-Executive Director of Tabcorp and Chair of Audit and Risk for its demerged entity, Echo Entertainment, giving him valuable insights into the functions expected of ASX 100 boards.

He was a Council Member at RMIT University and Chair of the Risk and Audit Committee. He is a qualified Chartered Accountant.

Christopher Cuffe AO

Christopher Cuffe is also a Director. Please refer to pages 20 to 24 of the Directors' Report to Shareholders for details of Christopher Cuffe's experience and qualifications.

Lorraine Berends

Lorraine Berends is also a Director. Please refer to pages 20 to 24 of the Directors' Report to Shareholders for details of Lorraine Berends' experience and qualifications.

David Wright

David Wright is also a Director. Please refer to pages 20 to 24 of the Directors' Report to Shareholders for details of David Wright's experience and qualifications.

Paul Rayson

Paul Rayson is also Chief Executive Officer. Please refer to pages 20 to 24 of the Directors' Report to Shareholders for details of Paul Rayson's experience and qualifications.

Remuneration Report (Audited)

The responsibility of the Company's remuneration policy rests with the Board of Directors. Given the size of the Company, its charitable nature and the fact that the Company has only three employees and has no intention to remunerate its Directors, no remuneration committee has been formed by the Company.

a) Remuneration of Directors and Other Key Management Personnel

Key management personnel include the Chairman, Directors, the Chief Executive Officer and the Chief Investment Officer. The Chairman and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the period ended 30 June 2019, no Directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer are set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three-month notice period. The Chief Executive Officer and the Chief Investment Officer do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

	Short-term benefits Salary \$	Post-employment benefits Superannuation \$	Total Remuneration \$
Paul Rayson	52,083	4,948	57,031
Rory Lucas	112,500	10,688	123,188

b) Director Related Entities Remuneration

The Company Secretary has waived his right to receive fees. The Company will hold professional indemnity insurance to his benefit, he will receive an indemnity as an officer of the Company to the maximum extent permitted by law and will be entitled to be reimbursed for any external costs and expenses he incurs.

c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

At the date of this report, the Company's Directors, other key management personnel and their related parties held the following interest in the Company:

Ordinary shares held	Balance at beginning of the period	Acquisitions	Disposals	As at the date of this report
Christopher Cuffe AO	–	1,300,000	–	1,300,000
Lorraine Berends	–	40,000	–	40,000
Guy Fowler	–	1,000,000	–	1,000,000
Matthew Grounds	–	1,000,000	–	1,000,000
Michael Traill AM	–	3,264,250	–	3,264,250
Gary Weiss AM	–	440,000	–	440,000
Geoffrey Wilson AO	–	1,500,000	–	1,500,000
David Wright	–	40,000	–	40,000
Paul Rayson	–	133,250	–	133,250
Rory Lucas	–	80,694	–	80,694

Remuneration Report (Audited) (continued)

c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties (continued)

Directors, other key management personnel and director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to Note 18 of the financial statements.

- End of remuneration report -

Directors' Meetings

Director	No. of eligible to attend	Attended
Christopher Cuffe AO	8	5
Lorraine Berends	7	7
Guy Fowler	4	3
Matthew Grounds	4	4
Michael Traill AM	7	3
Gary Weiss AM	8	6
Geoffrey Wilson AO	7	6
David Wright	7	7

Investment Committee Meetings

Member	No. of eligible to attend	Attended
Christopher Cuffe AO	4	3
Lorraine Berends	4	4
Brett Paton	4	3
Michael Traill AM (resigned 15 March 2019)	2	1
Gary Weiss AM (resigned 15 March 2019)	2	1
Geoffrey Wilson AO (resigned 15 March 2019)	2	2
David Wright	4	4
Paul Rayson	4	4

Events Occurring After the Reporting Period

The Directors are not aware of any events subsequent to Statement of Financial Position date that would materially affect the financial report.

Future Developments

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

Environmental Regulation

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Risk Management Philosophy and Approach

The success and profitability of the Company largely depends on each fund manager's continued ability to provide recommendations which generate a return for the Company.

