

9 June 2020

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

Dear Shareholders,

Please find attached Hearts and Minds Investments Limited's May Investment Update.

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

For and on behalf of the board,



Tom Bloomfield
Company Secretary

Investment objective

Provide a concentrated portfolio of long-only positions in 25-35 Australian and globally listed securities based on the highest conviction ideas from leading fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

Portfolio Commentary

For the month of May, the HM1 portfolio generated an investment gain of 6.7%, compared to a gain of 3.4% in the MSCI World Net Total Return Index (AUD). Leading indices around the world were up 4-5%, with the Australian index rising 4.2%, and the US S&P 500 rallying 4.5%. The Australian dollar was also stronger, increasing 2.4% for the month to just under 67c against the US dollar. In the last 3 months the Australian dollar has increased from a low of 57c, to just below 70c, an increase of over 20%. Our portfolio outperformed the benchmark over this period despite the strengthening Australian dollar. Since inception (November 2018) the investment portfolio is up 43.0% compared to 19.4% for the benchmark. The post tax net tangible assets of HM1 increased 4.8% during May and is up 30% since inception.

Hopes of a re-opening of the economy and gradual easing of social restrictions gave investors continued confidence, which saw the Nasdaq 100 index turn positive for the year. Mid-month saw indices tumble however, with the top infectious disease expert, Anthony Fauci, warning against a premature reopening of the economy. Fed officials also talked about the threat of a prolonged economic downturn unless Governments around the world spend more, on top of the trillions already pledged. The announcement of a potential vaccine towards the end of the month again revived investor confidence, which saw the S&P 500 close back within sight of the previous record highs.

In portfolio news, pleasingly 17 of our 18 core stocks increased in value this month. Out of respect to our core managers who all work with us on a pro bono basis, we choose not to disclose the highest conviction ideas of these managers. Against the index moves for the month of 4-5%, two of our core stocks increased by over 30%; another two by more than 20%; a further three by more than 14%, and another four by over 5%. Our one laggard did however fall by 12.5% but remains well ahead since inception.

The conference stocks also performed well, with 8 of 12 increasing in value. The best performers were [Spotify](#) (+19%) and Floor and Decor (+23%). Spotify rallied after signing a \$100m deal with well known podcaster- Joe Rogan, who has nearly 190m downloads per month. This should lead to a big increase in subscription and advertising revenue for the company. Floor and Decor is benefitting from the re-opening of the economy and reported an excellent first quarter result which surpassed Wall Street expectations. This company is a retailer of hard surface flooring (think of Bunnings for floors). [A2 Milk](#) took a breather this month after hitting record highs during the worst of COVID-19, while Fortive Corporation was weaker by about 4%, after reporting better earnings but lower than expected revenue growth. The company did not give forward guidance due to risks and uncertainties regarding COVID-19, which has led to some downward earnings revisions by analysts.

We remain in regular contact with our managers, who continue to be generous with their time and dedication to the cause of Hearts and Minds Investments. We aim to generate solid investment returns for our shareholders over the medium term and provide invaluable financial support to a host of medical research institutes by donating what would normally be the company's management fee to these organisations. As always, risk management is our top priority, while providing as much clarity around the portfolio as we can.

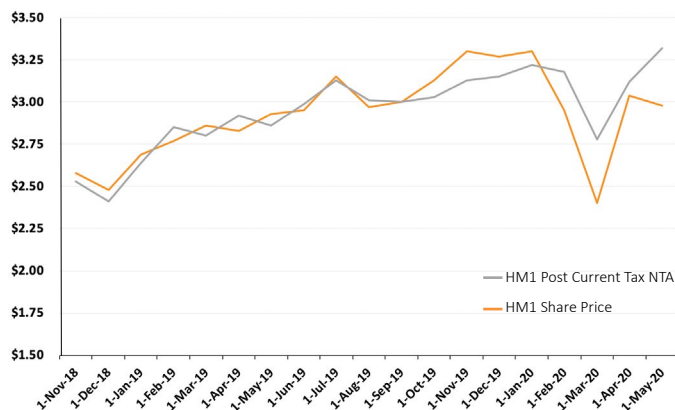
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	6.7%	10.1%	25.1%	43.0%
MSCI World Net TR Index (AUD)	3.4%	-3.6%	11.5%	19.4%

Investment Performance is calculated after expenses and before taxes. Index returns are calculated before expenses and taxes. Source: Citco Fund Services and www.msci.com. Fund inception 14 Nov 2018.

