

**Hearts and Minds Investments Limited (HM1)**

ABN 61 628 753 220

**Interim Financial Report**

Results for Announcement to the Market for the Half-Year ended 31 December 2021

	Change	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Total net investment income	130%	3,054	(9,979)
Profit/(Loss) from ordinary activities after tax	77%	(2,619)	(11,223)
Other comprehensive income/(loss) net of tax	-121%	(21,634)	102,545
Total comprehensive income/(loss) net of tax	-127%	(24,252)	91,322

**Net Tangible Assets (NTA) Per Ordinary Share**

	31 Dec 2021	30 Jun 2021
Pre-Tax NTA per ordinary share	\$4.11	\$4.33
Net tax (liability) per ordinary share	(\$0.30)	(\$0.41)
Post-tax NTA per ordinary share	\$3.81	\$3.92

**Dividends**

The Directors of HM1 are pleased to declare a fully franked dividend of 13.5 cents per share payable on April 12, 2022. The dividend represents a 12.5% increase on last year's dividend of 12 cents per share. We retain a significant buffer in our profits reserve and franking accounts to cover dividend payments at the current level for the next few years.

The Dividend Reinvestment Plan (DRP) will be in operation and participating shareholders can reinvest their cash dividend in new HM1 shares at the DRP issue price. The DRP issue price will be the volume weighted average price on the four trading days following the dividend record date.

	Cents per ordinary share	Franking %
Dividend per ordinary share	13.5	100%
<b>Dividend dates:</b>		
Ex-dividend date:		30 March 2022
Record date:		31 March 2022
DRP election date:		4 April 2022
Payment date:		12 April 2022

### Brief Explanation of Results:

HM1 recorded a total loss after tax of \$24.3 million for the half-year ended 31 December 2021 compared to a total profit after tax of \$91.3m in the prior December half. The result for the period reflects realised gains from disposals during the half, offset by unrealised mark to market losses on the investment portfolio as of 31 December 2021.

Significant realised gains were achieved on the 2020 Conference portfolio which delivered a 23% pre-tax return over the 1 year holding period. However, the realised gains were more than offset by unrealised losses recorded across the total portfolio as of 31 December 2021. The NTA of the Company decreased over the half-year from \$886.0 million on 30 June 2021 to \$861.7 million on 31 December 2021. This equates to a post-tax NTA per share of \$3.81 on 31 December 2021.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers and service providers forego any fees and instead an amount equivalent to 1.5% of NTA per annum is donated to designated charities. In the half-year to 31 December 2021 the Company paid \$6.4m in donations and has accrued a further \$6.7m as of 31 December 2021. This accrued donation amount will be paid to designated charities during March 2022 to fund medical research.

This report is based on the 31 December 2021 Interim Financial Report which has been subject to independent review by Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. The information should be read in conjunction with the 30 June 2021 Annual Financial Report.

**Hearts and Minds  
Investments Limited**

# **Interim Financial Report**

**For the half-year ended  
31 December 2021**

ACN 628 753 220



## Contents

Corporate Directory	1
Directors' Report to Shareholders	2
Auditor's Independence Declaration	7
Financial Statements	
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	19
Independent Auditor's Review Report to the Shareholders	20

**Corporate Directory**

<b>Directors</b> <i>(Pro bono)</i>	Christopher Cuffe AO Lorraine Berends Guy Fowler Matthew Grounds AM Michael Traill AM Gary Weiss AM Geoffrey Wilson AO David Wright	Chairman and Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director
<b>Company Secretary</b> <i>(Pro bono)</i>	Tom Bloomfield	
<b>Investment Committee</b> <i>(Pro bono)</i>	David Wright Christopher Cuffe AO Lorraine Berends Matthew Grounds AM Brett Paton Paul Rayson	Chairman
<b>Core Fund Managers</b> <i>(Pro bono)</i>	Caledonia (Private) Investments Cooper Investors Magellan Asset Management Paradice Investment Management Regal Funds Management TDM Growth Partners	
<b>2020 Conference Fund Managers</b> <i>(Pro bono)</i>	Cota Capital (USA) Tekne Capital Management (USA) ARK Invest (USA) Prince Street Capital (SG) Paradice Investment Management Atreides Management (USA) TDM Growth Partners	Jericho Capital Asset Management (USA) Tribeca Investment Partners Munro Partners Cooper Investors VGI Partners Regal Funds Management Milford Asset Management
<b>Registered Office</b>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000	
<b>Auditor</b>	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099	
<b>Administrator</b>	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400	
<b>Share Registrar</b>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600	
<b>Stock Exchange</b>	Australian Securities Exchange The home exchange is Sydney ASX code: HM1 Ordinary Shares	

## Directors' Report to Shareholders

The Directors present their report together with the financial report of Hearts and Minds Investments Limited ("HM1" or "the Company") for the half-year ended 31 December 2021. Comparative figures shown below are for the half-year ended 31 December 2020.

### Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

Christopher Cuffe AO	Chairman and Independent Director
Lorraine Berends	Independent Director
Guy Fowler	Independent Director
Matthew Grounds AM	Independent Director
Michael Traill AM	Independent Director
Gary Weiss AM	Independent Director
Geoffrey Wilson AO	Independent Director
David Wright	Independent Director

### Investment Objective and Principal Activity

HM1 is a listed investment company that was established in 2018 with the combined objective of providing a concentrated securities portfolio of the highest conviction ideas from respected fund managers, whilst also supporting Australian medical research organisations. It was born out of the investment and philanthropic vision of the Sohn Hearts & Minds Investment Leaders Conference.

HM1 seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of long positions in 25 to 30 Australian and international listed securities based on the highest conviction ideas from two groups of fund managers.

- a) HM1 has allocated 35% of its investment portfolio based on the annual recommendations of fund managers who present at their Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- b) HM1 has allocated 65% of its investment portfolio based on the highest conviction ideas of six respected fund managers (known as the Core Fund Managers). These fund managers are Caledonia (Private) Investments, Cooper Investors, Magellan Asset Management, Paradise Investment Management, Regal Funds Management and TDM Growth Partners.

No change in this activity took place during the period or is likely in the future.

### Operating and Financial Review

For the half-year ended 31 December 2021, the Company reported a total comprehensive loss after tax of \$24,252,351 (2020: total comprehensive income after tax of \$91,321,630). The result for the period reflects realised gains from disposals during the half, offset by unrealised mark to market losses on the investment portfolio as of 31 December 2021. Significant realised gains were achieved on the 2020 Conference portfolio which realised a 23% pre-tax return over the 1 year holding period. However, the realised gains were more than offset by unrealised losses recorded across the total portfolio as of 31 December 2021.

The investment portfolio has underperformed broader market indexes over the half-year as investors rotated out of growth stocks to value stocks. The total portfolio declined by 3.6% on a mark to market basis over the half-year. In light of the significant shift in market sentiment we have conducted a thorough review of all of our investment positions with our Core and Conference Fund Managers. This review has resulted in minor changes to our holdings, but on the whole our fund managers remain comfortable with our investment holdings despite the recent market movements.

Whilst we are disappointed with the Company's investment performance over the 2021 calendar year, this follows our first two years of significant out-performance. HM1's investment performance to 31 December 2021 sits above 20% per annum. We will continue to work with our fund managers to strive to continue to deliver attractive returns over the medium term.

The significant realised gains we have achieved over the first three years of operation has meant HM1 has built up a large profits reserve and franking credits balance. Given this, the Directors are pleased to declare a fully franked dividend of 13.5 cents per share which is an increase of 12.5% on the previous year's dividend payment. We retain a significant buffer in our profits reserve and franking accounts to cover dividend payments at the current level for the next few years.

## Company Performance

As a listed investment company, we use three key measures to evaluate the performance of HM1:

1. Investment portfolio performance, which measures the growth of the investment portfolio on a pre-tax basis and after the payment of all expenses, including the donation payments and provisions. Our investment benchmark, the MSCI World Net Total Return (AUD) Index, is also measured before taxes. Our investment performance compared to this benchmark is reported to shareholders on a monthly basis;
2. Net tangible asset (NTA) growth, which is a post-tax measure and represents the change in the value of the Company's assets less liabilities. The post-tax NTA of the Company is essentially the realisable value of the Company at a point in time. The pre- and post-tax NTA per share of the Company is reported to shareholders on a weekly basis; and
3. Total shareholder return, which measures the total return to shareholders from share price growth and dividends paid.

Each of these is discussed below in more detail.

