



December 2020

12 January 2021

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 positioned above the printed name of the Company Secretary.

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 leading fund managers. The Company will forego any investment fees and instead donate to leading Australian medical research institutes.

Portfolio Commentary

For the month of December, the HM1 portfolio declined slightly in Australian dollars (AUD) by -0.1%, compared to a decline of -0.5% in the MSCI World Net Total Return Index (AUD). Leading indices around the world were again higher, with the S&P 500 registering a 3.7% gain, the technology focused NASDAQ up 5.6%, the FTSE 100 up 3.1%, while the local ASX 200 rallied 1.1%. The Australian dollar continued its strength, gaining 3.5c to 77c against the US dollar, offsetting gains in our offshore portfolio holdings. The investment return for the 2020 calendar year was 34.2%, while the share price appreciated 35.8% for the calendar year. Since inception (November 2018) the investment portfolio has gained 75.2% compared to 29.7% for the benchmark index. The post-tax Net Tangible Asset value of the Company declined by -0.1% during December and is now up 52.5% since inception.

The COVID-19 pandemic continues to dominate global news and investment markets. Global confirmed cases are nearing the 100 million mark, with almost 2 million deaths. With cases continuing to surge, social and business restrictions continue to be imposed, which hinder economic growth. On the other hand, multiple vaccinations have now been approved, and are being distributed around the developed world. Widespread distribution of the vaccines is critical to achieving a sustainable level of herd immunity, and a resumption of economic growth.

As mentioned above, the portfolio delivered flat performance for the month. With many stocks listed offshore, the appreciating Australian dollar remains a headwind to performance. The dollar surged not only against the US dollar, but also compared to the Hong Kong dollar (+4.8%); the Japanese Yen (+2.8%); and the Euro (+2.3%). At a stock level there were many strong performers but also some laggards, across both the core and conference portfolios. During December, our largest core holding appreciated by 20%, while our second largest stock experienced a decline of just under 12%. Overall, the return for the core portfolio was flat. One change was made to the holdings during the month, with one of our managers recommending taking profits in a stock that has been in the portfolio since inception.

The conference portfolio was also flat overall for the month. The best returns came from Hello Fresh (HFG.WBO) which appreciated 26%, as social lockdowns were re-introduced across many regions of the world. Attendees of the conference will recall Nick Griffin from Munro Partners, explaining to the audience that he firmly believed that the habits formed during 2020, such as ordering fresh food online, will continue into the future, provided the company in question can deliver a positive user experience to its customers. Other stocks that delivered solid gains were Shenzhou International Holdings (+16%); Nintendo (+11%); Bill.com (+11%); Temple and Webster (+13%); and Treasury Wine Estates (+9%), as investors digested the news of the Chinese tariffs and the response by Treasury Wine Estates. Note that the returns here are the local currency returns, and with the stronger Australian dollar, our investment gains were lower. Laggards for December included DISH Network Corp (-10%); Yeahka HK (-8%); Fisher and Paykel Healthcare (-8%) and CSL Limited (-5%). We have checked in with all of the managers and they all remain comfortable with the investment propositions going forward. Indeed, Yeahka (9923.HK) has recouped the losses in December in early January, following an announcement that it had acquired an additional 42.5% stake in Beijing ChuangxinHong Technology Co. Ltd (a leading content performance marketing services provider) which was received very positively by the market.

As we look into 2021, the outlook for markets remains as uncertain as ever. The United States has a new President who may or may not be able to restore relative political calm; the outgoing President has incited riots on Capitol Hill; the COVID-19 virus has mutated multiple times causing 2nd and 3rd waves of sickness and forced lockdowns; Governments are responding with large, rapid monetary and fiscal measures as they seek to mitigate the financial impact on businesses and consumers. In times like these, which will undoubtedly continue for the foreseeable future, we continue to believe that high conviction investing coupled with prudent risk management will deliver positive risk-adjusted returns over the long term.

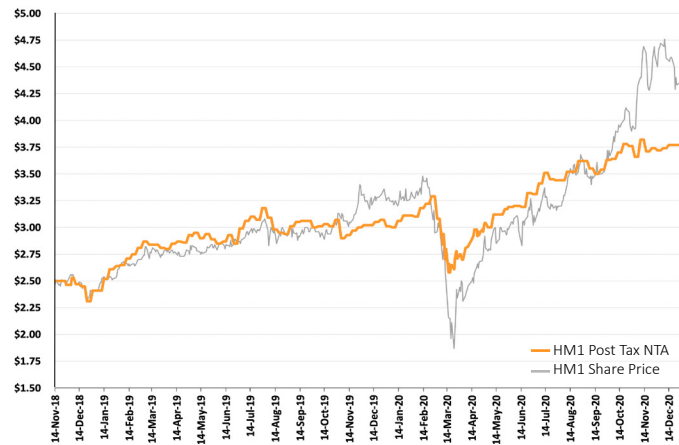
Investment Performance	1 month	6 months	12 months	Since Fund Inception
Investment Performance	(0.1)%	15.8%	34.2%	75.2%
MSCI World Net TR Index (AUD)	(0.5)%	9.7%	5.6%	29.7%

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. Fund inception 14 Nov 2018.

