

Hearts and Minds Investments Limited (HM1)

ABN 61 628 753 220

Financial Report

Results for Announcement to the Market for the Year Ended 30 June 2023

	Change	30 Jun 2023	30 Jun 2022
		\$'000	\$'000
Total Net Investment Income	147%	57,581	(122,588)
Profit/(Loss) from ordinary activities after tax	135%	32,726	(94,837)
Other Comprehensive Income net of tax	124%	30,227	(124,752)
Total Comprehensive Income net of tax	129%	62,954	(219,589)

Net Tangible Assets (NTA) Per Ordinary Share

	30 Jun 2023	30 Jun 2022
Pre-tax NTA per ordinary share	\$2.90	\$2.58
Net tax benefit/(liability) per ordinary share	\$0.05	\$0.23
Post-tax NTA per ordinary share	\$2.95	\$2.81

Dividends

In April 2023 HM1 paid its third annual dividend to shareholders. A fully franked dividend of 13.5 cents per ordinary share was paid on 12 April 2023. The Board maintains a policy of paying fully franked dividends to shareholders subject to sufficient cash reserves, available franking credits and prudent business practice. Following shareholder feedback we have modified the dividend policy to increase the frequency of dividend payments to twice yearly. The half-yearly dividend will be paid in April and October of each year. The first half-yearly fully franked dividend of 7 cents per share will be paid in October 2023.

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 based on the market price of shares issued or acquired under the on market acquisition provisions of the DRP.

	Cents per Ordinary share	Franking %
Dividend per ordinary share	7.0	100%
Dividend dates:		
Ex-dividend date:		20 September 2023
Record date:		21 September 2023
DRP election date:		25 September 2023
Payment date:		19 October 2023

Brief Explanation of Results:

For the year ended 30 June 2023, the Company recorded a total comprehensive income after tax of \$63.0 million (2022: total comprehensive loss after tax of \$219.6 million). The result is driven by the investment portfolio which increased on a pre-tax basis by 15.1% for the year ended 30 June 2023. The investment performance benefited from a strong recovery in the market values of the Core Portfolio, partially offset by net realised losses primarily from the previous year's Conference Portfolio.

The net asset value of the Company increased 5.4% over the year from \$641.1 million on 30 June 2022 to \$675.5 million as of 30 June 2023. Since the inception of the Company in November 2018 HM1 has generated a compound annual pre-tax investment return of 8.8%. Further details of the performance of the investment portfolio and the Company can be found in the Investment Committee Report.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations 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 forego any investment fees and instead donate an amount equivalent to 1.5% of net tangible assets per annum to designated medical research organisations. During the year ended 30 June 2023, HM1 paid \$10.2 million to its designated medical research organisations and provided for a further \$5.7 million, bringing the total funding to medical research to \$49.8 million since inception. Further details on the results are included in the Annual Report.

This report is based on the Annual Report which has been audited by Pitcher Partners. The audit report is included in the Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

Annual General Meeting

HM1 advises that its Annual General Meeting will be held on or around Thursday, 30 November 2023. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch. In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00 pm (AEDT) on Monday, 2 October 2023.

**Hearts and Minds
Investments Limited**

**Annual
Report**

**For the year ended
30 June 2023**

ACN 628 753 220

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Corporate Directory

Directors <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
Company Secretary <i>(Pro bono)</i>	Tom Bloomfield	
Investment Committee <i>(Pro bono)</i>	Lorraine Berends David Wright Christopher Cuffe AO Matthew Grounds AM Brett Paton Paul Rayson	Chair
Conference Fund Manager Selection Committee <i>(Pro bono)</i>	David Wright Gary Weiss AM Michael Walsh Charlie Lanchester	
Core Fund Managers <i>(Pro bono)</i>	Caledonia (Private) Investments Cooper Investors Magellan Asset Management Munro Partners Regal Funds Management TDM Growth Partners Tribeca Investment Partners	
2022 Conference Fund Managers <i>(Pro bono)</i>	Auscap Asset Management Claremont Global Eminence Capital FACT Capital Firetrail Investments Munro Partners	Perpetual Regal Funds Management Samuel Terry Asset Management Tribeca Investment Partners WaveStone Capital
Registered Office	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000	
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099	
Administrator	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400	

Share Registrar

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000
Telephone: (02) 9290 9600

Stock Exchange

Australian Securities Exchange
The home exchange is Sydney
ASX code: HM1 Ordinary Shares

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Chairman and Chief Executive Officer's Letter

Dear Shareholders,

On behalf of the Board and management we would like to thank you for your ongoing support of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or the 'Company') and we are pleased to share the Annual Report for the year ended 30 June 2023.

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 institutes. It was born out of the investment and philanthropic vision of the Sohn Hearts & Minds Investment Leaders Conference.