### 1. Investment Portfolio Performance

<b>Performance to 31 December 2021</b>	<b>6 Months</b>	<b>1 Year</b>	<b>3 Years per annum</b>	<b>Since Inception per annum</b>
HM1 Investment Portfolio Performance	(3.6%)	6.5%	24.6%	21.8%
MSCI World Net TR (AUD) Index	11.3%	29.3%	20.4%	17.7%

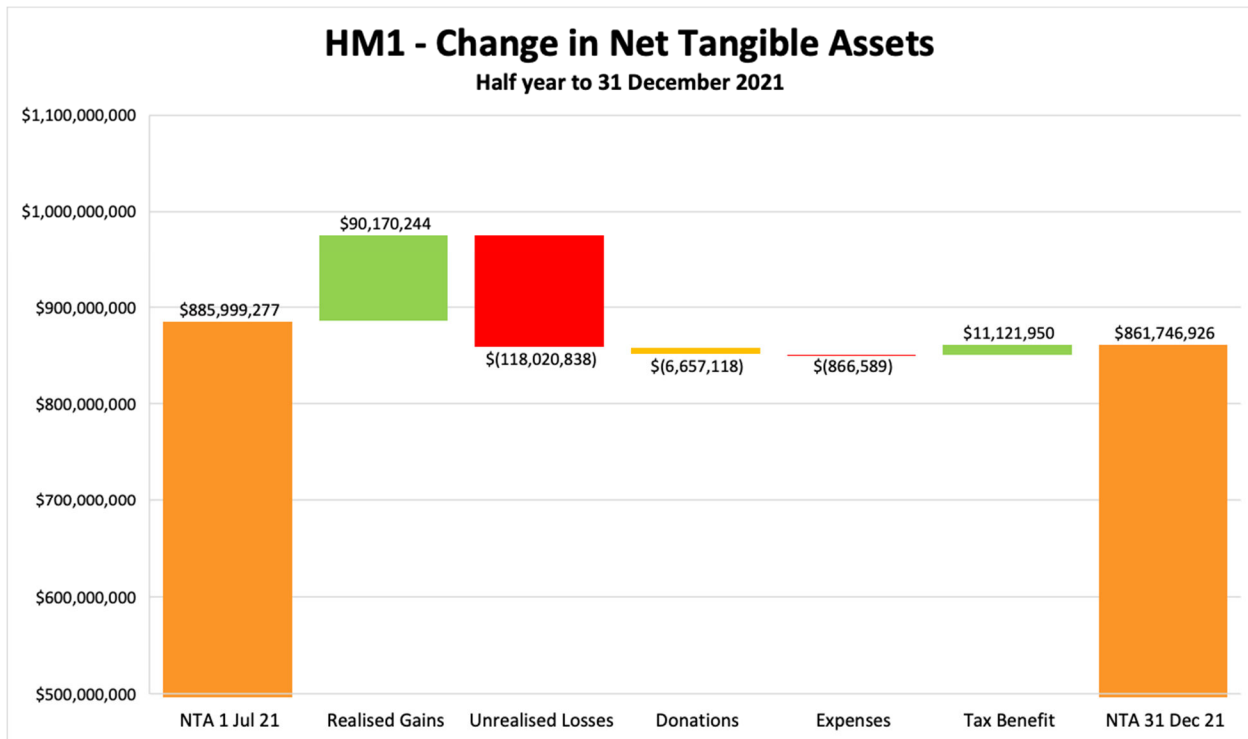
HM1 investment portfolio performance is calculated based on a before tax basis and after all expenses. Index returns are before expenses and before tax. Inception was 14 November 2018.

Broad share market indexes recorded strong gains over the year as traditional large cap sectors such as financials, industrials and resources benefited from investors shifting allocations to value stocks. As a result, our investment portfolio, which is by design overweight growth stocks, underperformed the broader market. The total investment portfolio increased by 6.5% over the last year and was significantly impacted over the last 6 months from the recent sell-off in emerging technology stocks.

While our performance since inception is very good, we are not satisfied with recent performance. We are examining aspects of our investment strategy and fund manager selection process with a view to increasing our probability of attractive performance over market cycles.