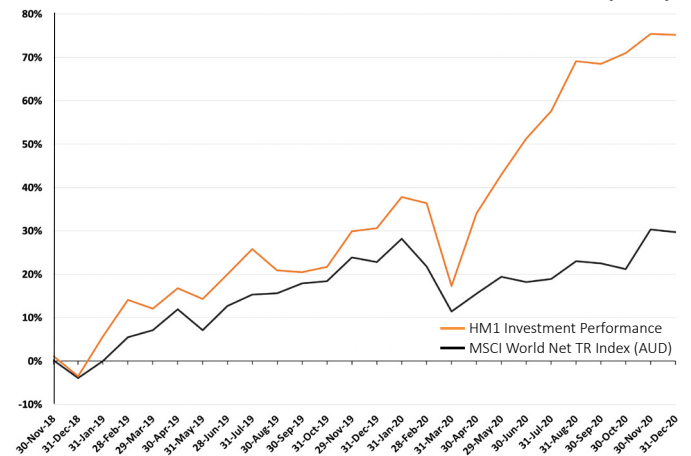
Net Tangible Asset (NTA) Performance	1 month	6 months	12 months	Since Fund Inception
Post Tax NTA Performance*	(0.1)%	12.1%	25.4%	52.5%

NTA Performance is calculated after all expenses and taxes. Source: Hearts and Minds Investments Limited and Citco Fund Services. Fund inception 14 Nov 2018.

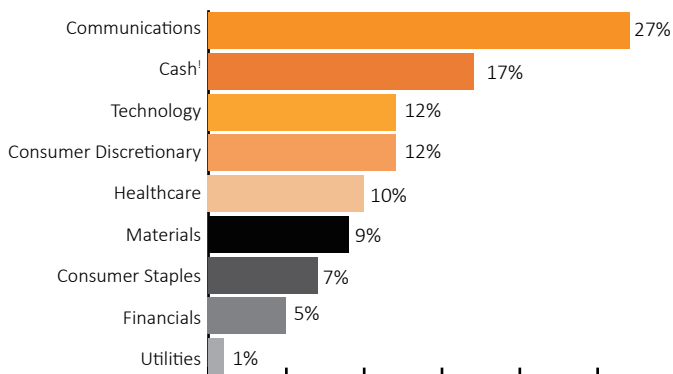
HM1 Share Price vs Post Tax NTA



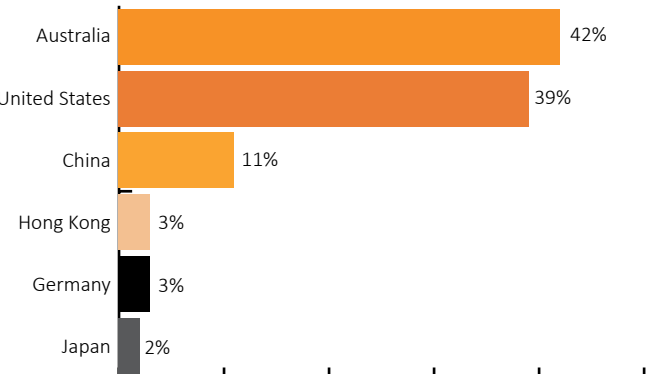
Investment Performance vs MSCI World Net TR Index (AUD)



Sector allocation



Business domicile⁴

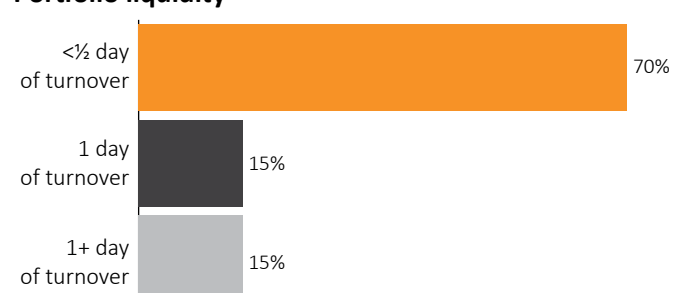


Key details

Pre Tax NTA ¹	\$4.13
Post current tax NTA ²	\$3.93
Post tax NTA ³	\$3.74
ASX code	HM1
Share price	\$4.44
Percent invested	83%
Listing date	14 Nov 2018

All numbers as at 31 December 2020 unless otherwise stated.

Portfolio liquidity⁵



¹Cash allocation includes 5% cash set aside for operating expenses, donation accrual and tax liability ²Pre tax NTA is the NTA of the company before the provision for current or deferred tax. ³Post current tax NTA includes a provision for tax on operating profits, a provision for tax on realised gains and losses on the Total investment portfolio and a provision for tax on unrealised gains and losses on the Conference investment portfolio ⁴Post tax NTA includes the provision for tax on operating profits, and a provision for tax on both realised and unrealised gains and losses on the Total investment portfolio. ⁵Determined by location where primary business takes place. ⁶Based on 20 day average daily turnover. ⁷The performance figures quoted are historical, calculated using end of month prices. Performance can be volatile and future returns can vary from past returns. ⁸All NTA figures are unaudited and prepared by Citco Fund Services. ⁹All numbers as at 31 December 2020 unless otherwise stated.

Our 2020 **Conference Fund Managers**



Babak Poushanchi
Cota Capital (USA)
returning



Beeneet Kothari
Tekne Capital Mgmt (USA)
returning



Cathie Wood
ARK Invest (USA)
returning



David Halpert
Prince St Capital (SG)
new



David Moberley
Paradise Investment Mgmt
new



Gavin Baker
Atreides Mgmt (USA)
new



Hamish Corlett
TDM Growth Partners
returning



Josh Resnick
Jericho Capital (USA)
new



Jun Bei Liu
Tribeca Investment Partners
returning



Nick Griffin
Munro Partners
returning



Qiao Ma
Cooper Investors
new



Robert Luciano
VGI Partners
new



Todd Guyot
Regal Funds Mgmt
new



William Curtayne
Milford Asset Mgmt
new

Core fund managers



Conference fund managers



Designated charities



Pro-bono service providers

