

4 August 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 July 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 had a good month gaining 2.8% in July. Most markets rallied with gains spread across all industry sectors compared to the narrow technology led increases in June. The MSCI World Index (AUD) was up 2.4% and the Australian dollar strengthened slightly to US\$0.672. In this month's update we summarise the major portfolio movements and provide a deep dive into New Relic one of our Conference Portfolio holdings. Since inception in November 2018, the HM1 portfolio has delivered an annualised pre-tax investment return of 9.2% pa.

The performance of the portfolio was pleasing in July with gains broadly based across most holdings. Significant share price increases were recorded in Block (improving earnings expectations), Just Eat Takeaway (update on Grubhub sale) and China Duty Free (significant increase in sales).

Elsewhere in the portfolio we made a couple of changes. Following recent missteps and slowing growth, we have sold our small holding in Domino's Pizza and switched into CSL, taking advantage of the recent pull back in CSL's share price. We have also sold our holding in Constellation Energy booking a 14% profit over the short holding period and invested the proceeds in Nvidia.

Our holding in New Relic increased 28% over the month following the announcement of a private equity takeover offer of \$87 per share. New Relic is a software-as-a-service company, providing a software platform for customers to collect telemetry data and derive insights from that data in a unified front-end application. It offers a suite of products on its open and extensible cloud-based platform, which enables users to collect, store, and analyse their IT systems telemetry data.

New Relic was pitched by Ricky Sandler from Eminence Capital at our last conference in November 2022. We invested in New Relic at a price of \$53 per share. The takeover offer represents a premium of approximately 30% to New Relic's 12 month volume-weighted average closing price and a 64% premium to HM1's entry price. There is a 45-day go-shop period built into the takeover agreement and Ricky wouldn't be surprised to see an alternative strategic acquiror outbid the private equity offer. With the stock currently at \$84 and a strong takeover contract, he thinks holding the shares over the 45 day go-shop period is a sensible strategy. [A link to the Conference pitch on New Relic is here.](#)

Pre-Tax NTA	\$2.98
Post-Tax NTA	\$3.01
Share Price <small>(ASX: HM1)</small>	\$2.38
Investment Performance p.a. <small>(Since inception 14 Nov 2018)</small>	9.2%
Cash Weighting	9%
Latest Dividend	13.5cps
Fully Franked Dividend Yield¹	5.7%
Profits Reserve <small>(At 31 March 2023)</small>	66cps
Available Franking Credits² <small>(At 31 March 2023)</small>	55cps
Cumulative Medical Research Funding	\$43.8m

¹Fully franked dividend of 13.5cps paid April 2023 divided by share price at 31 July 2023. ²Represents the level of future dividends (expressed as cents per share) that can be fully franked. All figures as at 31 July 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.

HM1 Investment Performance

Investment Performance	1 month	6 months	1 year	3 years per annum	Since Inception per annum
HM1 Investment Performance	2.8%	3.5%	8.1%	-1.2%	9.2%
MSCI World Index (AUD)	2.4%	15.3%	15.8%	12.2%	10.9%

HM1 Investment Performance is calculated after expenses and before taxes. The comparator is the MSCI World price index in AUD. Source: Citco Fund Services and www.msci.com. Inception 14 Nov 2018.

Dividend History

Dividend History	2021	2022	2023
Dividends Paid – fully franked	12cps	13.5cps	13.5cps

Top 10 Portfolio Holdings

Represents 48% of total portfolio holdings (in alphabetical order)

 ASML Holding N.V. ASML.AS	 BHP BHP.AX	 Block Inc SQ.NYSE	 Carsales.com Ltd CAR.AX	 Formula One Group FWONK.NAS
 Intercontinental Exchange Ltd ICE.NYSE	 Mastercard Inc MA.NYSE	 Microsoft Corporation MSFT.NAS	 New Relic, Inc. NEWR.NYSE	 Zillow Group Inc Z.NAS

Conference Portfolio Holdings

Represents 28% of total portfolio holdings (in alphabetical order)

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

News from the **HM1 Network**



In a recent *GSFM Conversations* podcast, **CEO Damien McIntyre of GSFM** and **James Tsinidis of Munro Partners** (Core Fund Manager) discuss the investment opportunities arising from climate change and delve into Munro's Climate Change Leaders Fund. [You can listen to the podcast here.](#)



In this month's update, we have a spotlight on **New Relic, Ricky Sandler's 2022 Conference Stock Pick**. The company's cloud-based software allows websites and mobile apps to track user interactions and service operators' software and hardware performance. [You can read the full update here.](#)



In a recent interview, Core and Conference Fund Manager, **Jun Bei Liu, Portfolio Manager of Tribeca Investment Partners**, speaks with Market Analyst, **Tom Piotrowski of CommSec** about the current factors influencing the market and the company profits ahead of reporting season. [You can watch it here.](#)



After a two-year study, A/Professor Neale Cohen from **Baker Heart and Diabetes Institute** is now leading a national multi-centre clinical trial. This research is proudly supported by the TDM and HM1 to address health disadvantages experienced by our indigenous populations. [You can find out more here \(p.10\).](#)



Chief Investment Officer of Auscap Asset Management, Tim Carleton reveals two of his favoured stocks on *Livewire's The Rules of Investing* podcast. He highlights one stock as the only ASX listed company with a return on equity above 50%. While the other is **Carsales, Tim's 2022 Conference stock pick**, highlighting its competitive advantage in the market. [You can listen to the full interview here.](#)



The past year saw several significant macro events such as a banking crisis, a debt showdown, war and decoupling. **Magellan** (HM1 Core Fund Manager) have used these events to help them identify the key factors that will drive stock returns moving forward. [You can read their insights here.](#)



Magellan's Portfolio Manager Arvid Streimann and Head of Finance and Technology, Ryan Joyce go behind the screens to take an in-depth look at the history and current state of streaming services, the importance of scale, Hollywood strikes, and regulation. [You can read his insights here.](#)



In a recent *Livewire* article, Core and Conference Fund Manager, **Jun Bei Liu, Portfolio Manager of Tribeca Investment Partners** and **Qiao Ma of Munro Partners** (Core Fund Manager) share their views on the immense potential in both global and local markets. [You can read the full article on Livewire here.](#)



Don't miss out: Sohn Hearts & Minds Conference, Friday 17 November

A limited number of presale tickets are available for this year's Sohn Hearts & Minds Investment Leaders Conference being held at the **Sydney Opera House on Friday 17 November**. Presale tickets include access to the conference and a VIP Experience the evening prior at Sydney Modern, the newly opened building at the Art Gallery of NSW.

Don't miss out, [purchase your ticket online here.](#)

Core Fund Managers

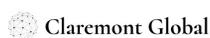








Conference Fund Managers











Designated Beneficiaries











Pro-Bono Service Providers