## 2. Change in Net Tangible Assets (NTA)

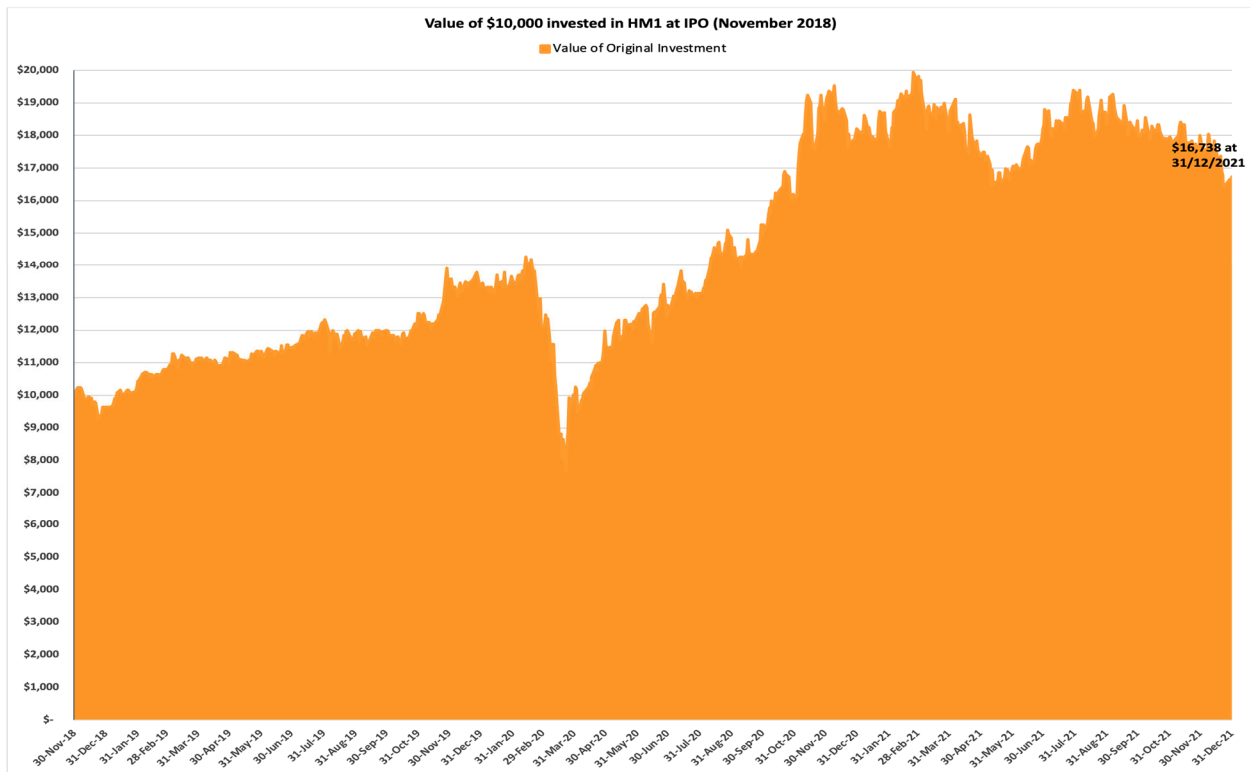
The NTA of the Company decreased over the half-year from \$886.0 million on 30 June 2021 to \$861.7 million on 31 December 2021. This equates to a post-tax NTA per share of \$3.81 on 31 December 2021. The chart below shows the components of the change in NTA over this period. Realised gains of \$90.2 million were more than offset by mark to market unrealised losses of \$118.0 million. After expenses and tax, NTA decreased 2.7% for the half-year. The net tangible assets on 31 December 2021 do not include the value of franking credits that have been generated on tax paid.



## 3. Total Shareholder Return

Total shareholder return measures the change in share price plus dividends paid. HM1's share price decreased 8% over the half-year from \$4.32 on 30 June 2021 to \$3.97 on 31 December 2021. The chart below shows the value of \$10,000 invested in HM1 shares since inception on 14 November 2018 through to 31 December 2021. Dividends paid during the period are assumed to be reinvested in HM1 shares at the market price at the date of distribution. The value of an investment of \$10,000 in HM1 shares on 14 November 2018 has increased 67% to \$16,738 on 31 December 2021.





## Medical Research

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers and service providers forego any fees and instead an amount equivalent to 1.5% of net tangible assets per annum is donated to designated charities.

The current designated medical research organisations are Victor Chang Cardiac Research Institute, Black Dog Institute, Charlie Teo Foundation, The Children's Hospital at Westmead – Kids Critical Care Research, The Florey Institute of Neuroscience and Mental Health, Cerebral Palsy Alliance, Orygen, Centre of Human Psychopharmacology at Swinburne University, RPA Green Light Institute, Walter and Eliza Hall Institute of Medical Research and Pain Management Research Institute.

In the half-year to 31 December 2021 the Company paid \$6.4 million in donations and has accrued a further \$6.7 million as of 31 December 2021. This accrued donation amount will be paid to the above named charities during March 2022 to fund medical research.

We would like to thank our participating fund managers and service providers for their outstanding and continued generosity since listing.

**Corporate Tax Rate**

The Company is taxed at the corporate rate of 30.0% The Company maintains a franking account and may declare franked dividends to shareholders.

**Dividends**

HM1 provides shareholders with exposure to a concentrated portfolio of Australian and international securities. As such, returns to shareholders are predominantly delivered through capital growth which, when realised from the sale of securities, is taxed at the corporate tax rate and may be paid as franked dividends to shareholders. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice. HM1 aims to pay a fully franked annual dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio.

