



February 2021

10 March 2021

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 February Investment Update.

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

For and on behalf of the board,

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is written over a light blue horizontal line.

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 February, the HM1 portfolio generated an investment return of +1.1%, compared to increases of +1.6% in the benchmark MSCI World Net TR Index in AUD, +2.6% for the S&P 500, +0.9% for the NASDAQ Composite, and +1.0% for the ASX 200. The Australian dollar was stronger against the US dollar, gaining 1c to 77c. Since inception (November 2018) the investment portfolio has gained 83.5% compared to 31.3% for the benchmark, while the post-tax Net Tangible Asset value of the portfolio increased by 0.9% during February and is up 58.3% since inception.

With the Federal Reserve committing to keep interest rates near zero, ongoing fiscal stimulus via the \$1.9 trillion pandemic relief package, and multiple vaccines now approved and in distribution, confidence in the resumption of global economic growth continues to climb. This is despite there have now been well over 100 million confirmed cases around the world, and over 2.5 million deaths to date. The bond market appears to have been more concerned than equity market participants until the past week, with the bellwether US 10-year bond yield rising a further 33bps over February to now be sitting at 1.56%.

During February we made one change to the core portfolio, replacing one domestically listed stock with another. This was the result of one of our core fund managers losing conviction in the current stock holding and recommending a better investment proposition for our shareholders. Our core managers regularly assess the conviction they hold in their recommended stocks, and it is pleasing to see them willing to recommend selling positions when they believe their original thesis will not meet expectations. Of course, reporting season has also provided the market with fresh updates on the financial performance of companies, as well as guidance on how they see conditions going forward. Not all of our core holdings performed well in February, with three in particular having sizable declines after reporting their results. This was offset by some strong share price gains in other names, in particular our largest holding.

The conference portfolio also provided a mixed bag in terms of share price performances this month. Bill.com, pitched by Babak Poushanchi from Cota Capital, continued its stellar performance, with a gain of 35% in February, while news of ARK Invest acquiring a stake in Teladoc's Chinese rival Ping An Good Doctor, which was pitched by David Halpert of Prince St Capital, saw its share price increase by 16% over the month. Teladoc Health however, fell by 16%, while Temple and Webster and Fisher and Paykel Healthcare declined by 19% and 16% respectively. Despite the rises and declines in share prices during the month, our conference managers retain their conviction in the investment theses they pitched in November 2020. We closed one position during the month, the Hong Kong based payment technology business, Yeahka Limited, which after further gains during February, reached the target price recommended by Beeneet Kothari.

Global equity market participants are more nervous now than they have been for many months. This is evidenced by the rise in the Volatility Index (VIX), and the larger than average daily moves in equity indices. This has been more pronounced in the technology sector, where a sizable proportion of our investments are held. As we have seen, investors are quick to sell companies that miss quarterly/semi-annual analyst expectations, which often results in large share price falls. Our investments are not immune to this, and investors should expect increased volatility in our portfolio performance in times such as these. As Warren Buffet's mentor, Benjamin Graham explained, "In the short run, the market is a voting machine, tallying up which companies are popular and unpopular, while in the long term, the market is a weighing machine, assessing the substance of a company".

The increase in Net Tangible Asset value of the portfolio since inception is testament to the fact that HM1 holds quality companies. We continue to re-iterate that Net Tangible Asset value remains the best guide of the inherent value of our portfolio as opposed to our share price.

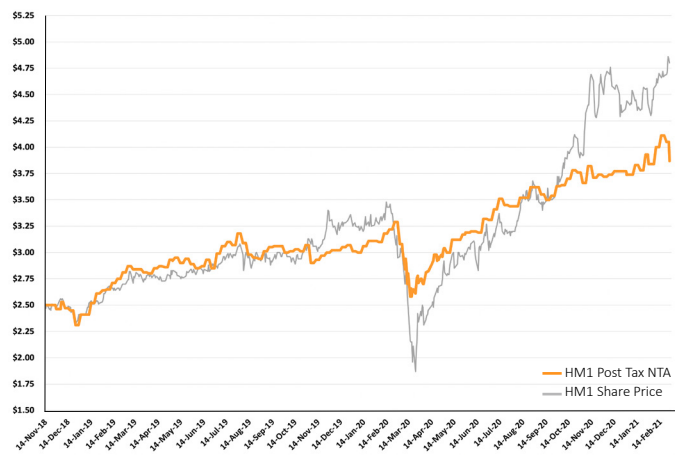
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	1.1%	8.5%	34.5%	83.5%
MSCI World Net TR Index (AUD)	1.6%	6.7%	7.7%	31.3%

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.

