

7 June 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 May 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 global securities based on the highest conviction ideas from respected fund managers. The Company forgoes any investment fees and instead donates to leading Australian medical research institutes.

### Portfolio Commentary

The HM1 portfolio fell 1.4% over the month of April. Global markets and sectors were flat to down over the month except for ongoing rises in the technology sector. The local ASX 200 was down 3%, the broad-based S&P 500 finished flat, and the MSCI World Net TR Index (AUD) up 1.1%. Since inception in November 2018, the HM1 portfolio has delivered an annualised pre-tax investment return of 8.6% pa.

Major tech stocks were the only bright spot in an otherwise subdued market during May. Investors crowded into the large tech stocks driven by the AI frenzy propelling the NASDAQ composite up 5.8% for the month. Our holdings in tech and chip stocks benefitted from this rally with increases in TSMC and AMSL both up 17%, Amazon up 14% and Microsoft up 7%.

NextDC announced new data centre developments in Malaysia and New Zealand during May and conducted a capital raising to fund construction. HM1 participated in the institutional capital raise which was well supported by the market as the push into South-East Asia is seen as an additional growth option for NextDC. NextDC also benefitted from the scramble to get exposure to AI related stocks as it provides compute capacity for its clients.

Offsetting these increases were falls in commodity stocks and China exposed stocks, with CIA down 7%, BHP down 5% and China Duty Free down 36% over the month. China Duty Free released their Q1 results during the month. Revenue was up strongly (+24%) in line with forecasts, however, costs were higher than expected and the stock was marked down. It is still early days in the China re-opening story and the economic activity and tourism revenue are expected to pick up in coming months.

As promised in last month's update we have included a more detailed analysis of one of the larger positions in the fund, Mastercard. We sat down with Nikki Thomas from Magellan last week and discussed the three stocks that Magellan contributes to HM1. These are currently Mastercard, Microsoft and Intercontinental Exchange. [Click here to read their Mastercard analysis.](#)

As a reminder, we currently have seven Core Fund Managers who each provide their highest conviction stock recommendations for the HM1 portfolio. We look forward to bringing the rest of the portfolio to life in the coming months. These high-quality fund managers are currently Caledonia Investments, Cooper Investors, Magellan, Munro Partners, Regal Funds Management, Tribeca Investment Partners and TDM Growth Partners.

### Top 10 Core Portfolio Holdings

Represents 51% of total portfolio holdings (in alphabetical order)

 <b>BHP</b> BHP.AX	 <b>Block Inc</b> SQ.NYSE
 <b>eurofins</b> Eurofins Scientific SE ERF.PA	 <b>Formula One Group</b> FWONK.NAS
 <b>Guzman Y Gomez</b>	 <b>Intercontinental Exchange Ltd</b> ICE.NYSE
 <b>Mastercard Inc</b> MA.NYSE	 <b>Microsoft Corporation</b> MSFT.NAS
 <b>ROKT</b> ROKT	 <b>Zillow Group Inc</b> Z.NAS

<b>Pre-Tax NTA</b>	<b>\$2.86</b>
<b>Post-Tax NTA</b>	<b>\$2.94</b>
<b>Share Price</b> (ASX: HM1)	<b>\$2.23</b>
<b>Investment Performance p.a.</b> (Since inception 14 Nov 2018)	<b>8.6%</b>
<b>Cash Weighting</b>	<b>8%</b>
<b>Latest Dividend</b> (Annual fully franked dividend paid April 2023)	<b>13.5cps</b>
<b>Profits Reserve</b> (At 31 March 2023)	<b>66cps</b>
<b>Available Franking Credits<sup>1</sup></b> (At 31 March 2023)	<b>55cps</b>
<b>Cumulative Medical Research Funding</b>	<b>\$43.8m</b>

Many of the Core Fund Managers are not easily accessible to retail investors, providing HM1 shareholders with the opportunity to benefit from these fund managers' best investment ideas. The Core Portfolio holdings are typically longer term holdings and make up two thirds of the HM1 portfolio. The other third is the Conference Portfolio which comprises stocks that are recommended by selected fund managers at the Sohn Hearts & Minds Investment Leaders Conference. These stocks are held for up to one year and typically have a short term catalyst driving the investment idea.

We are in the process of curating the line-up for this year's conference that will be held at the Sydney Opera House on Friday 17<sup>th</sup> November. There will be an exciting mix of selected fund managers from all over the world presenting alongside various keynotes. Tickets will be on sale soon, [subscribe here to be the first to know.](#)

### Conference Portfolio Holdings

Represents 31% of total portfolio holdings (in alphabetical order)

 <b>AMP Limited</b> AMP.AX	 <b>ASML Holding N.V.</b> ASML.AS
 <b>Carsales.com</b> CAR.AX	 <b>Champion Iron</b> CIA.AX
 <b>China Duty Free</b> 1880.HK	 <b>Darling Ingredients Inc.</b> DAR.NYSE
 <b>La Francaise des Jeux</b> FDJ.PA	 <b>Keywords Studios</b> KWS.L
 <b>New Relic, Inc.</b> NEW.R.NYSE	 <b>Nike, Inc.</b> NKE.NYSE
 <b>Transurban Group</b> TCL.AX	