We are pleased to report that, following the changes we made to the management of our investment portfolio over the last year, investment performance is beginning to improve. These changes included:

- We refined the selection process for Conference Fund Managers to provide greater diversification of fund manager style and sector exposure. We also implemented a stock risk filter to avoid an over concentration of single risk factors. These changes were implemented for the current Conference Portfolio.
- In November 2022, we appointed two new Core Fund Managers, Munro Partners and Tribeca Investment Partners to replace Paradice Investment Management at the end of their mandate term. Munro Partners is an investment manager with a core focus on global growth equities. Munro Partners' Founder and Chief Investment Officer, Nick Griffin, has been a Conference Fund Manager to HM1 over the last 4 years and has achieved excellent returns for HM1 in each year. Tribeca Investment Partners manages a suite of specialist strategies across equities, credit, global natural resources and opportunistic mandates. Jun Bei Liu is the Portfolio Manager of Tribeca's Alpha Plus Fund. Since taking over the Alpha Plus Fund, she has doubled funds under management to over \$1bn, making it one of the largest long-short equity funds in the Australian market. Jun Bei has been a Conference Fund Manager for 3 out of the last 4 years and has also achieved excellent returns in each year. Munro Partners' and Tribeca Investment Partners' mandate as a Core Fund Manager to HM1 will be for an initial term of 3 years.
- Also in November 2022, we amended the portfolio investment guidelines for the Core Portfolio to provide additional flexibility to access the expertise, style and investment performance of our Core Fund Managers. The change permits HM1 to gain exposure to the highest conviction strategies of our Core Fund Managers, whether via listed or unlisted securities. The change is expected to provide both performance and diversification benefits whilst retaining the essence of a high conviction portfolio. An investment in unlisted securities will be by exception only, and only where such investment provides HM1 with a better method to gain exposure to a particular Core Fund Manager's expertise, style and investment performance. For clarity, HM1's portfolio exposure will remain predominantly listed equity exposures.

Following these changes, in January 2023 HM1 invested in two unlisted securities, Guzman Y Gomez Ltd and Rokt Ltd, that are high conviction investments of TDM Growth Partners, one of our Core Fund Managers. HM1 also made an investment in an unlisted managed fund operated by another Core Fund Manager, Regal Funds Management. In both these cases, HM1 determined that the investments are appropriate and provide HM1 with a better form of exposure to the expertise, style and investment performance of those Core Fund Managers. On 30 June 2023, these investments represent in total 8.4% of HM1's investment portfolio.

In March 2023, we announced the appointment of Charlie Lanchester as the new Chief Investment Officer for HM1. Charlie is an accomplished fund manager and investor with over 30 years active funds management experience at leading investment organisations. We are delighted to have someone of Charlie's experience and calibre to select and manage HM1's suite of Core and Conference Fund Managers and oversee HM1's investment portfolio.

Over the last year the Board has been very focussed on, and dissatisfied with, the discount at which the HM1 share price is trading to its net tangible assets (NTA). In light of the share price discount, and following shareholder feedback, the Board decided to modify the dividend policy to increase the frequency of dividend payments to twice yearly. The half-yearly dividend will be paid in April and October of each year.

We believe that the changes we have made to the management of HM1's investment portfolio will lead to a sustained improvement in investment performance. We further believe that this, combined with our modified dividend policy and improved insight and disclosure of our investment portfolio, will narrow the share price discount to NTA over time.

The HM1 investment portfolio increased on a pre-tax basis by 15.1% for the year ended 30 June 2023, recovering some of the losses of the prior year. Since the inception of the Company in November 2018, HM1 has generated a compound pre-tax investment return of 8.8% per annum. For the year ended 30 June 2023, HM1 recorded a total comprehensive income after tax of \$63.0 million (2022: total comprehensive loss after tax of \$219.6 million). The result was driven by a strong recovery in the market value of the Core Portfolio generating unrealised gains, partially offset by realised losses from the previous year's Conference Portfolio. Further details of the performance of the investment portfolio can be found in the Investment Committee Report.

In April 2023, HM1 paid its third annual dividend to shareholders. A fully franked dividend of 13.5 cents per ordinary share was paid on 13 April 2023. Our dividend reinvestment plan was operational and many shareholders reinvested their dividend in HM1 shares at the prevailing market price. The Board aims to maintain a policy of paying fully franked dividends to shareholders subject to sufficient cash reserves, available franking credits and prudent business practice. As noted above we have modified the dividend policy to increase the frequency of dividend payments to twice yearly. The first half-yearly dividend of 7 cents per share will be paid in October 2023.

In line with its philanthropic objective, HM1 provides financial contributions equivalent to 1.5% of NTA per annum to leading Australian medical research organisations, to fund the development of new medicines and treatments and to drive a new generation of medical research in Australia. This is effectively funded by HM1's participating fund managers, its Board of Directors and Committees and many of our service providers all working on a pro bono basis. We sincerely thank everyone for their ongoing involvement and generosity.

During the year ended 30 June 2023, HM1 paid \$10.2 million to its designated medical research organisations and made provision for a further \$5.7 million. These donated monies will be used by the medical research organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders.

The current designated medical research organisations are Baker Heart and Diabetes Institute, University of Sydney Brain and Mind Centre, Cerebral Palsy Alliance Research Foundation, The Florey, Kids Critical Care Research at The Children's Hospital at Westmead, Pain Management Research Institute, RPA Green Light Institute, Victor Chang Cardiac Research Institute and WEHI. More information on the wonderful work of these organisations can be found in the Medical Research Report.

Finally, we would also like to thank you, our shareholders, for supporting the advancement of medical research in Australia through your investment in HM1.



