

10 November 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 October 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 October, the HM1 portfolio generated an investment return of 1.5%, compared to a decline of -1.1% in the MSCI World Net Total Return Index (AUD). Leading indices around the world were generally weaker, with the S&P 500 registering a 2.8% fall, the technology focused NASDAQ down 2.3%, the FTSE-100 down 4.9%, while the local S&P ASX 200 rallied 1.9%. The Australian dollar was also weaker, falling 1.5c to just above 70c against the US dollar. Since inception (November 2018) the investment portfolio has gained 71% compared to 21.2% for the benchmark, while the post-tax net tangible asset value of the portfolio increased by 1.0% during October and is now up 49.5% since inception.

With the US election held in the first week of November, a seesawing of equity prices was inevitable, as investors seemed to react to each new announcement of who was likely to become the 46th President and what that might mean for the economy. Renewed outbreaks of COVID-19 in both the US and Europe did little to help investor confidence, with fresh lockdowns occurring in some countries.

The next Sohn Hearts & Minds Investment Leaders Conference will be held on November 13, meaning the conference stocks that have comprised 35% of the investment portfolio for the past 12 months are sold and replaced with the fresh recommendations from our presenting fund managers. We are excited to see what stocks are put forward in the current environment of ultra-low interest rates, a new President, COVID-19 and hopes of a vaccine, as well as the ongoing trade war between the US and China. As at the end of October, the current conference portfolio has delivered an investment return to the portfolio of 66%. Tesla has been the standout performer, with our holdings in Tesla generating a return of 250%. Other large gains have been in The Trade Desk (+102%), GDS Holdings Ltd (+66%) and Spotify Technology (+68%). Much of the conference portfolio has now been liquidated, with the funds soon to be deployed into the new stocks.

The October investment performance was a pleasing outcome, especially for two of our lesser talked about stocks, Nickel Mines and Sanken Electric Co, both of which registered gains of over 30%. The technology stocks in the portfolio were relatively subdued, with most registering small gains or losses. The core portfolio registered marginal returns overall for the month, with half of the stocks positive, and half negative. There was a small shift between weighting in 2-3 of the stocks over the month, although no new names were added.

With equity markets at all-time highs, and a very Divided State of America, and still no COVID vaccine apparent, we maintain our cautious views. We expect the new conference managers will recommend stocks that should shine in the new environment we find ourselves in, which could be more defensive than we saw a year ago. Recently we have been fortunate to have owned many growth stocks in a market that has favoured growth stocks. Obviously, this will not always be the case, as markets rotate between growth and value bias. COVID has seen technology usage advance many years in a matter of months. We do not know what the next year will bring, other than when fear sets in, all equity exposures decline in the short term, regardless of the quality of the underlying stocks. HM1 will continue to deliver shareholders a compelling investment proposition over the medium term.

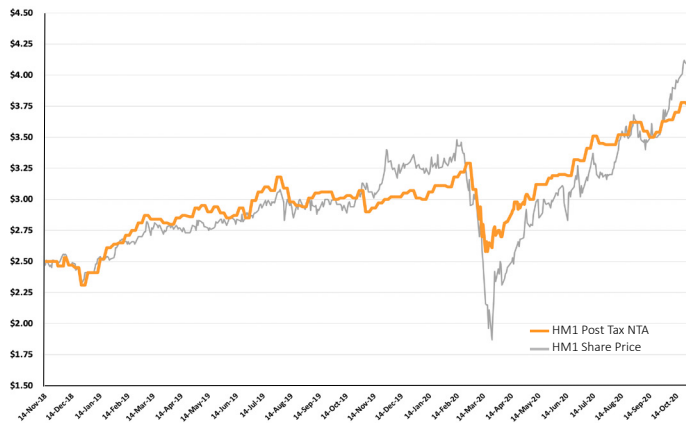
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance*	1.5%	27.6%	40.5%	71.0%
MSCI World Net TR Index (AUD)	-1.1%	4.9%	2.4%	21.2%

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

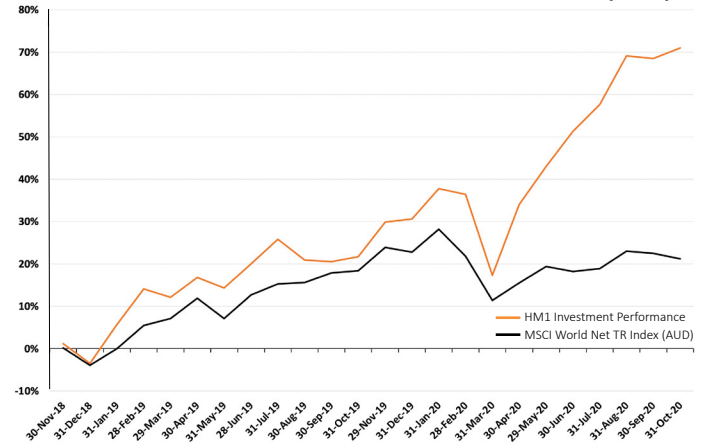
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	1.0%	20.5%	29.5%	49.5%