The Investment Committee, in conjunction with the Chief Investment Officer, is responsible for managing the investment portfolio. The Board of Directors' risk policies and controls are designed to be robust and relevant to the investment objectives and investment strategy.

The Investment Committee meets quarterly and more frequently as required to review the investment portfolio and ensure that the Company continues to deliver on its investment objective and investment strategy.

The Board of Directors is committed to robust corporate governance practices to create value and provide accountability and a control system commensurate with the risk involved. The Board of Directors will monitor the investment portfolio to ensure compliance with the investment strategy and the investment guidelines.

Indemnification and Insurance of Officers and Directors

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

No indemnities have been given or insurance premiums paid during or since the end of the financial period, for any person who is or has been an auditor of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Non-Audit Services

During the period, Pitcher Partners, the Company's auditor, did not perform any non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform certain taxation services for the Company. Details of the amounts paid to the auditors are disclosed in Note 6 to the financial statements.

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 6 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the ASIC, relating to the 'rounding off' of amounts in the Directors' Report to Shareholders. Amounts in the Directors' Report to Shareholders have been rounded off in accordance with that Class Order to the nearest dollar or unless otherwise indicated.

Corporate Governance Statement

The Company's Corporate Governance Statement for the period ended 30 June 2019 is provided on the Company website at heartsandmindsinvestments.com.au.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
23 August 2019

Hearts and Minds Investments Limited
Auditor's Independence Declaration
For the period from 12 September 2018 (date of incorporation) to 30 June 2019



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Sydney NSW 2000

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Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

Auditor's Independence Declaration
To the Directors of Hearts and Minds Investments Limited
ABN 61 628 753 220

In relation to the independent audit of Hearts and Minds Investments Limited for the period from incorporation to 30 June 2019, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*;
and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read "S M Whiddett".

S M Whiddett
Partner

Pitcher Partners
Sydney

23 August 2019

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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	Notes	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Investment income from ordinary activities		
Net realised and unrealised gain on foreign exchange transactions		403,769
Interest income		97,703
Dividend income, net of withholding tax of \$196,788		3,612,951
Sundry income		<u>6,640</u>
Total investment income		<u>4,121,063</u>
Expenses		
Offer costs	4	(5,257,409)
Interest expense		(118,430)
Other expenses		<u>(627,552)</u>
Total expenses		<u>(6,003,391)</u>
Loss before income tax		<u>(1,882,328)</u>
Income tax benefit	3	<u>1,136,028</u>
Net loss for the period		<u>(746,300)</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Net realised gains on investments taken to equity, net of tax	10	4,178,905
Net unrealised gains on investments taken to equity, net of tax	10	<u>67,020,422</u>
Net realised and unrealised gains on investments taken to equity, net of tax	10	<u>71,199,327</u>
Other comprehensive income, net of tax		<u>71,199,327</u>
Total comprehensive income for the period		<u><u>70,453,027</u></u>
Cents		
Loss per share attributable to the ordinary equity holders of the Company:		
Basic and diluted loss per share	14	(0.47)

The accompanying notes form part of these financial statements.

	Notes	30 June 2019 \$
Assets		
Current assets		
Cash and cash equivalents	11	7,052,020
Other receivables	7	<u>53,498</u>
Total current assets		<u>7,105,518</u>
Non-current assets		
Financial assets at fair value through other comprehensive income	16	593,088,374
Deferred tax assets	3	<u>1,290,040</u>
Total non-current assets		<u>594,378,414</u>
Total assets		<u>601,483,932</u>
Liabilities		
Current liabilities		
Current tax liability	3	1,929,264
Other payables	8	<u>362,895</u>
Total current liabilities		<u>2,292,159</u>
Non-current liabilities		
Deferred tax liabilities	3	<u>28,738,745</u>
Total non-current liabilities		<u>28,738,745</u>
Total liabilities		<u>31,030,904</u>
Net assets		<u>570,453,028</u>
Equity		
Share capital	9	500,000,001
Reserves	10	71,199,327
Accumulated losses	10	<u>(746,300)</u>
Total equity		<u>570,453,028</u>

The accompanying notes form part of these financial statements.

