



Monthly Investment Update December 2022

12 January 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 December 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 "T. 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 decreased 3.1% in December. Global markets were negative again, with the S&P 500 losing 5.9%, the NASDAQ Composite 8.7% and the local ASX 200 falling 3.4%. The benchmark MSCI World Net TR Index (AUD) decreased by 5.4%. The AUD increased slightly to just over 68c against the US dollar. Since inception in November 2018, the HM1 portfolio has delivered an annualised investment return of 8.1% pa.

Trading on December 30 saw the close of the 2022 year, which proved to be the worst year for equity indices since the Global Financial Crisis of 2008. The broad-based S&P 500 declined by 19% for the year and the Nasdaq fell by 33%, which meant that most investors in equity markets will have suffered large declines in the value of their portfolios, regardless of whether they were actively or passively managed. A rapid series of interest rate rises to contain inflation saw price-earnings multiples cut drastically, and tolerance for 'blue sky' technology companies all but eliminated. Energy was the only major sector to deliver positive returns in 2022, gaining 58% on US markets and 40% on the ASX.

With the recent Sohn Hearts & Minds Conference pitches populating 35% of the portfolio for the next 12 months, the remaining 65% of the capital is invested in the three highest conviction single stock recommendations from each of our seven core portfolio managers. As a reminder, these are Caledonia, Cooper Investors, Magellan Group, Munro Partners, Regal Partners, TDM Growth Partners and Tribeca Investment Partners.

Weaker global markets saw continued volatile single stock returns with many stocks posting monthly moves of over 10%. Pleasingly, two of the conference recommendations, China Duty Free Corporation (1880.HK) and locally listed mining company Champion Iron Limited (CIA.AX), increased by 17% and 15% respectively through December. Nike also delivered a solid earnings update which saw its shares up 7% for the month. As expected in any downturn, our portfolio was not immune to the weakness, with Zillow (Z.US) reversing most of its 23% gain in November by declining 15%; Mineral Resources (MIN.AX) losing 12% (after gaining 19.5% in November); Brookfield Corporation (down 17% post the spin-off of its asset management business); and Darling Ingredients (-13%) after a regulatory announcement regarding green fuel temporarily unnerved investors. We only had a partial position in Darling Ingredients prior to the announcement and used the subsequent share price weakness as an opportunity to complete our buying in the company at better levels.

In December our two new core managers, Munro and Tribeca, provided their stock recommendations, and these will be added to the core portfolio over the coming weeks. The recommended stocks are a mix of local and offshore companies that will provide further sector diversification to the core portfolio.

Rising interest rates, slowing economies, geo-political tensions, and new COVID variants continue to un-nerve the investing community. Trading volumes often decline by up to 50% over the Christmas/New Year period, which increases single stock volatility in the short term, as algorithmic trading strategies can impact share prices more than usual. While market 'noise' influences share prices in the shorter term, companies with strong fundamentals should appreciate over the medium to long term. We believe our portfolio holds many high-quality companies that should deliver investors satisfactory returns over the next 3 to 5 years.

Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	-3.1%	7.4%	-26.0%	1.9%	8.1%
MSCI World Net TR Index (AUD)	-5.4%	4.4%	-12.2%	6.2%	9.7%

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 December 2022 unless otherwise stated. Portfolio Commentary as at 11 January 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.

Pre-Tax NTA **\$2.77**

Post-Tax NTA **\$2.95**

Share Price
(ASX: HM1) **\$2.28**

Investment Performance p.a.
(Since inception 14 Nov 2018) **8.1%**

Cash Weighting **18%**











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 AU	 Intercontinental Exchange Ltd ICE US
 Block Inc SQ US	 Mastercard Inc MA US
 Champion Iron CIA AU	 Microsoft Corporation MSFT US
 Eurofins Scientific SE ERF PA	 Mineral Resources MIN AU
 Formula One Group FWONK US	 Zillow Group Inc Z US

News from the **HM1 Network**



Livewire's 2023 Outlook Series features many of our selected fund managers including **Nick Griffin**, **Jun Bei Liu** and new conference managers **Anthony Aboud** and **Catherine Allfrey**. To hear how these managers view equity markets for the year ahead, [watch the video](#) or read the edited transcript on [Livewire](#) here.



Loathed by motorists, but loved by investors, Transurban is a company that is suited to the times. Transurban came under focus when **WaveStone Capital** portfolio manager **Catherine Allfrey** nominated the roads operator as her top pick at the recent Sohn Hearts & Minds Conference. Read more about how Transurban will always be one step ahead of inflation in [The Australian](#) on our website here.



New Conference Manager, **Bob Desmond**, **Head of Claremont Global and Portfolio Manager**, discusses recent trends in the US with *ausbiz*. In this interview "Simple investing tips to overcome uncertainty", Bob explains why his 2022 Conference Stock Pick, Nike, remains a key holding in the Claremont portfolio. He also talks about valuations, earnings risks and having to deal with challenges posed by central banks this year. [You can watch the interview on ausbiz](#) here (you will need a free subscription to view).



HM1 Director, and Director of For Purpose Investments **Michael Traill AM** recently joined the *2Fold: Investing for Impact* Podcast where he discussed opportunities for businesses and the not-for-profit sector to work together. [Listen to the episode on our website](#) here.



On a recent episode of the *Invest in the Journey* Podcast, **Munro Partners'** Co-Founders **Nick Griffin** and **Ronnie Calvert** take a look in the rear view mirror and talk through the highs and lows experienced throughout 2022, as well as what they're looking at for the year ahead. [Listen to the episode](#) here.



In this brand new series of *Expert Insights on Livewire Markets*, **Nick Griffin from Munro Partners** discusses the outlook for growth stocks given the tumult of the last year. Nick also shares two of his top themes to watch out for next year. [View the series on the Livewire website](#) here.



The latest edition of **The Florey's** quarterly *Brain Matters* magazine is available. Learn more about tailored treatments for anxiety, emerging theories that could slow Alzheimer's disease and the research project improving the patient journey for Australians living with epilepsy. [Read about the inspiring research](#) happening here at The Florey.

**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

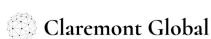


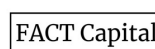






Conference Fund Managers








Designated Beneficiaries













Pro-Bono Service Providers