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

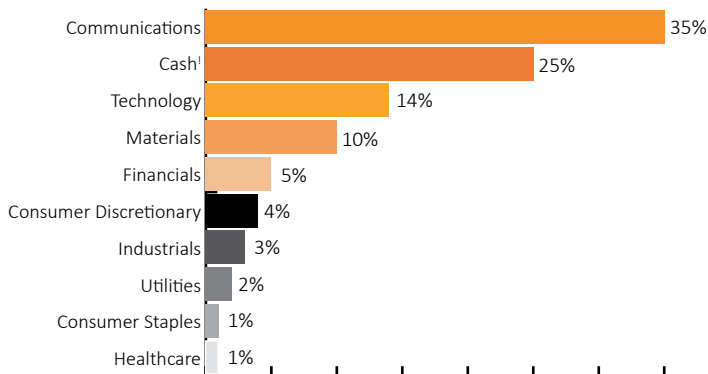
### HM1 Share Price vs Post Tax NTA



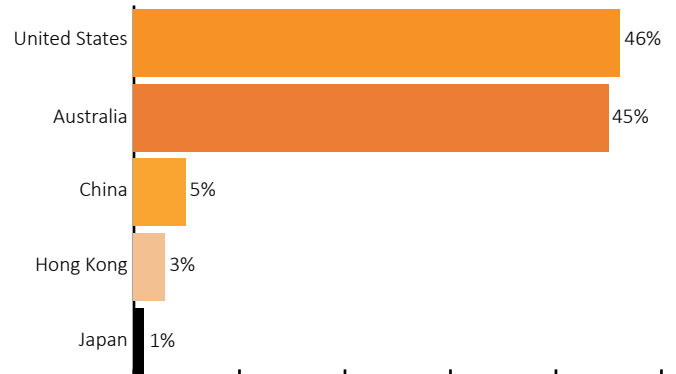
### Investment Performance vs MSCI World Net TR Index (AUD)



### Sector allocation



### Business domicile<sup>4</sup>

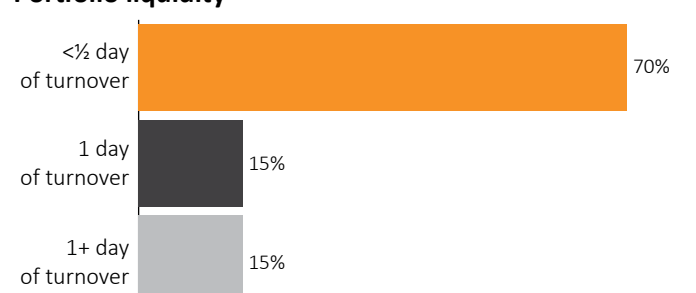


### Key details

Pre Tax NTA <sup>1</sup>	\$4.03
Post current tax NTA <sup>2</sup>	\$3.85
Post tax NTA <sup>3</sup>	\$3.67
ASX code	HM1
Share price	\$3.95
Percent invested	75%
Listing date	14 Nov 2018

All numbers as at 31 October 2020 unless otherwise stated.

### Portfolio liquidity<sup>5</sup>



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

## News from our **Managers & Beneficiaries**



**Chief Investment Officer, Rory Lucas** recently sat down with the Equity Mates Podcast for their 300th Episode to talk all things Hearts and Minds, including the upcoming Virtual Sohn Hearts & Minds Investment Leaders Conference, his first investment and three favourite reads. [Listen to the episode here.](#)



Two time, soon-to-be-three time Conference Manager, **Nick Griffin of Munro Partners** joined Rory Lucas and the Equity Mates Podcast. They talk about Nick's investment management style, why he loves being involved with Hearts and Minds and what goes into preparing his Conference pitch. This is a [must listen episode.](#)



**Dr Craig Collie, Portfolio Manager at Regal Funds Management** joins David Clark on the *Inside the Rope* Podcast to discuss his career to date, starting as a medical doctor before transitioning into financial services. Craig also touches on COVID-19 and in particular the process behind developing a vaccine as well as the associated economic outcomes of being successful in doing so. [Listen to the episode here.](#)



**Robert Luciano, Founder and Portfolio Manager of VGI Partners** talks to Livewire about why investors need to recalibrate their thinking and shares his approach to finding quality companies. Robert Luciano is a 2020 Conference Manager. [Watch the conversation here.](#)



**David Moberley of Paradise Investment Management** talks to Livewire about investing with a COVID-19 vaccine and some of the sectors to benefit from a positive development. David also shares the thesis on a monopoly company trading at valuations you only see a few times in your life. [Watch here.](#)



**Cathie Wood of ARK Invest (USA)** is known for her focus on innovation and disruptive technologies. The ARK team publishes an annual report highlighting the latest developments in innovation for the coming year. Ahead of the report's release, ARK has put together five "bad ideas" that investors should avoid in 2021. [Read here.](#)



**Howard Marks of Oaktree** has launched his podcast *The Memo*. Howard Marks published his first memo to clients in 1990 and in the decades since, his periodic memos that share his reflections on the investment landscape and general business insights have become widely read. [Take a listen to his latest memo; Coming Into Focus here.](#)



**Hamish Corlett, Founder of TDM Growth Partners** talks with the AFR about TDM's commitment to helping support Australian charities. He discusses the win-win nature of Hearts & Minds and why he's proud to be involved as both a Conference Manager and Core Manager. [Read the article here.](#)



**Hamish Douglass, Chairman, CIO and Lead Portfolio Manager at Magellan** shares his thoughts on the US election, explains a critical assumption driving share markets higher and tells why Chinese tech giants will survive any decoupling with the US. Watch the live webinar, titled *What Really Matters?* [here.](#)



**Qiao Ma of Cooper Investors** is making her debut at this year's Sohn Hearts & Minds Conference. She speaks with The Australian about her upcoming pitch and investment philosophy. [Read the article here.](#)



Overall, the outlook for equities looks very attractive regardless of who controls the White House, writes **Jun Bei Liu of Tribeca Investment Partners.** [Read her thoughts](#) on why the US election is a win-win for equities.



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