	Notes	Share capital \$	Investment portfolio revaluation reserve \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 12 September 2018	9	1	–	–	–	1
Net loss for the period	10	–	–	–	(746,300)	(746,300)
Other comprehensive income, net of tax	10	–	71,199,327	–	–	71,199,327
Transfer to profits reserve	10	–	(4,178,905)	4,178,905	–	–
Transactions with equity holders in their capacity as owners:						
Shares issued under Initial Public Offering (“IPO”)	9	500,000,000	–	–	–	500,000,000
Balance at 30 June 2019		500,000,001	67,020,422	4,178,905	(746,300)	570,453,028

The accompanying notes form part of these financial statements.

	Notes	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Cash flows from operating activities		
Interest received		97,703
Dividends received		3,560,593
Interest paid		(118,430)
Offer costs paid	4	(4,976,501)
Payments for other expenses		<u>(540,065)</u>
Net cash used in operating activities	12	<u>(1,976,700)</u>
Cash flows from investing activities		
Proceeds from sales of investments		90,607,027
Payments for purchases of investments		<u>(581,982,077)</u>
Net cash used in investing activities		<u>(491,375,050)</u>
Cash flows from financing activities		
Proceeds from issuance of shares		<u>500,000,001</u>
Net cash provided by financing activities		<u>500,000,001</u>
Net increase in cash and cash equivalents		6,648,251
Cash and cash equivalents at the beginning of the period		–
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>403,769</u>
Cash and cash equivalents at the end of the period	11	<u>7,052,020</u>

The accompanying notes form part of these financial statements.

1 General information

Hearts and Minds Investments Limited (the “Company”) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The registered office is Level 12, 225 George Street, Sydney NSW 2000.

The Company was incorporated on 12 September 2018. Its shares were admitted for quotation on the Official List of ASX Limited (“ASX”) on 9 November 2018 and commenced operations on 14 November 2018. The financial statements of the Company are for the period from 12 September 2018 to 30 June 2019.

The financial statements were authorised for issue on 23 August 2019 by the Board of Directors.

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

These financial statements have been prepared on an accruals basis, and are based on historical cost convention except for the revaluation of financial assets at fair value through other comprehensive income and cash flow information.

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the Financial Report have been rounded to the nearest dollar, unless otherwise indicated.

(b) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

(i) *Investment gains and losses*

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the period they are incurred, in accordance with the policies described in Note 2(c).

(ii) *Dividends*

Dividends are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

(iii) *Interest income*

Interest income is recognised as it accrues in the Statement of Comprehensive Income based on nominated interest rates available on the bank accounts held.

(c) Investments and other financial assets

Classification

The Company has classified its investments as long-term in nature and has elected to recognise investments at fair value through other comprehensive income. All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Investments and other financial assets (continued)

Recognition and derecognition

Purchases and/or sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value in the Statement of Financial Position. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

The fair value of financial assets is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Usually, the quoted market prices on a recognised exchange or, in its absence, the most advantageous market to which the Company has access at that date. The Company's accounting policy on fair value is disclosed in Note 16.

Changes in the fair value for financial assets at fair value through other comprehensive income are recognised through the Investment portfolio revaluation reserve after deducting a provision for the potential deferred tax liability.

When a financial asset held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the Investment portfolio revaluation reserve to the profits reserve.

(d) Other receivables

Other receivables are non-derivative financial assets and are stated at their amortised cost. At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and the value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable value is expensed to the Statement of Comprehensive Income.

(e) Other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. Other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(f) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars ("AUD" or "\$") which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(f) Foreign currency translation (continued)

Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain or loss.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences and unused tax losses, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Company has a legally enforceable right to offset and intends to settle on a net basis.

Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity as appropriate.

(h) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, unless GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares have been recognised in the Statement of Comprehensive Income, net of any tax effects.

2 Summary of significant accounting policies (continued)

(k) Profits reserve

A profits reserve is made up of amounts transferred from current and retained earnings and realised gains on disposal of financial assets that is preserved for future dividend payments.

