

12 April 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 March 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 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 increased in value by 1.8% over March. Global markets closed mostly higher despite a very volatile month triggered by the collapse of Credit Suisse and three US regional banks and the fear of flow on impacts to the banking system. Regulators were quick to step in and contain the impact. The broad-based S&P 500 finished up 3.5%, the NASDAQ Composite up 6.7%, the MSCI World Net TR Index (AUD) up 3.8%, while the local ASX 200 was down 1.1%. Since inception in November 2018, the HM1 portfolio has delivered an annualised pre-tax investment return of 9.3% pa.

The Technology and Communications sectors led the increases in US markets in March offset partly by falls in the Financials sector. Financial stocks fell significantly in mid-March over fears of contagion following the failure of SVB, Signature Bank and Silvergate in the US and Credit Suisse in Europe. Central Banks in both jurisdictions acted quickly to contain the damage. In the case of the regional US Banks, the Federal Reserve and regulators assured depositors that they would be protected despite the majority of deposits being above the \$250,000 insurance limit. In Europe, Swiss regulators facilitated the forced sale of Credit Suisse to UBS and provided ongoing liquidity and loss warranties. Following these actions banking indices recovered from their mid month lows to be down 9.6% in the US and down 4.9% in Australia. It is worth noting that the Australian banking system has a more resilient market structure than the US and more stringent regulation for bank liquidity and funding requirements.

Despite the banking turmoil, the latest inflation numbers remain high, pointing to possible further interest rate increases. This is despite clear indicators, particularly in the US of a looming recession. In Australia, the RBA increased the cash rate to 3.6% in March, but kept rates on hold in April pending a review of the impact of the rapid rises in interest rates over the last 10 months and broader global uncertainty.

The HM1 portfolio increased 1.8% in March. Most stocks moved in line with their market sectors over the month. There were strong gains in the technology and online retail stocks (Microsoft up 16%, Amazon up 10%), semiconductor stocks (AMSL and TMSC both up 7%) partly offset by stock specific falls (Just Eat Takeaway down 15% and Opthea down 13%). The portfolio performance has improved recently up 8.2% over the last six months and we remain comfortable with the current mix of the portfolio.

In this month's news from the network we provide an overview of two recent additions to the portfolio, Rokt Inc and Guzman Y Gomez. As we announced on [30 January 2023](#), whilst these two companies are unlisted investments, they are both high conviction recommendations from one of our Core Fund Managers TDM Growth Partners. HM1's investment in these companies was made at a price determined by a secondary investment round led by third party institutional investors. The investments will be carried at cost until a major liquidity event occurs such as a public listing. The carrying value of the unlisted investments will be reviewed every six months. As stated in our announcement on [3 November 2022](#), HM1's investment portfolio will remain predominantly invested in listed securities.

The fully franked dividend of 13.5 cents per share we recently announced is payable on 13 April 2023. The dividend represents a fully franked net yield of 5.6% on the March month end share price. Shareholders who participated in the dividend reinvestment plan will receive their dividend in the form of additional HM1 shares at the DRP price of \$2.35. Shares to satisfy the DRP were acquired by a combination of on market purchases and newly issued shares.

As stated last month we are very aware that the HM1 share price is currently trading at a discount to the NTA backing per share. During our first three years of strong investment performance, our share price closely tracked the NTA backing per share. The share price discount emerged and widened following our poor investment performance in the calendar year 2022. We strongly believe that improving investment performance is the main driver of the share price more closely tracking the NTA backing per share. Over the last six months we have taken several actions to improve the selection of our fund managers and the selection and management of stocks in our investment portfolio. These actions include revised selection criteria for fund managers, greater diversity in fund manager style and sector exposure and a risk overlay on our Conference Portfolio. We believe these actions will lead to stronger investment performance and risk management of our investment portfolio. We also maintain a dividend policy that provides shareholders with an annual fully franked dividend to underpin the inevitable ups and downs of the equity market. We're also committed to providing shareholders with regular updates on the portfolio and insightful content from our network of fund managers.

In March, we paid the latest half yearly contribution to our selected medical research beneficiaries of \$5m. This money will fund important medical research into new medicines and treatments in Australia. Our overall funding of medical research is now \$43.8m since the inception of HM1.

