

7 Aug 2024

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 July Investment Update.

If you would like to receive these monthly investment updates via email please [subscribe here](#).

For and on behalf of the board,



Eryl Baron  
Company Secretary

### Investment Objective

Provide a concentrated portfolio of long-only positions in 25-35 global securities based on the highest conviction ideas from respected fund managers. The Company forgoes any investment fees and instead donates to leading Australian medical research institutes.

### Portfolio Commentary

Global stock markets were mostly positive in July, although for the first time in a while, it was not the Nasdaq leading the way. Market concerns around overinvestment in AI led many of the magnificent 7 stocks down for the month. Whilst the Fed indicated that rate cuts were now definitely on the agenda for their September meeting, the market is now concerned that the predicted soft landing may be harder to engineer than previously thought. Softer economic news is now clearly bad news for markets rather than a positive sign of future rate cuts.

The HM1 portfolio was up 4.6% for the month ahead of the MSCI World Index, helped by some good individual stock moves as well as the weakening Australian Dollar. The HM1 portfolio is up 13.7% over the past year, with an annualised pre-tax investment return of 10% pa since inception in November 2018, and has paid fully franked dividends totalling 53 cents per share.

It has been an eventful two months for Telix Pharmaceuticals (TLX.AX), [the stock pitched at the 2023 Sohn Hearts & Minds Conference](#) by Rikki Bannan of IFM Investors. The most notable news is the proposed changes by the US Centres for Medicare & Medicaid Services for the reimbursement of diagnostic radiopharmaceuticals. Under current pricing rules, there could be a material price drop in the Medicare segment of the market once transitional pass-through status expires (which for TLX is mid-CY25). Whilst TLX is well progressed in mitigating this potential price drop with its "illucix 2.0" diagnostic currently in front of the FDA, it is nonetheless a big positive development for TLX and the broader industry. If confirmed these changes not only increase the value of TLX's existing PSMA-PET imaging agent illucix, but also yet-to-be-approved drugs including its second generation illucix product, Zircaix (renal cancer diagnostic) and Pixclara (glioblastoma diagnostic).

From a financial perspective, TLX released its Q2 business update, reporting revenue ahead of consensus expectations and upgrading its full year revenue guidance by ~10%. It also successfully launched a \$650m convertible bond offering, allowing the company to accelerate its organic and inorganic growth strategy (including development of its clinical pipeline) after aborting its proposed US IPO in June.

On the clinical front news was more mixed. While the FDA accepted TLX's New Drug Application for illucix 2.0, later in the month, the company announced the Biologic License Application for its renal cancer diagnostic, Zircaix, had not been accepted for review. Whilst disappointing, TLX confirmed it expects the issue identified by the FDA can be remediated within 90 days and that it continues to see a clear path to product approval and commercialisation in 2025.

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<b>Pre-Tax NTA</b>	<b>\$3.23</b>
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<b>Post-Tax NTA</b>	<b>\$3.15</b>
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<b>Share Price</b> <small>(ASX: HM1)</small>	<b>\$2.73</b>
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<b>Investment Performance p.a.</b> <small>(Since inception 14 Nov 2018)</small>	<b>10.0%</b>
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<b>Latest Dividend</b> <small>(Interim dividend paid 18 April 2024)</small>	<b>7cps</b>
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<b>Fully Franked Dividend Yield<sup>1</sup></b>	<b>5.1%</b>
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<b>Cash Weighting</b>	<b>6%</b>
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<b>Profits Reserve</b> <small>(At 31 December 2023)</small>	<b>49cps</b>
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<b>Available Franking Credits<sup>2</sup></b> <small>(At 31 December 2023)</small>	<b>56cps</b>
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<b>Cumulative Medical Research Funding</b>	<b>\$48.9m</b>
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<sup>1</sup>Fully franked dividend of 14.0cps divided by share price on 31 July 2024. <sup>2</sup>Represents the level of future dividends (expressed as cents per share) that can be fully franked. All figures as at 31 July 2024 unless otherwise stated. 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.