(l) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

(m) Earnings/(loss) per share

(i) Basic earnings/(loss) per share

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial period.

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(n) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The investments of the Company are managed by fund managers who provide their expertise and stock recommendations to the Company on a pro bono basis. Therefore, the investment portfolio of the Company does not incur any fund management fees. It is estimated that the investments fees forgone by the fund managers based on normal commercial terms for the period to 30 June 2019 equates to \$5,100,000. This notional benefit to the Company is not included in the financial statements of the Company. Other than this estimate, there are no estimates or judgements that have a material impact on the Company's financial results for the period ended 30 June 2019.

3 Income tax

(a) Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Prima facie income tax expense on the net profit at 30%	(564,697)
Imputation credits and foreign tax credits claimed at 100%	(816,186)
Imputation credits gross up on dividends received	185,819
Foreign tax credits gross up dividends received	59,036
Income tax benefit recognised in profit or loss	<u>(1,136,028)</u>
Deferred tax on net unrealised gains on investments	28,723,038
Income tax on net realised gains on investments	1,790,959
Income tax expense recognised in other comprehensive income	<u>30,513,997</u>
Total income tax expense	<u><u>29,377,969</u></u>

(b) Total income tax expense results in a:

	30 June 2019 \$
Current income tax liability	138,305
Deferred tax assets	(1,290,040)
Deferred tax liabilities	15,707
Income tax benefit recognised in profit or loss	<u>(1,136,028)</u>
Deferred tax liability on net unrealised gains on investments	28,723,038
Current income tax liability on net realised gains on investments	1,790,959
Income tax expense recognised in other comprehensive income	<u>30,513,997</u>
Total income tax expense	<u><u>29,377,969</u></u>

3 Income tax (continued)

(c) Deferred tax assets relate to the following:

	30 June 2019 \$
Costs associated with the issue of shares	1,261,778
Provisions	24,596
Net unrealised gains on foreign exchange transactions	3,666
Deferred tax assets	1,290,040

(d) Deferred tax liabilities relate to the following:

	30 June 2019 \$
Net unrealised gains on investments	28,723,038
Dividend receivable on shares	15,707
Deferred tax liabilities	28,738,745

(e) Movement in deferred tax assets and deferred tax liabilities:

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 Deferred tax assets \$	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 Deferred tax liabilities \$
Opening balance	–	–
Charged to profit or loss	1,290,040	(15,707)
Charged to other comprehensive income	–	(28,723,038)
Closing balance	1,290,040	(28,738,745)

4 Offer costs and donations

In line with the Company's philanthropic objectives, the Company donates a percentage of the Company's net tangible asset to leading Australian medical research organisations every six months. The donations are equal to 1.5% per annum of the average monthly net tangible assets for the previous half-year and roughly equivalent to the value of the investment management fees foregone by participating fund managers. The donations accrue monthly and regardless of the performance of the Company, and may vary month-to-month in proportion to the net tangible asset value. The accrual of the donation amount each month increases expenses and decreases the Company's net tangible assets.

4 Offer costs and donations (continued)

In accordance with the Company's agreement with Victor Chang Cardiac Research Centre, the costs of the Company's initial public offer were borne by Victor Chang Cardiac Research Centre. In accordance with the agreement the first payment of the Company under the donation framework is to be paid to Victor Chang Cardiac Research Centre until the offer costs are fully recouped. For the period ended 30 June 2019, the amount recognised in the Statement of Comprehensive Income as an expense was \$5,257,409. This represents the total costs of the initial public offer. The first payment under the donation framework of \$4,976,501 was made to Victor Chang Cardiac Research Centre in June 2019. At 30 June 2019, the amount payable to Victor Chang Cardiac Research Centre is \$280,908 (Note 8).

5 Dividends

Dividend franking account

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Opening balance	–
Franking credits on dividends received	619,398
Closing balance	619,398

6 Remuneration of auditors

During the period, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Audit and review of financial statements	38,000
Other services provided by related practice of the auditor	
Independent Accountant's Report and Prospectus (pro-bono)	–
Taxation services	11,288
Total remuneration for audit and other assurance services	49,288

7 Other receivables

	30 June 2019 \$
Dividend receivable	52,358
Other receivables	1,140
Total other receivables	53,498

8 Other payables

	30 June 2019 \$
Offer costs payable	280,908
Accrued expenses	81,987
Total other payables	362,895

Offer costs payable incurs interest at the rate of 3.5% per annum.