The Directors are pleased to declare a fully franked dividend of 13.5 cents per share payable on 12 April 2022. The dividend represents a 12.5% increase on last year's dividend of 12 cents per share. The Dividend Reinvestment Plan (DRP) will be in operation and participating shareholders can reinvest their cash dividend in new HM1 shares at the relevant DRP issue price. The relevant DRP issue price will be the volume weighted average price on the four trading days following the dividend record date.

**Significant Changes in State of Affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the period other than disclosed in the report.

**Subsequent Events**

In the latest release to the ASX on 22 February 2022, the Company reported a NTA per share as of 18 February 2022, as follows:

<b>Net Tangible Assets per Share</b>	<b>18 Feb 2022</b>	<b>31 Dec 2021</b>
Pre-tax NTA per ordinary share	\$3.38	\$4.11
Post-tax NTA per ordinary share	\$3.39	\$3.81

**Auditors Independence Declaration**

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 in relation to the review for the half-year is set out on page 7 of this Financial Report.

**Rounding of Amounts to Nearest Dollar**

In accordance with ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and Interim Financial Report have been rounded to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.



Christopher Cuffe AO  
Chairman and Independent Director

Sydney  
23 February 2022

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**Auditor's Independence Declaration  
To the Directors of Hearts and Minds Investments Limited  
ABN 61 628 753 220**

In relation to the independent auditor's review of Hearts and Minds Investments Limited for the half-year ended 31 December 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

23 February 2022

		For the half-year ended 31 December 2021	For the half-year ended 31 December 2020
	Notes	\$	\$
<b>Investment income/(loss) from ordinary activities</b>			
Net unrealised losses on financial assets at fair value through profit or loss		(7,252,156)	–
Net realised gains/(losses) on foreign exchange transactions		4,830,995	(8,157,175)
Net unrealised gains/(losses) on foreign exchange transactions		3,051,649	(4,301,074)
Interest income		–	203
Dividend income, net of withholding tax of \$87,228 (31 December 2020: \$48,425)	4	2,412,010	2,467,409
Sundry income		11,969	11,875
<b>Total investment income/(loss)</b>		<b>3,054,467</b>	<b>(9,978,762)</b>
<b>Expenses</b>			
Donations	3	(6,657,118)	(6,191,726)
Interest expense		(27,635)	(58)
Employee costs		(312,667)	(294,723)
Other expenses		(526,287)	(297,885)
<b>Total expenses</b>		<b>(7,523,707)</b>	<b>(6,784,392)</b>
<b>Loss before income tax</b>		<b>(4,469,240)</b>	<b>(16,763,154)</b>
Income tax benefit		1,850,433	5,539,775
<b>Net loss for the period</b>		<b>(2,618,807)</b>	<b>(11,223,379)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments taken to equity, net of tax	6	58,040,689	107,069,650
Net unrealised losses on investments taken to equity, net of tax	6	(79,674,233)	(4,524,641)
<b>Net realised and unrealised (losses)/gains on investments taken to equity, net of tax</b>		<b>(21,633,544)</b>	<b>102,545,009</b>
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(21,633,544)</b>	<b>102,545,009</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(24,252,351)</b>	<b>91,321,630</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted loss per share		(1.16)	(4.99)

The accompanying notes form part of these interim financial statements.

	Notes	31 December 2021 \$	30 June 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		148,669,655	123,588,147
Financial assets at fair value through profit or loss	8	260,444,042	–
Other receivables		15,973	275,326
<b>Total current assets</b>		<b>409,129,670</b>	<b>123,863,473</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	8	526,829,832	861,436,973
Deferred tax assets		1,688,831	1,752,506
<b>Total non-current assets</b>		<b>528,518,663</b>	<b>863,189,479</b>
<b>Total assets</b>		<b>937,648,333</b>	<b>987,052,952</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current tax liability		39,386,159	29,337,532
Donation provision		6,657,118	6,375,278
<b>Total current liabilities</b>		<b>46,043,277</b>	<b>35,712,810</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		29,858,130	65,340,865
<b>Total non-current liabilities</b>		<b>29,858,130</b>	<b>65,340,865</b>
<b>Total liabilities</b>		<b>75,901,407</b>	<b>101,053,675</b>
<b>Net assets</b>		<b>861,746,926</b>	<b>885,999,277</b>
<b>Equity</b>			
Share capital	5	567,043,973	567,043,973
Reserves	6	294,702,953	318,955,304
<b>Total equity</b>		<b>861,746,926</b>	<b>885,999,277</b>

The accompanying notes form part of these interim financial statements.