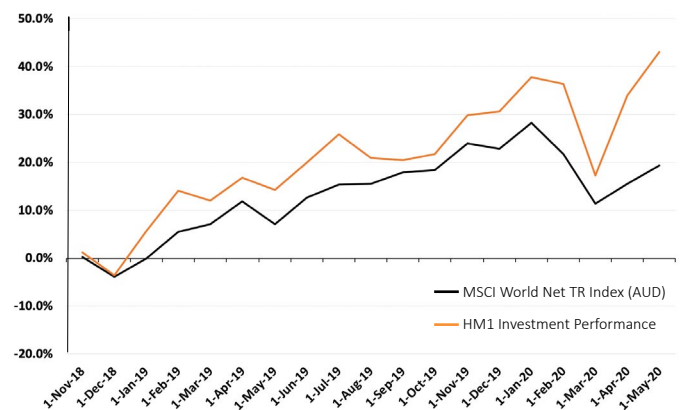
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	4.8%	7.3%	18.0%	30.0%

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

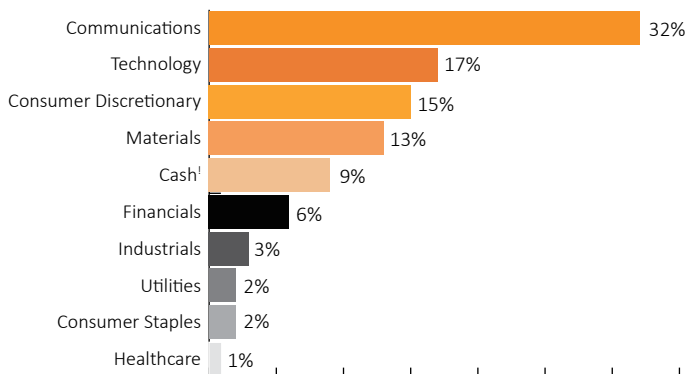
HM1 Share Price vs Post Current Tax NTA



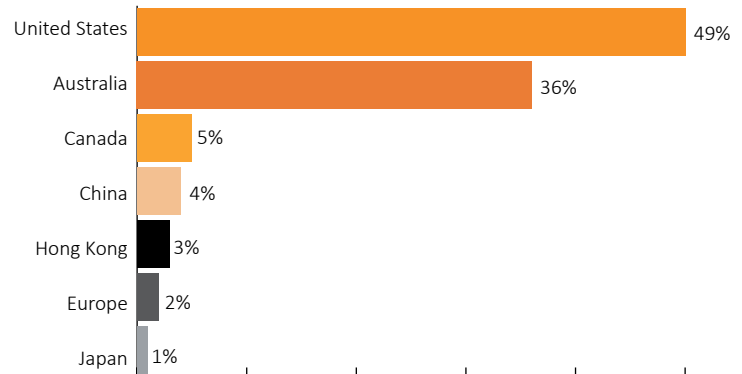
Investment Performance vs MSCI World Net TR Index (AUD)



Sector allocation



Business domicile⁴

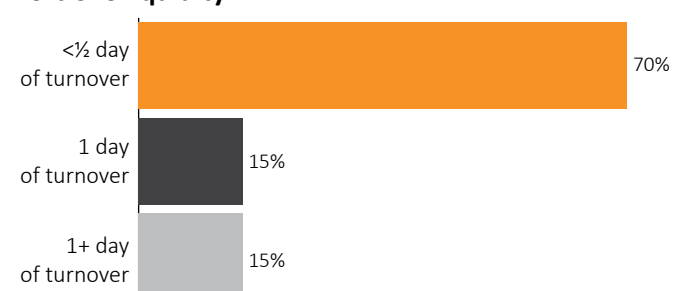


Key details

Pre Tax NTA ¹	\$3.47
Post current tax NTA ²	\$3.32
Post tax NTA ³	\$3.19
ASX code	HM1
Share price	\$2.98
Percent invested	91%
Listing date	14 Nov 2018

All numbers as at 31 May 2020 unless otherwise stated.

Portfolio liquidity⁵



¹Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability ²Pre tax NTA is the NTA of the company before the provision for current or deferred tax. ³Post current tax NTA includes a provision for tax on operating profits, a provision for tax on realised gains and losses on the Total investment portfolio and a provision for tax on unrealised gains and losses on the Conference investment portfolio ⁴Post tax NTA includes the provision for tax on operating profits, and a provision for tax on both realised and unrealised gains and losses on the Total investment portfolio. ⁵Determined by location where primary business takes place. ⁶Based on 20 day average daily turnover. ⁷The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. ⁸All NTA figures are unaudited and prepared by Citco Fund Services. ⁹All numbers as at 31 May 2020 unless otherwise stated.