**Christopher Cuffe AO
Chairman**



**Paul Rayson
Chief Executive Officer**

Sydney
29 August 2023

Investment Committee Report

The Investment Committee of HM1, in conjunction with the Chief Investment Officer (CIO) Charlie Lanchester, is responsible for implementing the Company's investment strategy, including the selection of fund managers, managing the investment portfolio and reviewing fund manager performance. The Company's Investment Committee consists of Lorraine Berends (Chair), David Wright, Christopher Cuffe, Matthew Grounds, Brett Paton and Paul Rayson. The Investment Committee's experience and qualifications are provided in the Directors' Report.

HM1 Investment Strategy

HM1 invests in a concentrated portfolio of Australian and international securities based on the highest conviction ideas from two groups of fund managers.

- 65% of the investment portfolio is held in up to 20 securities based on the highest conviction ideas of our Core Fund Managers. The Core Fund Managers together with the CIO regularly monitor their recommendations.
- 35% of the investment portfolio is held in 10 to 15 securities based on the annual investment recommendations of our Conference Fund Managers. HM1 generally allocates an equal weight investment to each of these recommendations. These securities are expected to be held in the investment portfolio for a period of up to 12 months. After this period the securities are expected to be sold to invest in the recommendations of the selected Conference Fund Managers who present at the next conference.

The Board's view is that the investment strategy offers investors an opportunity to:

- gain exposure to the highest conviction ideas, investment approach and expertise of each fund manager, a number of whom are not otherwise readily accessible to retail investors;
- benefit from having a portfolio that is not concentrated on the philosophy or investment style of just one fund manager; and
- access a concentrated portfolio of Australian and international securities which are expected to provide attractive shareholder returns over the medium term (being five years or more).

HM1 aims to be fully invested subject to an appropriate cash buffer to meet tax liabilities, dividend payments, donation payments and general expenses.

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. An investment benchmark, the MSCI World Index (AUD), 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.

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Each of these are set out below.

1. Investment Portfolio Performance

Performance to 30 June 2023	1 year	3 year	Since inception ¹
HM1 Investment Portfolio Performance	15.1%	-0.7% p.a.	8.8% p.a.
MSCI World Index (AUD)	20.8%	11.7% p.a.	10.4% p.a.

1. Inception 14 November 2018

The HM1 investment portfolio increased on a pre-tax basis by 15.1% for the year ended 30 June 2023 recovering some of the losses of the prior year. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 8.8%. The current year’s investment performance was driven by a strong recovery in the market value of the Core Portfolio, partially offset by realised losses from the previous year’s Conference Portfolio.

The Core Portfolio recovered much of the unrealised losses recorded in 2022 driven by large share price gains in a number of our Core Portfolio holdings, namely Zillow Group, Microsoft, Amazon, TSMC and Liberty Media Formula One. We also sold or reduced a number of Core Portfolio holdings recording substantial realised gains in Mineral Resources, Danaher, Alphabet and Microsoft. The major detractors to performance in the Core Portfolio were Just Eat Takeaway, Spotify and Opthea. We appointed two new Core Fund Managers during the year, Munro Partners, and Tribeca Investment Partners. We have invested in the recommendations of the new Core Fund Managers and we are satisfied with the early progress.

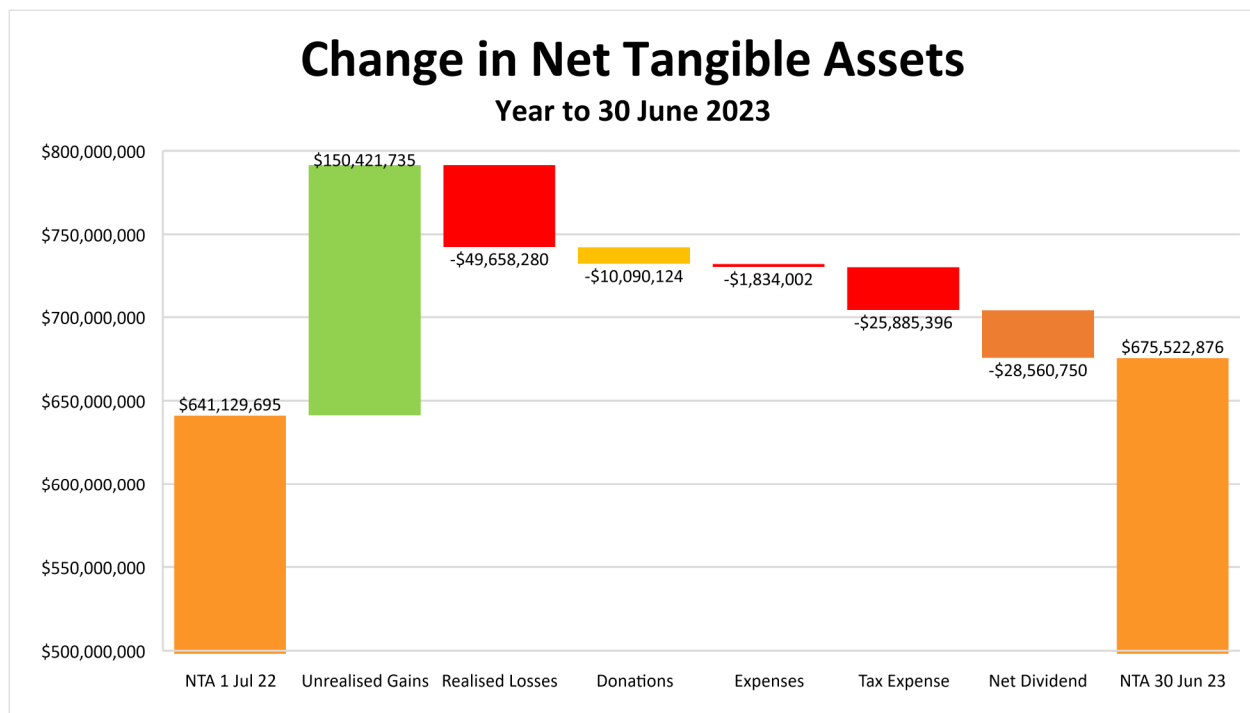
As reported in the last Annual Report, the previous year’s Conference Portfolio performed very poorly and was sold during the current financial year recording a significant loss. We have since made a number of changes to the selection criteria for fund managers and the risk parameters for the Conference Portfolio construction. The current Conference Portfolio is proving more resilient albeit has only recorded slight gains over the first seven months to 30 June 2023. Major contributors to the Conference Portfolio to date are ASML, New Relic, Champion Iron and Carsales.