### HM1 Investment Performance

Investment Performance	1 month	6 months	1 year	3 years per annum	Since Inception per annum
HM1 Investment Performance	4.6%	10.0%	13.7%	-3.5%	10.0%
MSCI World Index (AUD)	3.9%	12.5%	20.0%	9.4%	12.4%

HM1 Investment Performance is calculated after expenses and before taxes. The comparator is the MSCI World price index in AUD. Source: Citco Fund Services and www.msci.com. Inception 14 Nov 2018.

### Dividend History

Dividend History	FY21	FY22	FY23	FY24
Dividends – fully franked	12cps	13.5cps	13.5cps	14.0cps

### Top 10 Core Portfolio Holdings

Represents 47% of total portfolio holdings (in alphabetical order)



Amazon  
AMZN.NAS



Block Inc  
SQ.NYSE



Brookfield Corp  
BN.NYSE



Formula One Group  
FWONK.NAS



Guzman Y Gomez  
GYG.AX



Intercontinental Exchange Ltd  
ICE.NYSE



Mastercard Inc  
MA.NYSE



Microsoft Corporation  
MSFT.NAS



TSMC  
TSM.NYSE



Zillow Group Inc  
Z.NAS

### Conference Portfolio Holdings

Represents 26% of total portfolio holdings (in alphabetical order)



AIA Insurance  
1299.HK



Ashland  
ASH.NYSE



Games Workshop  
GAW.L



International Flavours & Fragrances Inc.  
IFF.NYSE



International Workplace Group  
IWG.L



Miniso Group  
9896.HK



NexGen Energy  
NXE.TO



Swire Pacific  
0019.HK



Telix Pharmaceuticals  
TLX.AX



Webster Bank  
WBS.NYSE



Wise  
WISE.L

## News from the **HM1 Network**

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In a recent episode of “*Magellan in the Know*,” **Acting Head of Magellan’s Consumer Franchises and Healthcare team, Emma Henderson**, is joined by **Investment Analysts, Tracey Wahlberg and Lucina Martin** to provide valuable insights for investors navigating a volatile market, discussing retail giants like Costco and Amazon and the challenges for iconic brands like Nike and Estée Lauder. They share the key factors influencing market caution, the impact of inflation on consumer behaviour, and the investment opportunities emerging amidst these challenges. [You can listen to the episode here.](#)



Economists and market experts say the outcome of the US presidential election has been largely priced in by investors, as softening inflation helps to buoy share markets both globally and locally. According to **Jun Bei Liu of Tribeca Investment Partners** (Core & Conference Fund Manager), recent US inflation figures have caused a shift in the market's perception of potential interest rate changes. “The market is now thinking there’s a nearly 100 per cent probability of a rate cut in the US in September,” she said. [You can read the article here, including insights from AMP Chief Economist, Shane Oliver.](#)



**Senior Research Engineer, Owen Burns** and his team at the **Bionics Institute** in collaboration with **Lead Researcher Dr Mehrnaz Shoushtarian**, are developing a new prototype to test tinnitus. Tinnitus affects 15% of the population and can severely impact quality of life. Currently, there are no reliable treatments for tinnitus and no objective tests to determine if treatments are effective. This innovative approach uses brain imaging technology to monitor oxygen levels in the brain. We are proud to support this project, nominated by **Cooper Investors**. [You can learn more here.](#)



HM1 invests 35% of its portfolio in the highest conviction investment recommendations presented by local and global fund managers at the annual **Sohn Hearts & Minds Conference**. Don’t miss our most anticipated event, this time in **Adelaide on Friday 15 November**. There is an exciting lineup of international and local speakers planned - stay tuned for our official launch. [Subscribe here to be the first to know more.](#) Sohn Hearts & Minds is Australia’s leading finance and philanthropic event dedicated to advancing Australian medical research, which alongside HM1, has donated **over \$65 million since inception**.

### Core Fund Managers









### Conference Fund Managers














### Designated Beneficiaries





















### Pro-Bono Service Providers