Pre-Tax NTA **\$2.91**

Post-Tax NTA **\$2.96**

Share Price
(ASX: HM1) **\$2.41**

Investment Performance p.a.
(Since inception 14 Nov 2018) **9.3%**

Cash Weighting **13%**

Latest Dividend
(Annual fully franked dividend payable April 2023) **13.5cps**











Profits Reserve
(At 31 March 2023) **66cps**

Franking Balance
(At 31 March 2022)¹ **55cps**

¹ Represents the level of future dividends (expressed as cents per share) that can be fully franked.

Cumulative Medical Research Funding **\$43.8m**

Top 10 Holdings (in alphabetical order)

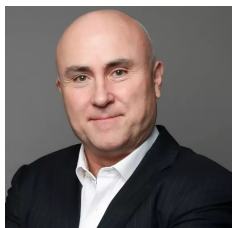
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ASML Holding N.V. ASML.AS	Intercontinental Exchange Ltd ICE.NYSE
 BHP	 Mastercard Inc
BHP Group BHP.AX	MA.NYSE
 Block Inc	 Microsoft Corporation
SQ.NYSE	MSFT.NAS
 CHAMPION IRON	 new relic
Champion Iron CIA.AX	New Relic, Inc. NEWR.NYSE
 Formula One Group	 Zillow
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	1.8%	8.2%	-4.1%	8.1%	9.3%
MSCI World Net TR Index (AUD)	3.8%	13.5%	4.2%	13.0%	11.3%

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 March 2023 unless otherwise stated. Portfolio Commentary as at 11 April 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



Phil King, Chief Investment Officer of Regal Funds (Core Fund Manager), shares his insights on the current state of Australian equities. He believes that certain areas of the ASX are priced at their most attractive levels in years, identifying the resources sector as a great investment opportunity in today's market. [You can read the full article on Livewire here.](#)



Featured in the *Australian Financial Review*, **Jun Bei Liu of Tribeca Investment Partners** (Core and Conference Fund Manager) is not giving up on the China reopening theme. She suggests this theme has legs and will continue to surprise the doubters as reopening tailwinds remain in place for some time. [You can read the full article on our website here.](#)



Munro Partners' Chief Investment Officer, Nick Griffin (Core and Conference Fund Manager) shares six characteristics he looks for in a growth company, the three major themes Munro are most excited about, and the various tools at their disposal to help manage downside risk. [You can read the full article on Livewire here.](#)



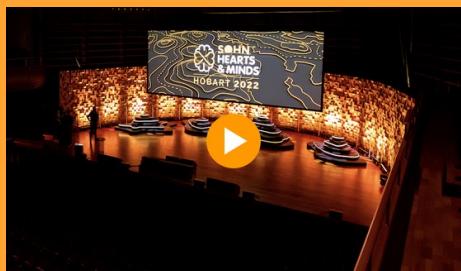
Carsales' Chief Executive, **Cameron McIntyre**, spoke to the *Australian Financial Review*, regarding the long-term approach of Carsales (**Tim Carleton's** 2022 Conference stock pick), including how its delivered big gains for investors and proven resilient. [You can read the full article on our website here.](#)



TDM Growth Partners (Core Fund Manager) feature two high conviction stocks, Guzman y Gomez (GYG) and Rokt, which they believe will generate strong returns for HM1. GYG is Australia's fastest-growing quick-service restaurant, while Rokt is a global leader in e-commerce technology. [You can read the full article on our website here.](#)



Say Hi to some of the brightest minds at **WEHI** (Walter and Eliza Hall Institute of Medical Research), plus, meet some of the patients who have experienced the life-saving impact of medical research. [You can watch their range of videos here.](#)



SAVE THE DATE: SOHN HEARTS & MINDS CONFERENCE

This year's Sohn Hearts & Minds Conference is on **Friday 17th November 2023**. We are thrilled to return to Sydney for the eighth annual event and hope you can join us.

Relive the fun from last year: [watch the Hobart recap here.](#)

Core Fund Managers

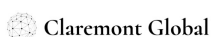


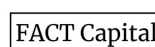






Conference Fund Managers








Designated Beneficiaries













Pro-Bono Service Providers