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2. NTA Growth

HM1's post-tax NTA increased 5.4% over the year from \$641.1 million on 30 June 2022 to \$675.5 million as of 30 June 2023. The following chart shows the components of the change in post-tax NTA over this period. The major increase in post-tax NTA came from unrealised gains from the investment portfolio, partially offset by realised losses on the Conference Portfolio and the tax benefit of the total net losses. HM1 also paid a fully franked dividend of 13.5 cents per share amounting to a total dividend payment of \$30.8 million. An amount of \$3.8 million was reinvested by shareholders in additional HM1 shares via the dividend reinvestment plan. The dividend reinvestment was satisfied by the acquisition of 645,964 HM1 shares on market and the issue of 951,571 new HM1 shares. On a per share basis, HM1's post-tax NTA per share has increased from \$2.81 on 30 June 2022 to \$2.95 on 30 June 2023. The pre-tax NTA per share on 30 June 2023 was \$2.90.

HM1 NTA Performance



3. Total Shareholder Return

Total shareholder return measures the change in the HM1 share price plus dividends paid. HM1's share price has decreased from \$2.50 at listing on 14 November 2018 to \$2.26 on 30 June 2023. HM1 has paid three fully franked dividends amounting to a total of 39 cents per share to shareholders. The notional value of a \$10,000 investment in HM1 shares from the date of listing, assuming the reinvestment of dividends would be \$10,545 on 30 June 2023, an increase of 5.5%. The HM1 share price of \$2.26 on 30 June 2022 represented a 22% discount to the pre-tax NTA per share of HM1 of \$2.90.

Set out on the next page is a table of the investment portfolio holdings of HM1 on 30 June 2023 ranked by the market value of HM1's holdings.

Investments at Fair Value on 30 June 2023

Company Name	Stock Exchange	Fair Value	% of Portfolio
Liberty Formula One	Nasdaq	\$53,658,463	8.0%
Zillow Group, Inc. - C	Nasdaq	\$38,464,286	5.8%
Mastercard Inc.	NYSE	\$38,362,095	5.7%
Microsoft Corporation	Nasdaq	\$38,326,080	5.7%
Intercontinental Exchange Inc.	NYSE	\$35,634,454	5.3%
Block, Inc.	NYSE	\$28,470,063	4.3%
ASML Holding N.V.	AMS	\$21,706,684	3.2%
New Relic Inc.	NYSE	\$21,603,842	3.2%
Carsales.com Ltd	ASX	\$21,564,341	3.2%
BHP Group Ltd	ASX	\$21,145,300	3.2%
Rokt Ltd	Unlisted	\$20,912,365	3.1%
Champion Iron Ltd	ASX	\$20,064,000	3.0%
Guzman Y Gomez Ltd	Unlisted	\$20,000,000	3.0%
Nike Inc.	NYSE	\$18,218,337	2.7%
Transurban Group	ASX	\$18,097,500	2.7%
Eurofins Scientific	PAR	\$17,137,476	2.6%
Darling Ingredients Inc.	NYSE	\$16,272,959	2.4%
AMP Ltd	ASX	\$15,820,000	2.4%
Regal Australia Long/Short Equity Fund	Unlisted	\$15,465,021	2.3%
Brookfield Corporation	TSX	\$15,161,241	2.3%
Ramsay Health Care	ASX	\$12,946,700	1.9%
FDJ	PAR	\$12,581,721	1.9%
Amazon.com Inc.	Nasdaq	\$12,519,568	1.9%
Keywords Studio	LSE	\$12,042,269	1.8%
NEXTDC	ASX	\$11,322,000	1.7%
Constellation Energy Corporation	Nasdaq	\$10,303,496	1.5%
Opthea Ltd	ASX	\$8,859,783	1.3%
Taiwan Semiconductor Manufacturing Co. Ltd	NYSE	\$8,480,672	1.3%
CTG Duty Free	HKE	\$8,135,354	1.2%
Just Eat Takeaway.com N.V.	AMS	\$6,893,100	1.0%
Domino Pizza Enterprises Ltd	ASX	\$5,339,450	0.9%
Brookfield Asset Management Ltd	TSX	\$3,674,731	0.5%
Cash and Cash Equivalents		\$59,246,589	9.0%
Total Equity Securities		\$668,429,940	100.00%

