



14 October 2020

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

Dear Shareholders,

Amendment to Investment Guidelines

Please find attached an announcement by Hearts and Minds Investments Limited advising shareholders of amendments to its Investment Guidelines.

For and on behalf of the board,

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is written over a faint, light blue circular watermark or background.

Tom Bloomfield
Company Secretary

Amendment to Investment Guidelines

The investment strategy of Hearts and Minds Investments Ltd (HM1) is to invest in a concentrated portfolio of stocks based on the highest conviction stock recommendations from selected Fund Managers.

HM1 has significantly outperformed its investment benchmark since listing in November 2018. As at 30 September 2020, HM1's pre-tax investment return was 68.5% compared to the MSCI World Net Total Return index of 22.5% over the same period. HM1's Post Tax Net Tangible Assets have increased 48.1% since inception.

In light of its experience in managing the investment portfolio since commencement in November 2018, HM1 is refining its investment guidelines relating to portfolio construction and risk management. HM1 will amend the investment guidelines as outlined below.

Portfolio Construction

Currently HM1's investment portfolio is constructed as follows;

- 65% of its investment portfolio is based on the highest conviction ideas of six leading fund managers (known as Core Fund Managers). These fund managers are Caledonia (Private) Investments Pty Ltd, Cooper Investors Pty Limited, Magellan Asset Management Limited, Paradice Investment Management Pty Limited, Regal Funds Management Pty Ltd and TDM Growth Partners.
- 35% of its investment portfolio is based on the annual recommendations of fund managers who present at the Sohn Hearts and Minds Investment Leaders Conference (known as Conference Fund Managers).

This portfolio allocation between Core Fund Managers and Conference Fund Managers remains unchanged and is rebalanced on an annual basis.

To maintain stock diversification and the target number of stocks in the portfolio, the HM1 Investment Guidelines are being amended as follows;

- *Conference Fund Managers will not be permitted to recommend an existing Core Portfolio stock.*

The amendment will apply following the Sohn Hearts and Minds Investment Leaders Conference to be held on 13 November 2020. It will continue to be the case that a Core Fund Manager may recommend the same stock as another Fund Manager, subject to a maximum of two Fund Managers recommending the same stock.

Single Stock Concentration Limit

HM1's portfolio comprises approximately 25 to 30 stocks, unless particular Conference Portfolio stocks are sold before the end of their usual 12 month holding period. Generally, at the time of the initial investment, each stock comprises a 3-4% weighting in the investment portfolio. To allow for the outperformance of individual portfolio stocks, whilst also limiting single stock concentration and managing portfolio risk, HM1 has amended its investment guidelines as follows;

The Chief Investment Officer (CIO) will advise the Investment Committee when a single stock exceeds an 8% portfolio weighting. The Investment Committee may accept the increased weighting or request the stock holding is reduced. Where the increased weighting is accepted by the Investment Committee, the CIO will maintain regular contact with the relevant fund manager and obtain a specific recommendation from the fund manager after each additional 1% increment in portfolio weight above the 8% weighting and advise the Investment Committee accordingly. The Investment Committee may either accept the fund manager recommendation or request the stock holding is reduced. There will be an upper limit of 15% for a single stock concentration.

Although the single stock concentration limit will apply to any single stock held in the portfolio, it is more likely the discretion would be exercised where the same stock has been recommended by two different Fund Managers.