	Share capital	Investment portfolio revaluation reserve	Profits reserve	Retained earnings/ accumulated losses	Total
Notes	\$	\$	\$	\$	\$
<b>Balance at 30 June 2021</b>	<b>567,043,973</b>	<b>152,272,375</b>	<b>166,682,929</b>	<b>–</b>	<b>885,999,277</b>
Net loss for the period	6	–	–	(2,618,807)	(2,618,807)
Other comprehensive loss, net of tax	–	(21,633,544)	–	–	(21,633,544)
Transfer to profits reserve	6	(58,040,689)	58,040,689	–	–
Transfer from profits reserve	–	–	(2,618,807)	2,618,807	–
<b>Balance at 31 December 2021</b>	<b>567,043,973</b>	<b>72,598,142</b>	<b>222,104,811</b>	<b>–</b>	<b>861,746,926</b>
<b>Balance at 30 June 2020</b>	<b>562,500,001</b>	<b>117,959,797</b>	<b>70,047,032</b>	<b>–</b>	<b>750,506,830</b>
Net loss for the period	–	–	–	(11,223,379)	(11,223,379)
Other comprehensive income, net of tax	–	102,545,009	–	–	102,545,009
Transfer to profits reserve	–	(107,069,650)	107,069,650	–	–
Transfer from profits reserve	–	–	(11,223,379)	11,223,379	–
<b>Balance at 31 December 2020</b>	<b>562,500,001</b>	<b>113,435,156</b>	<b>165,893,303</b>	<b>–</b>	<b>841,828,460</b>

The accompanying notes form part of these interim financial statements.

	Note	For the half-year ended 31 December 2021 \$	For the half-year ended 31 December 2020 \$
<b>Cash flows from operating activities</b>			
Interest received		–	203
Dividends received		2,666,955	2,653,899
Other income received		16,377	13,887
Interest paid		(27,635)	(58)
Donations paid		(6,375,278)	(5,153,890)
Payments for other expenses		(838,954)	(448,237)
Income tax paid		(14,248,483)	(26,922,066)
<b>Net cash used in operating activities</b>	7	<b>(18,807,018)</b>	<b>(29,856,262)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of investments		353,096,414	477,300,934
Payments for purchases of investments		(317,090,532)	(351,960,395)
<b>Net cash provided by investing activities</b>		<b>36,005,882</b>	<b>125,340,539</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		123,588,147	52,255,304
Effect of foreign currency exchange rate changes on cash and cash equivalents		7,882,644	(12,458,249)
<b>Cash and cash equivalents at the end of the period</b>		<b>148,669,655</b>	<b>135,281,332</b>

The accompanying notes form part of these interim financial statements.

## **1 General information**

Hearts and Minds Investments Limited (the “Company”) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The registered office is Level 12, 225 George Street, Sydney NSW 2000.

The Company was incorporated on 12 September 2018. Its shares were admitted for quotation on the Official List of ASX Limited (“ASX”) on 9 November 2018 and commenced operations on 14 November 2018. The interim financial statements of the Company are for the half-year ended 31 December 2021.

The interim financial statements were authorised for issue on 23 February 2022 by the Board of Directors.

## **2 Summary of significant accounting policies**

### **(a) Basis of preparation**

These general purpose financial statements for the half-year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standards Board (“AASB”) 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year except for the change in the classification of financial assets recognised by the Company applied to new investments entered into from 12 October 2021, as disclosed below.

For all investments in equity instruments (financial assets) made between 12 September 2018 and 11 October 2021 the Company made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of these investments (and the related tax thereon). Such financial assets were classified at ‘Fair Value through Other Comprehensive Income’ and were considered long-term in nature and not held for trading. Some financial assets are still classified in this way at balance date.

From 12 October 2021, the Company has not made an irrevocable election for new investments in equity instruments (financial assets) and therefore classifies these at ‘Fair Value through Profit or Loss’ (“FVTPL”) in accordance with the entity’s business model test and cash flow characteristics. Gains and losses arising from changes in fair value (and the related tax thereon) are included in the net income for the period and the corresponding basic and diluted earnings per share in the period in which they arise.

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the interim financial report have been rounded to the nearest dollar, unless otherwise indicated.

The Company has adopted all of the new and amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period and there was no material impact on adoption.

### **(b) New standards and interpretations not yet adopted**

There are no new standards or interpretations not yet adopted that would have a material impact for the Company.