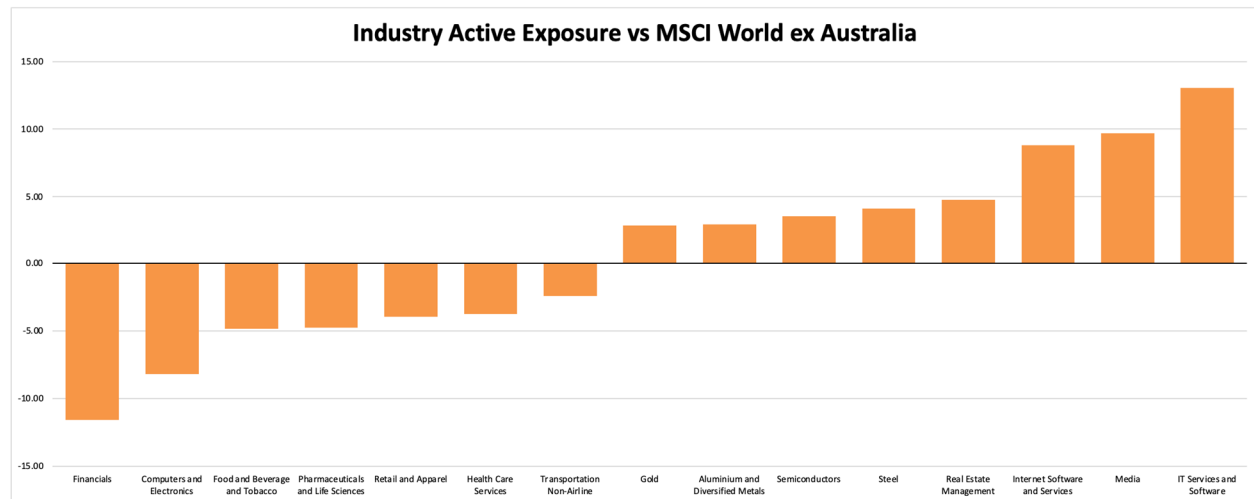
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Risk Analysis

The following information summarises the risk metrics of the security holdings in the HM1 investment portfolio on 30 June 2023 based on analysis prepared by Zenith Investment Partners. The analysis is a snapshot of the investment portfolio structure and biases at that point in time and does not reflect any future biases within the portfolio.

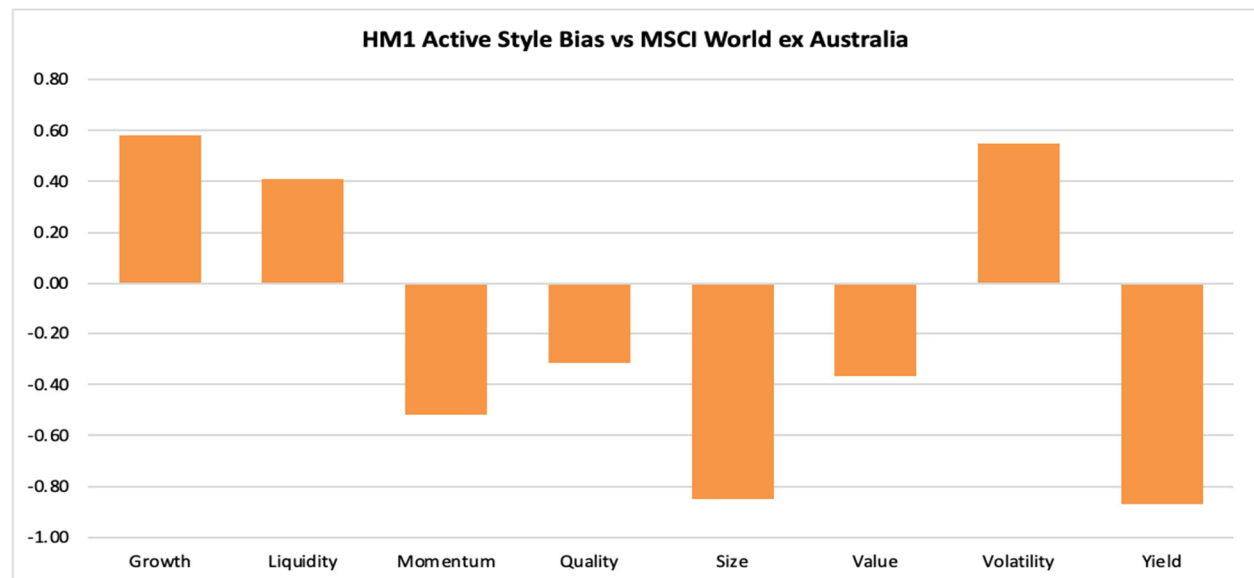
Industry Exposure Biases

The investment portfolio is concentrated in a relatively small number of securities and sector exposure is clearly weighted to certain industry sectors. Compared to the broad MSCI World Index ex Australia, the HM1 investment portfolio exhibits positive biases to the IT and Internet Software and Services, Media, Real Estate Management, Semiconductors, Steel, Diversified Metals and Gold sectors. The investment portfolio has negative (underweight) biases to the Financial, Computers and Electronics, Food and Beverage, Retail, Health Care and Transportation sectors. The chart below shows the differences in sector exposure of the investment portfolio compared to the broad MSCI World Index ex Australia on 30 June 2023. Note that industry sectors where there is not a major difference in exposure are not shown in the chart.



