



## Monthly Investment Update October 2022

11 November 2022

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 October 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 typed 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 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 by 0.3% for the month of October. Global markets were stronger after last month's weakness, with the S&P 500 bouncing +8.0% (-9.3% in September), the NASDAQ Composite +3.9% (-10.5% in September), while the local ASX 200 climbed 6% (-7.3% in September). The MSCI World Net TR Index (AUD) increased 7.8%, while the AUD was slightly lower at USD64c. Since inception 4 years ago, the HM1 portfolio has delivered an annualised investment return of 8.3% pa.

With inflation readings remaining at elevated levels, Central banks continue to raise interest rates, despite the risk of sending their economies into recession. Federal Reserve chair Jerome Powell: *"Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation."* Over the past 12 months, the US Federal Reserve has increased their target range by 375bps to 3.75%-4.0% and stated that it expects the rate to be 4.6% by the end of 2023. Despite this, hopes that peak inflation is now very close and China potentially easing its zero COVID policy all contributed to the optimism investors found in October.

Despite 29% of the HM1 portfolio sitting in cash ahead of the Sohn Hearts & Minds Investment Leaders conference on November 18, under-performance in October was disappointing. The cash holding will increase in early November, as the remaining investments from the 2021 Conference are sold down. Upon the announcement of the new Conference recommendations, 35% of the portfolio will be invested into those companies.

Positive quarterly reports in October drove share price increases in Visa, Inc (+17%), Mineral Resources (+11%), Block (+9%) and Zillow (+8%), while the largest detractors were Opthea (-17%); Bengo4 (-11%); and Delivery Hero (-12%). Our largest holdings, Formula One and Alphabet were marginally weaker.

Only slight rebalances were made to the portfolio in October, while the remaining six 2021 conference recommendations will be sold in early November.

While hopes of a recovery appeared in October, we remain cautious, with many headwinds still in front of investors. Inflation remains stubbornly higher than expected, geopolitical tensions remain, and fears of further COVID waves have recently emerged. Companies are generally reporting solid earnings and hopes of China re-opening is cause for some optimism. The fund managers we have selected to present investment recommendations at the 2022 conference are very aware of the importance of not repeating the 2021 performance and will place more emphasis on finding companies that are not so leveraged to the macroeconomic surprises that changed the landscape so much in 2022.

### Investment Performance

	1 month	6 months	1 year	3 years per annum	Since Inception per annum
Investment Performance	0.3%	-2.4%	-28.6%	4.1%	8.3%
MSCI World Net TR Index (AUD)	7.8%	2.1%	-4.2%	8.8%	11.1%

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.

Pre-Tax NTA **\$2.77**

Post-Tax NTA **\$2.95**

Share Price **\$2.37**  
(ASX: HM1)

Investment Performance p.a. **8.3%**  
(Since inception 14 Nov 2018)

Cash Weighting **29%**











Latest Dividend **13.5cps**  
(Annual fully franked dividend paid April 2022)

Profits Reserve **76cps**  
(At 30 June 2022)

Franking Balance **69cps**  
(At 30 June 2022)

Cumulative Medical Research Funding **\$33.9m**

### Top 10 Holdings (in alphabetical order)

 Alphabet Inc GOOGL US	 Formula One Group FWONK US
 BHP Group BHP AU	 Microsoft Corporation MSFT US
 Block Inc SQ US	 Mineral Resources MIN AU
 Brookfield Asset Management BAM US	 Visa Inc V US
 Danaher Corporation DHR US	 Zillow Group Inc Z US

### News from the **HM1 Network**



**Founder, CEO and CIO of Eminence Capital (USA) Ricky Sandler** spoke to *AFR* ahead of his debut appearance at the 2022 Sohn Hearts & Minds Conference. Despite the macro environment posing difficulties for investors, Ricky is not as fearful as cycles 'come and go'. He explains why it is sometimes better to go against the macro and the importance of not letting the short-term cloud one's judgement. [Find out more by reading the \*AFR\* article on our website.](#)



**Catherine Allfrey, Principal and Portfolio Manager at WaveStone Capital** will be making her debut at the 2022 Sohn Hearts & Minds Conference. Catherine recently discussed the RBA's moderate approach to interest rate increases and what this means for the market with the *AFR*. She also spoke about her participation in the Conference and what she'll be on the lookout for when making her stock selection. [Read the \*AFR\* article on our website here.](#)



**Tim Elliott, Head of Mining and Portfolio Manager at Regal Funds Management**, will be pitching his highest conviction investment idea at the 2022 Sohn Hearts & Minds Conference. In an article with the *AFR*, Tim delves into the mining industry and why he thinks it is set to boom harder than most people expect. To find out what he has to say, [access the \*AFR\* article on our website.](#)



**Founder and CIO of Cooper Investors Peter Cooper** will be returning to the Sohn Hearts & Minds stage on Friday 18. Speaking with *The Australian*, Peter warns that investment markets have entered a 'new phase' with hidden risks lurking in the form of debt sitting in super funds, private equity and big investors that is set to test the financial system. [Learn more by reading \*The Australian\* article on our website.](#)



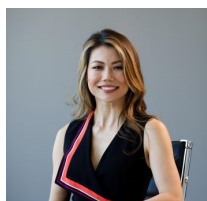
**Head of Claremont Global, Bob Desmond** will make his Sohn Hearts & Minds debut on Friday 18 November in Hobart. Bob was featured in *The Australian* where he explains his approach to investing and why he chooses to focus on the underlying quality of companies rather than trying to predict economic cycles. If you missed it, [read \*The Australian\* article on our website here.](#)



Get to know new Conference Manager and **Head of Claremont Global, Bob Desmond** with this recent episode of *Livewire's The Rules of Investing* podcast. Bob shares his uniquely optimistic views about today's operating environment and some of the quality growth companies he has his eye on. [Listen to the conversation here.](#)



**Bill Browder, Founder and CEO of Hermitage Capital (UK)** spoke with *The Australian* ahead of the Sohn Hearts & Minds Conference. Bill, once the largest foreign investor in Russia and the man behind the global Magnitsky justice campaign, says the US is the weakest link in the war in Ukraine. To find out more, [read \*The Australian\* article on our website.](#)



In an interview with *Forbes*, **Jun Bei Liu of Tribeca Investment Partners** and 2022 Sohn Hearts & Minds Conference Fund Manager was asked about her long-short investing strategy, how she has benefitted from recent market volatility and the sectors that she believes will see growth in the next 12 months. She also talks about her experience working as a billion-dollar fund manager and what she gets up to in her downtime. Full of interesting insights, [read the article here.](#)



**Tim Carleton, Principal and Portfolio Manager at Auscap Asset Management** returns to the Sohn Hearts & Minds stage this year in Hobart. Tim delves into five of Auscap's current holdings and breaks down the specific developments occurring within those companies. This focus on the micro comes at a time where the macroeconomic environment is currently being spotlighted, as Tim emphasises the importance of balancing macro trends with what is actually happening inside the company. [Read Tim's insights here on \*Livewire\*.](#)



**Founder, CIO and CEO of Eminence Capital Ricky Sandler** will be making his debut at the 2022 Sohn Hearts & Minds Conference. In the latest episode of *Equity Mates*, Ricky talks about his journey launching the \$5.7 billion asset manager, how the market has changed over the past decade and his motivations for participating in this year's conference. [Listen to the episode here.](#)

**More news from the HM1 network**

We regularly update our News and Insights section on the [HM1 website](#) with interesting articles from our fund managers and beneficiaries.

## Core Fund Managers



## Conference Fund Managers



## Designated Beneficiaries



## Pro-Bono Service Providers