### 3 Donations

In line with the Company's philanthropic objectives, the Company donates a percentage of the Company's net tangible assets to leading Australian medical research organisations every six months. The donations are equal to 1.5% per annum of the average monthly net tangible assets for the previous half-year and roughly equivalent to the value of the investment management fees foregone by participating fund managers. The donations accrue monthly and will vary month-to-month in proportion to the net tangible asset value. The accrual of the donation amount each month increases expenses and decreases the Company's net tangible assets.

### 4 Dividends

#### (a) Dividend franking account

	For the half-year ended 31 December 2021 \$	For the year ended 30 June 2021 \$
Opening balance	43,321,479	3,606,179
Franking credits on dividends received	640,857	1,252,128
Franking credits on dividends paid	–	(11,571,429)
Tax paid during the period/year	14,248,483	50,034,601
<b>Closing balance of franking account</b>	<b>58,210,819</b>	<b>43,321,479</b>

#### (b) Dividend income from financial assets at fair value through other comprehensive income

	For the half-year ended 31 December 2021 \$	For the half-year ended 31 December 2020 \$
Dividend income from financial assets at fair value through other comprehensive income - Investments sold during the half-year	674,009	958,781
Dividend income from financial assets at fair value through other comprehensive income - Investments held at year end	1,825,229	1,557,053
<b>Dividend income from financial assets at fair value through other comprehensive income</b>	<b>2,499,238</b>	<b>2,515,834</b>
Withholding tax on dividends	(87,228)	(48,425)
<b>Dividend income from financial assets at fair value through other comprehensive income, net of withholding tax</b>	<b>2,412,010</b>	<b>2,467,409</b>

**5 Share capital**

**(a) Issued capital**

	<b>31 December 2021</b>	<b>31 December 2021</b>
	<b>No. of shares</b>	<b>\$</b>
Ordinary shares	226,033,818	567,043,973

	<b>30 June 2021</b>	<b>30 June 2021</b>
	<b>No. of shares</b>	<b>\$</b>
Ordinary shares	226,033,818	567,043,973

**(b) Movements in share capital**

	<b>For the half-year ended 31 December 2021</b>	<b>For the half-year ended 31 December 2021</b>
	<b>No. of shares</b>	<b>\$</b>
<b>Opening and closing balance</b>	<b>226,033,818</b>	<b>567,043,973</b>

	<b>For the year ended 30 June 2021</b>	<b>For the year ended 30 June 2021</b>
	<b>No. of shares</b>	<b>\$</b>
Opening balance	225,000,001	562,500,001
Shares issued at \$4.39 per share	1,033,817	4,543,972
<b>Closing balance</b>	<b>226,033,818</b>	<b>567,043,973</b>

On 20 April 2021, the Company issued 1,033,817 fully paid ordinary shares at \$4.39 pursuant to the dividend reinvestment plan.

**6 Reserves**

**(a) Investment portfolio revaluation reserve**

	<b>31 December 2021</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Investment portfolio revaluation reserve	72,598,142	152,272,375
Profits reserve	222,104,811	166,682,929
<b>Total reserves</b>	<b>294,702,953</b>	<b>318,955,304</b>

**6 Reserves (continued)**

**(a) Investment portfolio revaluation reserve (continued)**

	<b>For the half-year ended 31 December 2021 \$</b>	<b>For the year ended 30 June 2021 \$</b>
Opening balance	152,272,375	117,959,797
Net realised gains on investments	82,915,270	194,428,626
Income tax on net realised gains on investments	(24,874,581)	(58,328,588)
Net unrealised (losses)/gains on investments	(113,820,333)	49,017,969
Deferred income tax on unrealised losses/(gains) on investments	34,146,100	(14,705,391)
Transfer of net realised gains to profits reserve	(58,040,689)	(136,100,038)
<b>Closing balance</b>	<b>72,598,142</b>	<b>152,272,375</b>

**(b) Profits reserve**

	<b>For the half-year ended 31 December 2021 \$</b>	<b>For the year ended 30 June 2021 \$</b>
Opening balance	166,682,929	70,047,032
Transfer of net realised investment gains from investment portfolio revaluation reserve	58,040,689	136,100,038
Transfer to accumulated losses	(2,618,807)	(12,464,141)
Dividends	–	(27,000,000)
<b>Closing balance</b>	<b>222,104,811</b>	<b>166,682,929</b>

The Company aims to pay a fully franked dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio. During the year ended 30 June 2021, the Company paid a fully franked dividend of \$0.12 per share to shareholders amounting to a total dividend payment of \$27,000,000.