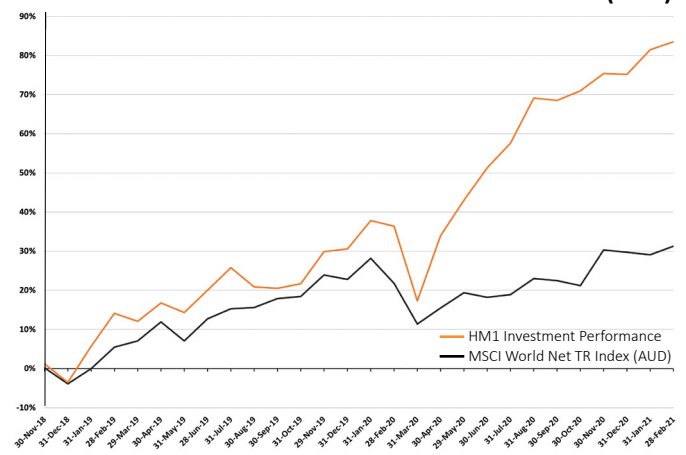
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	0.9%	6.6%	25.9%	58.3%

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

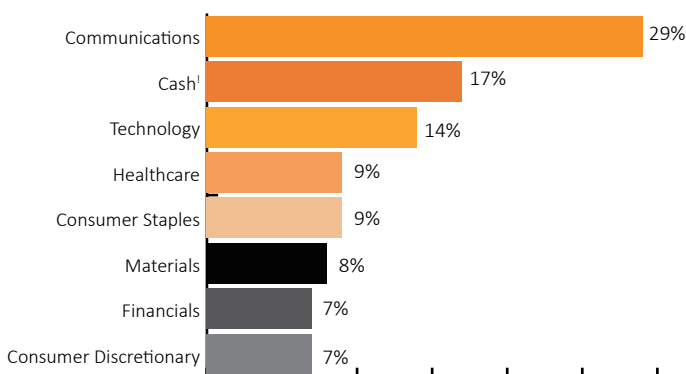
### HM1 Share Price vs Post Tax NTA



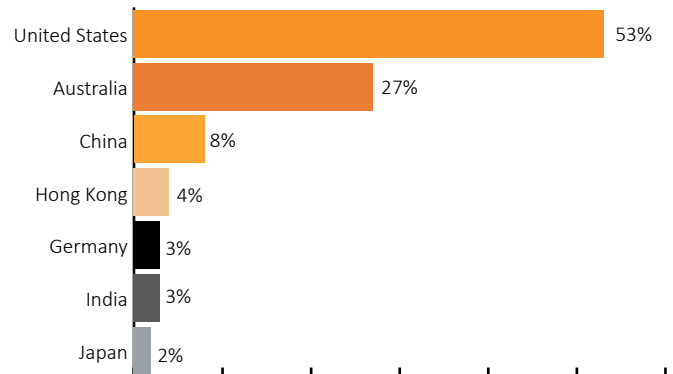
### Investment Performance vs MSCI World Net TR Index (AUD)



### Sector allocation



### Business Domicile<sup>4</sup>

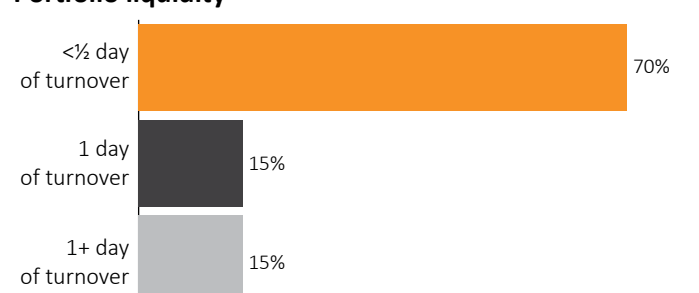


### Key details

Pre Tax NTA <sup>1</sup>	\$4.30
Post current tax NTA <sup>2</sup>	\$4.04
Post tax NTA <sup>3</sup>	\$3.88
ASX code	HM1
Share price	\$4.80
Percent invested	83%
Listing date	14 Nov 2018

All numbers as at 26 February 2021 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 26 February 2021 unless otherwise stated.

Core fund managers

CALEDONIA

 COOPER  
INVESTORS

 MAGELLAN  
EXPERTS IN GLOBAL INVESTING

PARADICE  
INVESTMENT MANAGEMENT

REGAL  
FUNDS MANAGEMENT

**tdm.**  
GROWTH PARTNERS

Conference fund managers

 ARK  
INVEST

 ATREIDES  
MANAGEMENT

 COOPER  
INVESTORS

COTACAPITAL

JERICO  
CAPITAL®

  
MILFORD

MUNRO  
PARTNERS

PARADICE  
INVESTMENT MANAGEMENT

PRINCE STREET  
— CAPITAL MANAGEMENT —

REGAL  
FUNDS MANAGEMENT

**tdm.**  
GROWTH PARTNERS

TEKNE  
CAPITAL

**Tribeca**  
Investment Partners

VGI  
PARTNERS

Designated charities

 Black Dog  
Institute

 CHARLIE TEO  
FOUNDATION  
— Funding brain cancer research —

Proudly supporting  
the  
child<sup>ren</sup>'s  
hospital at Westmead

THE  
FLOREY  
INSTITUTE OF NEUROSCIENCE & MENTAL HEALTH  
Improving lives through brain research

**MS**  
RESEARCH  
AUSTRALIA

**orygen**

 rpa  
Green Light  
Institute  
Transforming Emergency

**SWINBURNE**  
UNIVERSITY OF  
TECHNOLOGY

 Victor Chang  
Cardiac Research Institute

Pro-bono service providers

BoardRoom

CITCO

 IRM

KING & WOOD  
MALLESONS  
金杜律师事务所

MONT  
LAWYERS