



Monthly Investment Update January 2023

13 February 2023

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 January 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 "Tom Bloomfield", is written over a faint, light blue circular watermark or background graphic.

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 value increased by 6.4% over January. Global markets started the new year with renewed optimism, as positive sentiment about China reopening and hopes of a peak in inflation pushed indices higher. The broad-based S&P 500 rose 6.2%, the NASDAQ Composite jumped 10.7%, while the local ASX 200 was up 6.2%. The benchmark MSCI World Net TR Index (AUD) increased by 3.1%, held back by the stronger Australian dollar, which rose 3.5% to US\$0.7055. Since inception in November 2018, the HM1 portfolio has delivered an annualised investment return of 9.5% pa.

Despite the strong rebound in January, many indices are still well below their late 2021 peaks, in particular the technology laden NASDAQ, which is still some 29% below its October 2021 high. Reporting season in the US saw some sharp share price moves, with many exceeding analyst expectations. Commentary from the Federal Reserve in January reiterated that there would be further interest rate increases until the monetary policy stance was 'sufficiently restrictive to see inflation return to the targeted 2% level over time'.

35% of the HM1 portfolio comprises stocks pitched at the annual Sohn Hearts & Minds Conference in November of each year. These are held for a maximum period of 12 months and are then replaced with the next series of conference recommendations. Positions may be closed out or reduced early, if a price target is reached or the thesis is no longer valid. Positive earnings releases in January saw ASML Ltd, manufacturer of semiconductor/lithography equipment rally by 19%, while Nike, Inc increased by almost 9%. Telemetry focused information technology company New Relic (NEWR.US) increased by 8% and delivered a solid earnings report in early February, which has seen further share price appreciation. Locally listed Champion Iron Limited gave back some of its recent gains but remains up almost 20% since the conference in November.

Many stocks in the core portfolio also had solid rebounds over the month. The portfolio's largest holding, Formula 1 (FWONK.US) rallied by 18%, while online real-estate marketplace, Zillow (Z.US) more than reversed the 15% decline in December by climbing 37% over January. Block (formerly Square) rallied by 30%, while Amsterdam listed Just Eat Takeaway increased by 19%. Asset Manager Brookfield Corporation lagged indices as it continues to digest the spinoff of its asset management business.

During January, we announced that HM1 would be investing in two unlisted securities as recommended by one of the core managers, as well as an investment being made in a managed fund operated by another of the core managers, replacing the three-stock model for that manager. This will be implemented in February.

Volatility continues across global equity markets, with optimism regularly followed by pessimism and back again. Until there are clear and consistent signs that inflation is under control and heading back towards the targeted levels stipulated by Central banks, interest rates will continue to rise both locally and abroad, as evidenced by the recent RBA announced 25 basis point hike in early February, its 9th consecutive rise. High quality companies with demonstrated earnings resilience and growth remain in favour in this environment. We believe the HM1 portfolio now holds a diverse portfolio of such businesses.

Pre-Tax NTA	\$2.95
Post-Tax NTA	\$3.07
Share Price (ASX: HM1)	\$2.49
Investment Performance p.a. (Since inception 14 Nov 2018)	9.5%
Cash Weighting	14%
Latest Dividend (Annual fully franked dividend paid April 2022)	13.5cps
Profits Reserve (At 30 June 2022)	76cps
Franking Balance (At 30 June 2022)	69cps
Cumulative Medical Research Funding	\$33.9m

Top 10 Holdings (in alphabetical order)

 BHP Group BHP.AX	 Intercontinental Exchange Ltd ICE.NYSE
 Block Inc SQ.NYSE	 Mastercard Inc MA.NYSE
 Carsales.com Ltd CAR.AX	 Microsoft Corporation MSFT.NAS
 Champion Iron CIA.AX	 Nike, Inc. NKE.NYSE
 Formula One Group FWONK.NAS	 Zillow Group Inc Z.NAS

Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	6.4%	4.5%	-11.8%	2.2%	9.5%
MSCI World Net TR Index (AUD)	3.1%	1.2%	-7.5%	5.8%	10.3%

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.

All figures as at 31 January 2023 unless otherwise stated. Portfolio Commentary as at 9 February 2023. Fund inception 14 Nov 2018. This communication has been prepared by Hearts and Minds Investments Limited (ABN 61 628 753 220). In preparing this document the investment objectives, financial situation or particular needs of an individual have not been considered. You should not rely on the opinions, advice, recommendations and other information contained in this publication alone. This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Past performance is not a reliable indicator of future performance.

News from the **HM1 Network**



As part of *Livewire's Outlook Series* for 2023, nine prominent fund managers, many of whom are HM1 managers, share their top macro indicators worth watching over the next 12 months, as well as what it could take for investors to start feeling a lot more bullish. [Watch or read the update on Livewire here.](#)



Core Fund Manager, **TDM Growth Partners** joins *Equity Mates* to discuss Block, the company that acquired Australian market darling Afterpay. Investment Team Member, **Harrison Moot**, breaks down the complex business and the investment case for Block. [Listen to the episode here.](#)



Munro Partners' (Core and Conference Fund Manager) **Nick Griffin** speaks with *Livewire* in an *Expert Insights* Interview. Nick shares candid responses on how he and the Munro team think about markets, what makes for a great growth company, how he is managing risk in the current market environment and the three signals that he wants to see fall into place before dialling up risk. [Watch or listen to the interview here.](#)



Executive Director of the **Victor Chang Cardiac Research Institute**, **Professor Jason Kovacic**, presented at the 2022 Sohn Hearts & Minds Conference last November. Professor Kovacic talked about the eight key risk factors, how to mitigate these risks and revealed the revolutionary study happening at the Institute - TootHeart. [Watch his conference presentation, titled 'How to Hedge Against Heart Attacks' here.](#)



As part of *Equity Mates Summer Series*, which breaks down some of the biggest companies, Bryce and Alec are joined by **Head of Claremont Global Bob Desmond** to discuss his 2022 conference pick, Nike. In the episode Bob unpacks the key metrics, the bull case and the bear case for Nike. [Listen to the episode here.](#)

More news from
the **HM1 network**

The News and Insights section on the [HM1 website](#) is regularly updated with interesting articles from our fund managers and beneficiaries.

Core Fund Managers

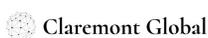








Conference Fund Managers











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