9 Share capital

(a) Issued capital

	30 June 2019 No. of shares	30 June 2019 \$
Ordinary shares	200,000,001	500,000,001

(b) Movements in share capital

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 No. of shares	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Opening balance	1	1
Shares issued under IPO	200,000,000	500,000,000
Closing balance	200,000,001	500,000,001

On 9 November 2018, the Company issued 200,000,000 fully paid ordinary shares under the IPO at an application price of \$2.50 per share.

10 Reserves and accumulated losses

(a) Reserves

	30 June 2019 \$
Investment portfolio revaluation reserve	67,020,422
Profits reserve	<u>4,178,905</u>
Total reserves	<u>71,199,327</u>
	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Investment portfolio revaluation reserve	
Opening balance	–
Net realised gains on investments	5,969,864
Income tax on net realised gains on investments	(1,790,959)
Net unrealised gains on investments	95,743,460
Deferred income tax on net unrealised gains on investments	(28,723,038)
Transfer to profits reserve	<u>(4,178,905)</u>
Closing balance	<u>67,020,422</u>
	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Profits reserve	
Opening balance	–
Transfer from investment portfolio revaluation reserve	<u>4,178,905</u>
Closing balance	<u>4,178,905</u>

10 Reserves and accumulated losses (continued)

(b) Accumulated losses

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Opening balance	–
Net loss for the period	(746,300)
Closing balance	<u>(746,300)</u>

11 Cash and cash equivalents

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2019 \$
Cash at bank	4,424,943
Cash at custodian	2,627,077
Total cash and cash equivalents	<u>7,052,020</u>

The cash at bank is denominated in AUD, is at call and is earning interest at a fixed rate. The cash at custodian is at call and denominated in United States Dollars (“USD”), Japanese Yen (“JPY”), Hong Kong Dollars (“HKD”) and Euros (“EUR”) and is non-interest bearing.

Risk exposure

The Company’s exposure to interest rate risk is discussed in Note 15. The maximum exposure to credit risk in relation to cash at the end of the reporting period is the carrying amount of cash in bank and cash at custodian.

Cash in bank is with Commonwealth Bank of Australia that has a Standard and Poor’s short-term rating of A-1+ and long-term rating of AA-. Cash at custodian is with JP Morgan Chase Bank that has a short-term rating of A-1 and a long-term rating of A+.

12 Reconciliation of net loss for the period to net cash used in operating activities

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Net loss for the period	(746,300)
Effects of foreign currency exchange rate changes on cash and cash equivalents	(403,769)
Change in operating assets and liabilities:	
Increase in other receivables	(53,498)
Increase in deferred tax assets	(1,290,040)
Increase in current tax liability	138,305
Increase in other payables	362,895
Increase in deferred tax liabilities	15,707
Net cash used in operating activities	(1,976,700)

13 Non-cash investing and financing activities

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Sales of investments	9,644,831
Purchases of investments	(9,644,831)
Total non-cash investing and financing activities	–

14 Loss per share

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Net loss for the period used in the calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company	(746,300)

14 Loss per share (continued)

(a) Basic and diluted loss per share

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 \$
Basic and diluted loss per share attributable to the ordinary equity holders of the Company	(0.47)

(b) Weighted average number of shares used as denominator

	For the period from 12 September 2018 (date of incorporation) to 30 June 2019 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share attributable to the ordinary equity holders of the Company	160,273,974

The weighted average number of shares used as the denominator in calculating basic and diluted loss per share is based on the average number of shares from 12 September 2018 (date of incorporation) to 30 June 2019.

At the end of the period, there were no outstanding securities that are potentially dilutive in nature for the Company.