Active Style Biases

The chart below illustrates the style tilts exhibited in the HM1 investment portfolio based on the securities in the portfolio on 30 June 2023.



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Active Style Biases (continued)

Consistent with HM1’s capital growth objective, the investment portfolio exhibits a strong factor bias to securities categorised as growth securities with consequent higher volatility. Other significant style biases include a negative bias to size (meaning a smaller companies bias than the benchmark), dividend yielding securities and value categorised securities. Despite strong liquidity in the portfolio holdings, the negative size factor indicates a bias to mid capitalisation securities compared to the comparative benchmark, the MSCI World Index (AUD). Eleven of the companies in the investment portfolio have a market capitalisation of over US\$50 billion. The smallest security is capitalised at A\$270 million.

Risk Metrics

The following table provides a number of risk measures associated with the blend of securities that form the HM1 investment portfolio on 30 June 2023 compared to the MSCI World Index (AUD). As these risk measures are taken at a specific point in time, these factors are not predictive of the risk characteristics of the HM1 investment portfolio going forward. The portfolio displays a very high active share measure which indicates it is a concentrated high conviction portfolio, is actively managed and does not closely track either the composition or performance of the MSCI World Index (AUD). The investment portfolio carries a commensurate level of risk which is indicated by the low Sharpe ratio and downside capture metrics.

HM1 Portfolio Risk Metrics (current portfolio since inception to 30 June 2023)

Portfolio Beta	1.34
Tracking Error	22.7%
Active Share	93.5%
Portfolio Volatility	27.7%
Correlation (with Benchmark)	0.59
Sharpe Ratio	-0.14
Upside Capture	89.7%
Downside Capture	176.4%



Lorraine Berends
Chair



Charlie Lanchester
Chief Investment Officer

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Our Fund Managers

We sincerely thank our participating fund managers that provide their time, expertise, and highest conviction investment ideas on a pro bono basis. The notional value to HM1 of the investment management fees and performance fees foregone during the financial year ended 30 June 2023 is equivalent to \$9.7m.

Core Fund Managers

Seven Core Fund Managers each provide their highest conviction investment ideas which are reviewed regularly. These securities represent 65% of the total investment portfolio.

CALEDONIA

Caledonia (Private) Investments Pty Limited is a global investment management firm with offices in Sydney and New York. With over 25 years' investment experience, Caledonia's goal is to achieve high absolute returns for their clients over a long-term time horizon. The firm manages a long-short equity strategy with a focus on deep fundamental research and high conviction long-term investing.



Cooper Investors Pty Limited is a specialist equities fund manager. Cooper Investors commenced operations in 2001 and manages money for a range of clients, including large pension and superannuation funds, religious institutions, Australian State Government agencies, school endowments, charities, high net worth families and retail clients. Cooper Investors is 100% owned by its employees. Cooper Investors seeks to invest in quality companies with a strong value proposition.



Magellan Asset Management Limited is an Australian-based asset manager that is a wholly-owned subsidiary of Magellan Financial Group Limited that was formed by Hamish Douglass and Chris Mackay in Sydney in 2006. Magellan manages investments across its global equities, global listed infrastructure and Australian equities strategies for retail, high net worth and institutional investors.

MUNRO

Munro Partners is a global investment manager with a core focus on growth equities. Established in 2016 by an award-winning investment team with a proven track record of strong returns, the business has \$4 billion in AUM and is owned and controlled by key staff. Via a proprietary investment process, Munro invests alongside clients to benefit from some of the key structural changes that occur in our world today. Munro is Australian domiciled, with its head office in Melbourne.



Regal Partners Limited is an ASX-listed, specialist alternatives investment manager providing investors with access to a diverse range of strategies covering hedge funds, private markets and real assets. It was founded in early 2004 and services a wide range of institutional investors and high net worth individuals. The investment team has extensive investment experience through many market cycles and a long track record of delivering superior returns for investors. Regal offers a range of products to suit different investment objectives.



TDM Growth Partners Pty Limited is a global investment firm with offices in Sydney and New York. TDM invests in fast growing companies run by passionate management teams. Their unique and flexible mandate allows them to invest in public and private companies globally. They operate on long-term time horizons, fully aligned incentives, and a commitment to help scale businesses they are proud of. TDM has a highly focused approach to investing, with a portfolio of no more than 15 investments globally.



