



## Monthly Investment Update June 2022

12 July 2022

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 June 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 positioned above the printed name of the signatory.

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 respected fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

### Portfolio Commentary

The HM1 portfolio decreased by 7.2% in June in another poor month for equities. The MSCI World Net TR Index (AUD) declined 4.7% and the NASDAQ Composite, the S&P 500 index and the ASX 200 all recorded falls of between 8% to 9%. The Australian dollar weakened by 3.8% to close at USD 0.69c. Since inception the HM1 portfolio has returned 7.1% per annum.

2022 has been a very difficult period for global equity investors so far, with the S&P 500 index in the US down just over 20% over the last 6 months, while the technology heavy NASDAQ index is down almost 30%. Despite the tailwind of a declining Australian dollar, the HM1 investment performance has been poor, declining 31.1% over the last 6 months. We are very disappointed with this outcome and continue to work with our managers to aim to deliver an improved performance over the second half of the year.

Inflation, interest rates, and the Russian invasion continue to dominate financial market headlines, and we expect the volatility to continue until clear signs of peak inflation emerge. Recession, especially in the US remains a clear risk, as does interest rates staying higher for longer, which may impact demand and earnings growth. The upcoming reporting season in August will provide up-to-date data on earnings growth of our companies.

The portfolio was down 7.2% for the month, broadly in line with declining global markets. There were significant individual share price swings in the portfolio reflecting the underlying performance of different market sectors. Gitlab up 36% (strong Q1 revenue growth), Bengo4 up 5% and Formula One up 2% were among the handful of stocks that performed better than the index in June. There were many significant individual falls during the month, impacted by recession risks, falling commodity prices and the continued tech sell off in June. The main impacts were felt in Champion Iron, De Grey Mining, Mineral Resources, Block, Just Eat Takeaway, Techtronic, Wise and Pinnacle.

During the month we sold all our holdings in YEXT, Megaport, and Coinbase, and have allocated some of the proceeds to other stocks in the portfolio.

With no clarity on the timing and extent of further interest rate rises, recession and/or stagflation remain key risks for markets. The market is obviously factoring these risks in to current prices; however, the actual outcome is unknowable. Reporting season will provide a fresh barometer of the underlying health of the earnings and growth outlook for our portfolio companies. Our managers continue to believe that the fundamentals of the companies remain healthy, and believe that the price declines experienced this half are primarily due to lower earnings multiples being applied, rather than any significant deterioration in earnings outlook.

### Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	-7.2%	-31.1%	-33.6%	2.3%	7.1%
MSCI World Net TR Index (AUD)	-4.7%	-16.0%	-6.5%	7.7%	9.8%

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.

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**Pre-Tax NTA** **\$2.58**

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**Post-Tax NTA** **\$2.81**

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**Share Price** **\$2.02**  
(ASX: HM1)

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**Investment Performance p.a.** **7.1%**  
(Since inception 14 Nov 2018)

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**Cash Weighting** **20%**

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**Latest Dividend** **13.5cps**  
(Annual fully franked dividend paid April 2022)

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**Profits Reserve** **59.9cps**

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**Cumulative Medical Research Funding** **\$28.5m**

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### Top 10 Holdings *(in alphabetical order)*

 <b>Alphabet, Inc</b> GOOGL US	 <b>Microsoft Corporation</b> MSFT US
 <b>CSL Limited</b> CSL AU	 <b>ON Semiconductor Corp</b> ON US
 <b>Danaher Corporation</b> DHR US	 <b>Orica Ltd</b> ORI AU
 <b>Formula One Group</b> FWONK US	 <b>Spotify Technology SA</b> SPOT US
 <b>IDP Education Limited</b> IDP AU	 <b>Zillow Group Inc</b> Z US

**News from the HM1 Network**



Core Fund Manager **TDM Growth Partners** recently held their inaugural People and Culture Growth Summit at Sydney Opera House. Inspired by a presentation on corporate values, TDM Investment Manager, James Revell, dives deeply into the importance of values on effective scaling, and a helpful framework for companies to not only set, but refresh their values as and when needed. [Read the article on Medium here.](#)



On the most recent episode of **Magellan's In the Know** podcast, the team spoke with VISA Vice Chairman and CFO Vasant Prabhu. VISA is the world's largest payment network, which facilitates more than 6,000 transactions every second, and is in the front seat of the digital payments revolution. The episode covers VISA's attractive and innovative business, the way the pandemic has multiplied volumes, and the implications of new payment options like crypto currencies, electronic wallets, real-time payments and the impact of regulation. [Listen to the episode here.](#)



Could the deadliest spider in Australia save your life after a heart attack? **Victor Chang Cardiac Research Institute** Professors Peter Macdonald and Bob Graham believe so. They have been studying the venom of the K'gari funnel web spider, specifically the Hi1A protein. This protein shows the ability to drastically reduce cell death in damaged hearts - potentially boosting heart transplant and heart attack survival rates. Their vision is to develop the world's first cardiac protective drug, one that can be administered by first responders to reduce the number of lives lost globally to heart attacks every day. [Read more about the research here.](#)



Long-time Conference Fund Manager **Nick Griffin of Munro Partners** with Climate Co-Portfolio Manager James Tsinidis discuss what they think is the next big S curve. [Watch the conversation here.](#)



**Rory Lucas, HM1's Chief Investment Officer**, writes a jargon-free update providing 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 [here](#).



Researchers at **WEHI (Walter and Eliza Hall Institute)** have developed a way to potentially reduce the toxic side-effects of a type of immunotherapy, in findings that could overcome the pioneering treatment's biggest limitation. [Learn more about Associate Professor Matthew Call and Associate Professor Melissa Call's findings 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 and beneficiaries.

### Core Fund Managers



### Conference Fund Managers



### Designated Beneficiaries



### Pro-Bono Service Providers