15 Financial risk management

The Company's financial instruments consist mainly of cash and cash equivalents, other receivables, financial assets at fair value through other comprehensive income, and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk, liquidity risk and other risks. The Board of the Company have implemented a risk management framework to mitigate these risks.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The investment portfolio is exposed to market risk. The market risk of securities in the Company's investment portfolio can fluctuate as a result of market conditions. The value of the investment portfolio may be impacted by factors such as economic conditions, interest rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes. In addition, as the Company is listed on the ASX, its securities are exposed to market risks. As a result, the security price may trade at a discount or a premium to its net tangible assets.

15 Financial risk management (continued)

Market risk (continued)

Currency risk

The Company holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. However, the Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company does not hedge against its foreign exchange exposure, and consequently, the impact of foreign exchange movements is directly reflected in the Statement of Comprehensive Income.

While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain investments in which the Company invests, even if those investments are denominated in Australian dollars. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Company's equity of future movements in foreign exchange rates.

The table below summarised the Company's monetary assets exposed to foreign currency risk at 30 June 2019:

	Net currency exposure* %
United States Dollar	56
Hong Kong Dollar	5
Euro	4
Japanese Yen	4
Canadian Dollar ("CAD")	3
	72

* As percentage of investment portfolio exposure.

Sensitivity

The following table illustrates the sensitivities of the Company's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the AUD weakened and strengthened by 10% against the other currencies.

	USD impact AUD	HKD impact AUD	EUR impact AUD	JPY impact AUD	CAD impact AUD
30 June 2019					
Impact on total comprehensive income	+/- 33,273,052	+/- 2,718,570	+/- 2,418,186	+/- 2,326,044	+/- 2,075,546

Equity price risk

The Company is exposed to price risk on its financial assets classified in the Statement of Financial Position as financial assets at fair value through other comprehensive income. There is a risk that securities will fall in value over short or extended periods of time. Equity markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. The Company's typical investment portfolio is expected to hold 25 to 30 securities, which represents a high level of investment concentration. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility. The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of global equity fund managers.

15 Financial risk management (continued)

Market risk (continued)

Equity price risk (continued)

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the market risk that the Company was exposed to at reporting date, assuming a tax rate of 30%.

\$

Impact on other components of equity

MSCI World Index (AUD)

Change in variable +/- 5%	20,758,093
Change in variable +/- 10%	41,516,186

Cash flow and interest rate risk

The Company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks at 30 June 2019:

	Interest bearing \$	Non-interest bearing \$	Total \$
Financial assets			
Cash and cash equivalents	4,424,943	2,627,077	7,052,020
Financial assets at fair value through other comprehensive income	–	593,088,374	593,088,374
Other receivables	–	53,498	53,498
Total	4,424,943	595,768,949	600,193,892
Financial liabilities			
Other payables	280,908	81,987	362,895
Total	280,908	81,987	362,895

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. At 30 June 2019, if interest rates had increased by 100 basis points (bps) or decreased by 100 bps from the period end rates with all other variables held constant, post tax profit for the period would have been \$30,975 higher or \$30,975 lower, as a result of higher or lower interest income from cash and cash equivalents.

Interest rate risk also arises from the effects of fluctuations in the prevailing levels of market interest rates on its financial assets at fair value through other comprehensive income. The sensitivity to changes in the value of financial assets at fair value through other comprehensive income is set out in the price risk and currency risk sensitivity tables. The Directors do not consider it meaningful, to provide a separate analysis of the sensitivity of the investment portfolio to changes in interest rates.

15 Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents and deposits with banks and other financial institutions.

The maximum exposure to credit risk, at balance sheet date to recognised financial assets, is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the Statement of Financial Position and Note 11 to the financial statements.

The Company held no collateral as security or any other credit enhancements. None of the assets exposed to a credit risk are overdue or considered to be impaired.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board and Investment Committee monitor the Company's cash flow requirements in relation to the investment portfolio taking into account dividends, tax payments and investing activity.

The Company's inward cash flows depend on the level of dividend and interest revenue received, investment disposals and capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the major cash outflows are investments, donations, general expenditure and future dividends paid to shareholders, the level of these outflows is managed by the Board and Investment Committee. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. A sufficient level of the Company's cash is held at call to meet cash outflows and mitigate liquidity risk.