**(c) Net realised gains on investments**

During the period, a number of investments held at fair value through other comprehensive income were sold realising a net gain as set out below. The investments were sold following recommendations from our portfolio fund managers and in accordance with our investment strategy.

	<b>For the half-year ended 31 December 2021 \$</b>	<b>For the year ended 30 June 2021 \$</b>
Proceeds from sale of investments taken to equity	353,096,414	674,467,408
Original cost of investments taken to equity, sold	(270,181,144)	(480,038,782)
<b>Net realised gains on investments before tax</b>	<b>82,915,270</b>	<b>194,428,626</b>

**7 Reconciliation of net (loss)/income for the period to net cash provided by operating activities**

	For the half-year ended 31 December 2021 \$	For the half-year ended 31 December 2020 \$
<b>Net loss for the period</b>	<b>(2,618,807)</b>	<b>(11,223,379)</b>
Fair value gains and movements in financial assets at fair value through profit or loss	7,252,156	–
Effects of foreign currency exchange rate changes on cash and cash equivalents	(7,882,644)	12,458,249
<b>Change in operating assets and liabilities:</b>		
Decrease in prepayments	–	95,145
Decrease in other receivables	259,353	188,502
Decrease/(increase) in deferred tax assets	63,675	(1,249,215)
Decrease in current tax liability	(14,825,954)	(31,156,737)
Increase in donation provision	281,840	1,037,836
Increase in other payables	–	49,226
Decrease in deferred tax liabilities	(1,336,637)	(55,889)
<b>Net cash used in operating activities</b>	<b>(18,807,018)</b>	<b>(29,856,262)</b>

**8 Financial Assets**

**Fair value measurements**

**(a) Fair value estimation**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted closing price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

**8 Financial Assets (continued)**

**Fair value measurements (continued)**

**(b) Fair value hierarchy**

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following tables present the Company's assets measured and recognised at fair value:

<b>31 December 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities on major exchanges	260,444,042	–	–	260,444,042
<b>Financial assets at fair value through other comprehensive income</b>				
Listed equity securities on major exchanges	526,829,832	–	–	526,829,832
<b>Total financial assets at fair value</b>	<b>787,273,874</b>	<b>–</b>	<b>–</b>	<b>787,273,874</b>
<b>30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets at fair value through other comprehensive income</b>				
Listed equity securities on major exchanges	861,436,973	–	–	861,436,973
<b>Total financial assets at fair value</b>	<b>861,436,973</b>	<b>–</b>	<b>–</b>	<b>861,436,973</b>

There were no transfers between levels for recurring fair value measurements during the half-year ended 31 December 2021 and for the year ended 30 June 2021.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

The carrying amounts of other receivables and other payables are assumed to approximate their fair values due to their short-term nature.

**9 Segment information**

The Company is solely engaged in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments. It has no reportable business or geographical segments.

The Company's investments are listed equity securities on major exchanges. The split of the Company's investments by the country of listing is set out below.

	<b>31 December 2021</b>	<b>30 June 2021</b>
	<b>Country of Listing</b>	<b>Country of Listing</b>
	%	%
United States	58	58
Australia	28	29
Hong Kong	6	8
Germany	3	4
United Kingdom	3	–
Japan	2	1
	<b>100</b>	<b>100</b>
	<b>100</b>	<b>100</b>

**10 Commitments and contingencies**

The Company had no material contingent liabilities or commitments as at 31 December 2021 (2020: Nil).

**11 Events occurring after the reporting period**

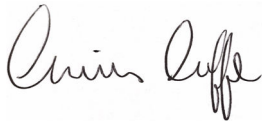
No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

**Directors' Declaration**

In accordance with a resolution of the Directors of Hearts and Minds Investments Limited (the "Company"), the Directors of the Company declare that:

- (a) The financial statements and notes as set out in pages 8 to 18 are in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position of the Company as at 31 December 2021 and of its performance, as represented by the results of the operations and the cash flows, for the half-year ended on that date.
- (b) At the date of this declaration, in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO  
Chairman and Independent Director

Sydney  
23 February 2022

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**Independent Auditor's Review Report  
To the Members of Hearts and Minds Investments Limited  
ABN 61 628 753 220**

**Report on the Half-Year Financial Report**

**Conclusion**

We have reviewed the half-year financial report of Hearts and Minds Investments Limited ("the Company") which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hearts and Minds Investments Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

**Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

**Responsibility of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



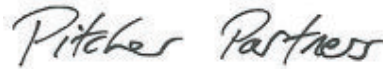
**Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**S M Whiddett**  
Partner



**Pitcher Partners**  
Sydney

23 February 2022