Investment Performance	1 month	6 months	1 year	3 years per annum	Since Inception per annum
HM1 Investment Performance	-1.4%	2.5%	5.5%	0.7%	8.6%
HM1 Investment Performance (incl. Dividends paid)	-1.4%	7.2%	10.3%	4.7%	11.4%
MSCI World Net TR Index (AUD)	1.1%	7.5%	13.1%	11.9%	11.9%

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. Inception 14 Nov 2018. HM1 Investment Performance (incl. Dividends) is the total return of HM1 pre-tax investment performance plus dividends paid.

<sup>1</sup>Represents the level of future dividends (expressed as cents per share) that can be fully franked. All figures as at 31 May 2023 unless otherwise stated. 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**

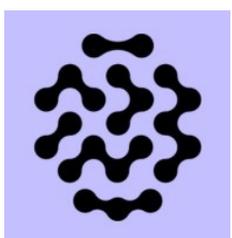


**David Wright, the Co-founder of Zenith Investment Partners, HM1 Director and member of the Investment Committee**, recently spoke with *Livewire* about the key characteristics Zenith looks for when rating funds, and why individuals are responsible for a fund's performance.

[You can watch the conversation here.](#)



Portfolio Manager, **Elisa Di Marco of Magellan** shares a stock story about Mastercard, one of HM1's Core Portfolio stocks. Mastercard is one of the most recognisable brands in the world and a quality business going from strength to strength. [Click here to read Magellan's detailed analysis.](#)



**The Florey** is the home of neuroscience and mental health research, advancing knowledge of the brain to improve health outcomes for us all. For more insight into their work, their purpose and the overall impact of medical research, [you can watch their video here.](#)



**Jun Bei Liu of Tribeca Investment Partners** (Core and Conference Fund Manager) recently spoke on *Livewire's* 'The Rules of Investing' podcast to share her top stocks in today's markets and why she believes the ASX will head higher in 2023. [You can listen to the episode here.](#)



Listen to the latest insights from **Adrian Lu, Investment Analyst of Magellan** (Core Fund Manager). He explains what ChatGPT is, how it works and the impacts this could have on society. He also discusses what this means for both Microsoft and Alphabet. [You can watch the full video here.](#)



In a recent Firstlinks article, Partner and Portfolio Manager, **James Tsinidis of Munro Partners** (Core Fund Manager) discusses the opportunity of investing in net-zero emission companies. He shares three key themes and a stock that will benefit from the change. [You can read the full article here.](#)



**Damien McIntyre, the CEO of GSFM**, chats with Portfolio Manager **Kieran Moore of Munro Partners** (Core Fund Manager) to discuss growth equities in the current environment and Munro's companies of interest, including ASML (Nick Griffin's 2022 Conference stock pick).

[You can listen to the podcast here.](#)



Professor Peter Macdonald from the **Victor Chang Cardiac Research Institute** opens up about his career as a cardiologist and scientist, the groundbreaking 'Heart in a Box', and the potential of deadly spider venom in preventing damage to the heart. [You can read the full article here.](#)



### Save the Date: Sohn Hearts & Minds Conference, Friday 17<sup>th</sup> November

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**Core Fund Managers**

**CALEDONIA**

**COOPER INVESTORS**

**MAGELLAN**  
EXPERTS IN GLOBAL INVESTING

**MUNRO**

**REGAL**  
FUNDS

**tdm.**  
GROWTH PARTNERS

**Tribeca**  
Investment Partners

**Conference Fund Managers**

**Auscap**  
Asset Management

**Claremont Global**

**COOPER INVESTORS**

**EMINENCE**  
CAPITAL

**FACT Capital**  
Ethics. Alignment. Compounding. Transparency.

**Firetrail**  
Invest with Conviction

**MUNRO**

**Perpetual**

**REGAL**  
FUNDS

**SAMUEL TERRY**  
ASSET MANAGEMENT

**Tribeca**  
Investment Partners

**WaveStone**  
CAPITAL

**Designated Beneficiaries**

**Baker**  
HEART & DIABETES INSTITUTE

**Cerebral Palsy**  
ALLIANCE  
RESEARCH FOUNDATION

**CHARLIE TEO**  
FOUNDATION  
funding brain cancer research

**kr kids**  
research **critical care**  
research

**WEHI**  
brighter together

**The Florey**  
Advancing Brain Research

**PAIN**  
Foundation

**rpa**  
Green Light  
Institute  
Transforming Emergency

**Victor Chang**  
Cardiac Research Institute

**Pro-Bono Service Providers**

**BoardRoom**

**Charter**  
Hall

**CITCO**

**domestique**

**KING & WOOD**  
**MALLESONS**  
金杜律师事务所

**MONT**  
LAWYERS

**PITCHER**  
PARTNERS