The table below summarises the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted cash flows at 30 June 2019:

	On demand \$	1 to 3 months \$	3 to 12 months \$	More than 12 months \$	No fixed maturity \$	Total \$
Financial assets						
Cash and cash equivalents	7,052,020	–	–	–	–	7,052,020
Financial assets at fair value through other comprehensive income	–	–	–	–	593,088,374	593,088,374
Other receivables	53,498	–	–	–	–	53,498
Total	7,105,518	–	–	–	593,088,374	600,193,892
Financial liabilities						
Other payables	362,895	–	–	–	–	362,895
Total	362,895	–	–	–	–	362,895

16 Financial Assets

Fair value measurements

(a) Fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted closing price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

(b) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2019:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	593,088,374	–	–	593,088,374
Total financial assets at fair value through other comprehensive income	593,088,374	–	–	593,088,374

There were no transfers between levels for recurring fair value measurements during the period.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

17 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

18 Key management personnel compensation

The names and position held of the Company's key management personnel (including Directors in office at any time during the period ended 30 June 2019) are:

Christopher Cuffe AO	Chairman and Independent Director
Lorraine Berends	Independent Director
Guy Fowler	Independent Director
Matthew Grounds	Independent Director
Michael Traill AM	Independent Director
Gary Weiss AM	Independent Director
Geoffrey Wilson AO	Independent Director
David Wright	Independent Director
Michael Beaumont	Previous Director (appointed 12 September 2018, ceased 25 September 2018)
Paul Rayson	Chief Executive Officer
Rory Lucas	Chief Investment Officer

(a) Remuneration

The Chairman and Directors have agreed to waive any right to be paid director fees on an ongoing basis. For the period ended 30 June 2019, no Directors' fees were paid by the Company.

The Company Secretary has also waived his right to receive fees. The Company will hold professional indemnity insurance to his benefit, he will receive an indemnity as an officer of the Company to the maximum extent permitted by law and will be entitled to be reimbursed for any external costs and expenses he incurs.

(b) Shareholdings

As at 30 June 2019, the Company's key management personnel and their related parties held the following interest in the Company:

Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	–	1,300,000	–	1,300,000
Lorraine Berends	–	40,000	–	40,000
Guy Fowler	–	1,000,000	–	1,000,000
Matthew Grounds	–	1,000,000	–	1,000,000
Michael Traill AM	–	3,264,250	–	3,264,250
Gary Weiss AM	–	440,000	–	440,000
Geoffrey Wilson AO	–	1,500,000	–	1,500,000
David Wright	–	40,000	–	40,000
Paul Rayson	–	133,250	–	133,250
Rory Lucas	–	80,694	–	80,694

Directors, other key management personnel and director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

19 Related party transactions

All transactions with related entities were made on normal commercial terms and at market rates, except as noted below.

Investment and management fees

The Company will forego any investment and management fees associated with implementing and managing the investment strategy. Instead, donations will be paid by the Company to the designated charities every six months (Note 4).

Directors' fees

The Chairman and Directors have agreed to waive any right to be paid director fees (see Note 18).

Pro-bono services

The Company Secretary is a General Manager of Boardroom Pty Limited. Boardroom Pty Limited provides company secretarial services to the Company on a pro-bono basis.

Two of the Company's Directors, Matthew Grounds and Guy Fowler are senior executives of UBS Australia. UBS Australia provides office services to the Company on a pro-bono basis.

20 Contingencies and commitments

The Company had no material contingent liabilities or commitments as at 30 June 2019.

