

7 September 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 August 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

Most markets went sideways or slightly down during August. The HM1 portfolio decreased 0.9% for the month, the ASX 200 was down 1.4%, the S&P 500 was down 1.8%, the Nasdaq down 2.2% and the MSCI World Index in AUD was up 1.3% mostly due to a decline in the Australian dollar down to US\$0.646. In this month's update, we summarise HM1's announcement from its recently released Annual Report and provide an update on the earnings reports of our Australian portfolio holdings. Since inception in November 2018, the HM1 portfolio has delivered an annualised pre-tax investment return of 8.9% pa.

HM1 recently released its Annual Report for the year ended 30 June 2023. The HM1 investment portfolio increased on a pre-tax basis by 15.1% for the year, recovering some of the losses of the prior year. For the year ended 30 June 2023, HM1 recorded a total comprehensive income after tax of \$63.0 million. The result was driven by a strong recovery in the market value of the Core Portfolio generating unrealised gains, partially offset by realised losses from the previous year's Conference Portfolio.

In the Chairman's letter in the Annual Report we outlined several changes that we have made to the management of HM1's investment portfolio which we believe will lead to a sustained improvement in investment performance.

Also, based on investor feedback, we have modified the dividend policy to increase the frequency of dividend payments to twice yearly. The first half-yearly dividend of 7 cents per share will be paid on 19 October 2023 and the ex-dividend date is 20 September 2023. We will be conducting an on-market buyback of HM1 shares on behalf of participating shareholders to satisfy dividends reinvested under the Dividend Re-investment Plan.

We are confident that the improvements we have made to the management of the investment portfolio combined with the modified dividend policy will narrow the share price discount to NTA over time.

Further details and the full Annual Report are available [here](#).

Most of our Australian listed companies in the portfolio reported their full year results in the month of August. In the spirit of increased transparency, we spoke to all of the portfolio managers responsible for these stocks in the HM1 portfolio. [Here is a link to their comments](#) that give a summary of how these companies are travelling.

Pre-Tax NTA	\$2.95
Post-Tax NTA	\$2.99
Share Price (ASX: HM1)	\$2.42
Investment Performance p.a. (Since inception 14 Nov 2018)	8.9%
Cash Weighting	9%
Latest Dividend (Interim payable 19 October 2023)	7cps
Fully Franked Dividend Yield¹	5.6%
Profits Reserve (At 30 June 2023)	67cps
Available Franking Credits² (At 30 June 2023)	56cps
Cumulative Medical Research Funding	\$43.9m

¹Fully franked dividend of 13.5cps paid April 2023 divided by share price at 31 August 2023. ²Represents the level of future dividends (expressed as cents per share) that can be fully franked. All figures as at 31 August 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	-0.9%	3.6%	8.4%	-3.7%	8.9%
MSCI World Index (AUD)	1.3%	14.8%	20.4%	11.6%	11.0%

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	2024 (Interim)
Dividends – fully franked	12cps	13.5cps	13.5cps	7.0cps

Top 10 Portfolio Holdings

Represents 49% of total portfolio holdings (in alphabetical order)



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



Microsoft Corporation
MSFT.NAS



Rokt



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 this month's update, off the back of reporting season we have collated feedback on some Australian listed companies in the HM1 portfolio including **AMP, Carsales, CSL, NextDC, Ramsay Healthcare** and **Transurban**. [You can read the full update here.](#)



In a recent *Firstlinks* article, **Qiao Ma of Munro Partners** (Core Fund Manager) discusses how the mix of corporate and consumer resilience is driving earnings resilience, giving her confidence for a strong second half this year and a solid 2024 ahead. [You can read the article here.](#)



Munro Partners Chief Investment Officer, Nick Griffin, and Portfolio Manager Qiao Ma presented at GSFM's recent Global Growth roadshow. Nick delved into the AI hype and semiconductor industry, while Qiao expands on the power of quality growth companies. [You can listen to the podcast here.](#)



In a recent *Livewire Markets* interview, **Craig Scroggie, Chief Executive Officer of NextDC** sat down to discuss the company's record results and its plans to invest \$1 billion annually to take advantage of the AI-fuelled future ahead. [You can watch the interview here.](#)



Interested in the world of microcaps? **Jessica Farr-Jones, Portfolio Manager from Regal Funds** (HM1 Core Fund Manager), shares her bullish perspective with *The Rules of Investing* podcast including her take on small and micro caps, some of the stocks she's excited about and her insights on reporting season. [You can listen to the podcast here.](#)



There are **18 million people in the world living with cerebral palsy (CP)**. This September, a community of over 15,000 people are stepping up to raise funds for CP research and disability innovation. To learn more and discover some of the stories of people living with CP in Australia and around the world, [you can visit their website here.](#)



Jeremy Gibson, Portfolio Manager at Munro Partners (HM1 Core Fund Manager) featured on *Livewire* for his take on the macro conditions, why the glass is half full, and the opportunities the Munro team is pursuing. [You can read the article on Livewire here.](#)



Reporting season revealed signs that consumers are beginning to tighten their belts on the retail front. **Jun Bei Liu of Tribeca Investment Partners** (Core and Conference Fund Manager) believes the travel industry could be the next to feel the pinch. [You can read the full article on Livewire here.](#)



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

This year we are returning to 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.

Limited tickets available, [purchase online here.](#)

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
Efficiency. Alignment. 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

 The Florey
Advancing Brain Research

 kr
kids
research kids
critical care
research

 PAIN
Foundation

 rpa Green Light
Institute
FOR EMERGENCY CARE

 St Vincent's Clinic
Research Foundation

 Victor Chang
Cardiac Research Institute

 WEHI
brighter together

Pro-Bono Service Providers

BoardRoom

Charter
Hall

CITCO

domestique

KING & WOOD
MALLESONS
金杜律师事务所

MONT
LAWYERS

 PITCHER
PARTNERS