News from our **Managers & Beneficiaries**

Beneficiary Profile: Orygen

One in five young people will have experienced a depressive episode by the time they are 18. That's why, we at Orygen believe in treating early and focusing on recovery.

Established in 2002, Orygen is widely regarded as one of the world's leading research organisations focusing on mental ill-health in young people, led by former Australian of the Year, Professor Patrick McGorry AO. Orygen's vision and advocacy led to the national success of headspace.

Orygen's research is world-leading, impactful and creates real change. Working directly with young people, their families and friends, they pioneer new, positive approaches to the prevention and treatment of mental disorders. Orygen make sure that policy makers understand the need and cost of mental ill-health.

Professor McGorry says "the team at Cooper Investors have been an incredible advocate for Orygen and importantly, youth mental health. The funding we receive from Hearts & Minds Investments Limited give us the critical flexibility of being able to support innovative projects, that may otherwise not receive funding.

With thanks to Cooper Investors and Hearts & Minds Investments Limited, we have been able to put youth mental health on the global agenda and progress our work in developing a global mental health framework, through a partnership with the World Economic Forum".

The collaboration is part of the Forum's Platform on Shaping the Future of Health and Healthcare. This has enabled Orygen to maximise the engagement of the Forum's strategic partners and elevate the profile of their world leading youth mental health organisation among key private and public stakeholders globally, with the work promoted at events during the United Nations General Assembly 2019 and Davos 2020.

Professor McGorry said "youth mental health is a global issue that brings with it a massive emotional, physical and economic toll that affects young people, their families and communities all over the world."

The Orygen/World Economic Forum youth mental health project has involved widespread consultation with clinical academics, service providers, policy makers and young people from over 20 different countries in different resource and cultural settings. The project has produced:

- A [Global Framework for Youth Mental Health Care](#) to support communities, regions and countries around the world to develop and deliver effective youth mental health services and supports.
- [An investment framework](#) to support funders access the economic evidence for early intervention and prevention.
- [An advocacy toolkit](#) to support young people, families and their local communities to make youth mental health a priority for leaders, funders and policy makers.

The Framework was launched by the Premier of Victoria on 27 May 2020. The virtual event included a panel discussion involving young people from Australia, Philippines, Canada, South Africa and Brazil. It attracted over 1000 registered participants from 92 countries. The next stages of the project will include working with a number of communities around the world to support implementation of the Youth Mental Health Framework in their own countries.

"Ultimately, we want to see all young people the world over being able to access the mental health care in their local communities that they need to ensure they lead long and fulfilling lives," Professor McGorry said.



Geoff Wilson, HM1 Director and Founder of Wilson Asset Management discusses the principles he has learnt from navigating multiple investment market meltdowns over his four decade career, and why in the current environment more than ever, hope is not a strategy. Watch the [video here](#).



Conference Manager, **Allan Goldstein of Cooper Investors** talks with James Gunn from *The Inside Network*. They discuss global equities and Cooper Investor's strategy for successful investing. Watch the discussion [here](#).



Magellan's Hamish Douglass talks to ABC's *The Business* Elysse Morgan. Hamish discusses how he's picking defensive winners amid a sea of losers. You can watch the extended interview [here](#).



Ed Cowan of TDM Growth Partners was recently interviewed on the *Equity Mates Investing* podcast, discussing all things TDM - investment philosophies, case studies and more. If you are interested in learning more about how TDM think about the world, this is [worth listening to](#).



Senior Portfolio Manager **Jun Bei Liu of Tribeca Investment Partners** discusses her thoughts on how investors can adapt to the "new normal", where opportunities and uncertainty are abundant. Read *The Australian* [article here](#).



Phil King of Regal Funds Management was interviewed on the *Inside the Rope* podcast where he discusses investing in the current environment and the importance of constantly asking yourself "is my thesis still valid?", which COVID-19 has largely disrupted. Listen to the [episode here](#).



In February **Munro Partners** switched their "attack plan" for navigating the crisis by going on the offence. Read Nick Griffin's interview with *The Australian* on our [website here](#).



As part of our impact video series, we spoke with **Orygen's founder, Professor Pat McGorry**, discussing the importance of medical research, his recent breakthroughs and the vital need for private funding. You can [watch the video here](#).

More news from the HM1 network

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

Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