Tribeca Investment Partners is an Asia Pacific based asset management and advisory firm with over two decades of experience in partnering with sophisticated clients to provide innovative solutions beyond the mainstream. Combining deep multi-asset class expertise across investment management, private wealth management and corporate advisory with key staff located across the Asia Pacific, Tribeca takes pride in its strong alignment with clients, speed to market and proven track record.

Conference Fund Managers

The remaining 35% of the investment portfolio is invested in 10 to 15 recommendations from the fund managers who present at the annual Sohn Hearts & Minds Investment Leaders Conference. Each year this group of fund managers will change based on the conference program of speakers and their eligible recommendations. The speakers are invited onto the program following a rigorous six-month selection process by the HM1 Board, Investment Committee and Conference Fund Manager Selection Committee. The 2022 Conference Fund Managers are set out below.



Anthony Aboud
 Perpetual (AUS)



Bob Desmond
 Claremont Global (AUS)



Catherine Allfrey
 WaveStone Capital (AUS)



Fred Woollard
 Samuel Terry Asset Management (AUS)



James Miller
 Firetrail Investments (AUS)



Joyce Meng
 FACT Capital (USA)



Jun Bei Liu
 Tribeca Investment Partners (AUS)



Nick Griffin
 Munro Partners (AUS)



Ricky Sandler
 Eminence Capital (USA)



Tim Carleton
 Auscap Asset Management (AUS)



Tim Elliott
 Regal Funds Management (AUS)

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Medical Research Organisations

We are proud to support leading Australian medical research organisations. Beneficiaries are nominated by our Core Fund Managers and Board. This Medical Research Report provides an update on some of the ground-breaking projects and discoveries underway.

Baker Heart and Diabetes Institute

The Baker Heart and Diabetes Institute is an independent, internationally renowned medical research facility. It has been at the centre of some of the world's greatest scientific discoveries and medical advances since it was established in Melbourne in 1926. But, despite improvements in life expectancy, heart disease remains one of the leading killers of Australians, and diabetes is the fastest-growing chronic condition in the country.



The comprehensive range of research undertaken to target these deadly conditions, combined with the flexibility and innovation to respond to changing health and community needs, is unique and sets the Baker Institute apart from other health and medical research institutes.

Researchers at the Baker Institute are dedicated to creating a healthier world for today and for future generations, it's what drives the scientists, clinicians, public health experts, diabetes educators and dietitians every day. That dedication is evident in the Baker Institute's diabetes domain where researchers are exploring the regeneration of the pancreas. In type 1 diabetes, insulin-producing cells are damaged or destroyed, researchers are delving into treatments that may be able to reactivate these cells. This could ultimately be the long sought-after cure for diabetes.

In the cardiovascular domain, teams are using mRNA technology to precisely target the treatment of some of the most prevalent cardiovascular diseases. Their long-term aim is a vaccine to guard against atherosclerosis, stopping it in its tracks. Atherosclerosis, the build-up of plaque in the arteries, is the most common cause of heart attack and stroke.

In 2020, 56,700
Australians had an
acute coronary
event, that's 155
every day.

Black Dog Institute

As the only medical research institute in Australia to investigate mental health across the lifespan, the Black Dog Institute aims to create a mentally healthier world for everyone. This is done through 'translational' research. Integrating research studies, education programs, digital tools and apps, clinical services and public resources to discover new solutions, foster connections and create real-world change.



Partnerships with people with lived experience, federal, state, and local governments, communities, schools, corporate Australia and others in the mental health sector enable the organisation to drive evidence-informed change in mental health where it's needed most.

Research Developments this year:

- Contributed to the **World Health Organisation's** first-ever global guidelines for mental health.
- **Launched the Aboriginal and Torres Strait Islander Lived Experience Portal**, which elevates the voices of Indigenous lived experience.
- **Released the Youth Depression Report** which shows that youth depression has doubled in the last 14 years.
- **Launched a report to inform suicide prevention efforts in veterans** and made recommendations to the Royal Commission on Defence and Veteran Suicide.
- **Held the Summit of Self-Harm**, a first time event that brought world-leading researchers, clinicians and lived experience experts to unpack and explore the challenges and solutions surrounding self-harm.
- **Started the Vibe Up study**, a first of its kind digital intervention for university students that aims to reduce distress and improve mental well-being.
- **Researched healing through art** with body mapping, which has been found to help people share difficult to discuss experiences connected to mental health, trauma and distress.
- **Launched Sleep Ninja app** to assist teens in mastering their sleep.

1 in 5 Australians
will experience a
mental illness
within the year. In
Australia that's
around 5 million
people. And
roughly 60% of
these people
won't seek help.

The University of Sydney Brain and Mind Centre

The University of Sydney Brain and Mind Centre (BMC) brings together a network of researchers and clinicians who partner across borders and disciplines in pursuit of a common goal: to develop better treatments for conditions of the brain and mind and improve health outcomes now and for future generations.



The BMC's multidisciplinary research teams are at the forefront of brain and mind sciences. They work to find answers to some of the world's most pressing health concerns across the lifespan, including childhood development and behaviour disorders, youth mental health and addiction, and ageing and neurodegeneration such as dementia, multiple sclerosis and Parkinson's disease.