21 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

In accordance with a resolution of the Directors of Hearts and Minds Investments Limited (the "Company"), the Directors of the Company declare that:

- (a) The financial report as set out in pages 31 to 52 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 26 to 27, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company as at 30 June 2019 and of its performance, as represented by the results of the operations and the cash flows, for the period ended on that date; and
- (b) At the date of this declaration, in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the person who performs the Chief Executive Officer and Chief Financial Officer functions, for the purpose of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
23 August 2019

Hearts and Minds Investments Limited
Independent Auditor's Review Report to the Shareholders
For the period from 12 September 2018 (date of incorporation) to 30 June 2019



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Independent Auditor's Report
To the Directors of Hearts and Minds Investments Limited
ABN 61 628 753 220

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hearts and Minds Investments Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 12 September 2018 (date of incorporation) to 30 June 2019, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Hearts and Minds Investments Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the period then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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Hearts and Minds Investments Limited
Independent Auditor's Review Report to the Shareholders
For the period from 12 September 2018 (date of incorporation) to 30 June 2019



<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Existence and Valuation of Financial Assets Refer to Note 16: Financial assets</p>	
<p>We focused our audit effort on the existence and valuation of the Company's financial assets as they represent the most significant driver of the Company's Net Tangible Assets and profits.</p> <p>Investments consist of listed Australian and global securities and are considered to be non-complex in nature with fair value based on readily observable market data. Consequently, these investments are classified under Australian Accounting Standards as "Level 1" (i.e. where the valuation is based on quoted prices in the market). All foreign investments are valued in presentation currency (Australian dollars) utilising the year end rates.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> □ Obtaining an understanding of the investment management process and controls; □ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian; □ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; □ Making enquiries and obtaining bridging letters as to whether there have been any changes to these controls or their effectiveness and performing additional procedures on a sample basis; □ Obtaining a confirmation of the investment holdings directly from the Custodian; □ Assessing the Company's valuation of individual investment holdings to independent sources; □ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and □ Assessing the adequacy of disclosures in the financial statements.



Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the financial period ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Hearts and Minds Investments Limited
Independent Auditor's Review Report to the Shareholders
For the period from 12 September 2018 (date of incorporation) to 30 June 2019



- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 26 to 27 of the Directors' Report for the financial period ended 30 June 2019. In our opinion, the Remuneration Report of Hearts and Minds Investments Limited, for the financial period ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Handwritten signature of S M Whiddett in black ink.

S M Whiddett
Partner

23 August 2019

Handwritten signature of Pitcher Partners in black ink.

Pitcher Partners
Sydney

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings**Substantial shareholders (as at 26 July 2019)**

There are no substantial shareholders (voting interest greater than 5%) in Hearts and Minds Investments Limited as at 30 June 2019.

Distribution of shareholders (as at 26 July 2019)

	Number of shareholders ordinary shares	Percentage of issued capital held
1 - 1,000	509,816	0.25%
1,000 - 9,999	5,293,558	2.65%
10,000 - 99,999	10,569,898	5.28%
100,000 - 999,999	54,691,969	27.35%
1,000,000 and over	128,934,760	64.47%
	200,000,001	100.00%

The number of shareholdings held in less than marketable parcels is 15.

Twenty largest shareholders - Ordinary shares (as at 26 July 2019)

Name	Number of shareholders ordinary shares	Percentage of issued capital held
HSBC Custody Nominees (Australia) Limited	41,795,135	20.9%
National Nominees Limited	13,606,800	6.8%
Netwealth Investments Limited	5,058,553	2.5%
Koll Pty Limited	3,950,000	2.0%
Associated World Investments Pty Limited	2,000,000	1.0%
Wroxby Pty Limited	2,000,000	1.0%
Jane Hansen Super Pty Limited	2,000,000	1.0%
Skip Enterprises Pty Limited	2,000,000	1.0%
Paul Ramsay Foundation	2,000,000	1.0%
Tandom Pty Limited	2,000,000	1.0%
John Shearer (Holdings) Pty Limited	2,000,000	1.0%
Navigator Australia Limited	1,866,253	0.9%
The Ian Potter Foundation Limited	1,600,000	0.8%
Wilson Foundation Pty Limited	1,500,000	0.8%
Beta Gamma Pty Limited	1,420,000	0.7%
SL Nominees Pty Limited	1,311,071	0.7%
Australian Philanthropic Services Foundation Pty Limited	1,200,000	0.6%
Midas Touch Investments Pty Limited	1,200,000	0.6%
Bridgestar Pty Limited	1,200,000	0.6%
	89,707,812	44.9%

Securities exchange listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.