Within this landscape of neurodegenerative disorders, one particular focus is on Progressive Supranuclear Palsy (PSP), formally known as Steele Richardson's disease. PSP is an uncommon brain disorder that causes serious problems with walking, balance and eye movements, and swallowing. The disorder worsens over time and can lead to life-threatening complications. There is no cure, treatment focuses on managing the signs and symptoms and the cause isn't yet understood.

Dr Eleanor Drummond and Professor Glenda Halliday are working to change this. They are leading a research project that will aim to identify new potential drug targets and biomarkers of PSP. They will use cutting-edge protein analysis techniques to map protein changes that occur in the disease and will particularly focus on identifying proteins that become insoluble as these could have an important role in driving PSP.

Furthermore, their research will identify proteins that interact with tau – a problematic protein known to accumulate in the disease. Their objective is to determine if these proteins contribute to the harmful effects of tau. This research seeks to uncover the central triggers of the disorder in the complex brain environment. These findings will then inform a comprehensive assessment of the potential of using these proteins for innovative therapeutic approaches. Ultimately, this work holds the promise of leaving a profound impact on individuals affected by PSP and their loved ones.

The life expectancy of someone diagnosed with Progressive Supranuclear Palsy is just five to seven years following symptom onset.

Cerebral Palsy Alliance Research Foundation

Cerebral Palsy (CP) is caused by non-progressive damage to the developing brain, before, during or after birth. It is the most common physical disability in childhood, affecting the movement and speech of 17 million people globally. Cerebral Palsy Alliance (CPA) is a ground-breaking, global centre of expertise for CP research, advocacy, intervention and assistive technology innovation. The Research Foundation (CPARF) was established in 2005 to support and fund the prevention, treatment and cure for CP. The Foundation's research priorities are informed by people with CP and include early diagnosis and intervention, epidemiology, regenerative medicine and technology. This ground-breaking research has seen the rate of CP drop in Australia by 30%.



The Foundation's technology research priorities are focused on cognition, communication and mobility solutions to improve inclusion for people with CP.

In 2023, HM1 funding supported the following research:

- Testing an implant device to alleviate muscle spasticity, giving easy and instant control to individuals in strengthening muscles.
- Testing the potential to stimulate muscles and give a level of functional control to patients.
- Clinic testing of a tiny prototype device injected next to the nerves controlling problematic muscles, providing an electrical signal to prevent the contraction signal from reaching the muscle.
- Research is key to allow the development of a highly desirable medical device with the potential for people with CP to achieve a better quality of life.
- Non-invasive neuro modulation is proving to improve leg, arm and trunk, bladder, bowel and breathing function after spinal cord injury.
- The device may improve motor function in children with CP by improving neural network function to help initiate movement of their limbs.
- This research aims to understand if the new device is a feasible and acceptable intervention for children with moderate motor impairment. Research being conducted with children 5-12 years.

Our vision is to enable the world's best cerebral palsy experts to find ways to prevent and treat cerebral palsy, a condition affecting more than 17 million people worldwide.

The Florey

The Florey is the largest brain research centre in the southern hemisphere, with more than 350 talented people in our teams of researchers. We are dedicated to finding solutions for the range of neurological and psychiatric conditions that we research, and we do so with our world-class facilities, collaborations and expertise. This enables us to effectively translate new discoveries from the lab, directly to the bedside.



Overview of research:

- The Florey has been an important participant in the biggest breakthroughs in Alzheimer’s disease research for four decades, in the form of a new treatment for the condition.
- Florey researchers came one step closer to transforming the management of sepsis in intensive care units in Australia.
- The Florey led flagship programs to improve the care of people with epilepsy and stroke through the Australian Epilepsy Project and the Young Stroke Service.
- Our scientists launched LASEREDD Therapeutics, a new biotech spin-out to undertake next-generation drug discovery to identify new medicines for schizophrenia.
- We identified sex-based differences in the drivers of alcohol consumption, indicating the need to develop more female-specific treatment options for alcohol addiction.
- We advanced our understanding of how to better deliver medications to the brain to maximise their benefits.

Over the last twelve months, the Florey:

- Has published more than 830 pieces of research globally and cited over 38,430 times.
- Continue to be the experts in more than 20 neurological and psychiatric conditions.
- Is currently running more than 200 live projects.
- Has disseminated to more than 5 million Australians who are directly affected by the conditions we research.

Every year over 5 million Australians are directly affected by one of the twenty illnesses that the Florey researches.

Kids Critical Care Research at The Children’s Hospital at Westmead

Kids Critical Care Research (KCCR) at The Children’s Hospital at Westmead coordinates and conducts research to improve short and long-term outcomes in babies and children with life-threatening critical illness. Their vision is to deliver highly responsive, personalised care that enables positive patient experiences and best outcomes. KCCR aims to address existing gaps in the evidence base and to build new knowledge for rapid translation to clinical practice. Progress and key achievements this year:



- **Data Science and Paediatric Critical Care Trial Design:**
 - Collaboration with Hospital for Sick Children, Toronto to finalise infrastructure and demonstrate capability for data capture and analysis for “Big Data in Little People” project.
 - Collaboration with School of Public Health (Health and Clinical Analytics), University of Sydney and international PediRES-Q registry to design an innovative clinical trial to improve outcomes following paediatric cardiac arrest.
- **Genomics, Transcriptomics and Metabolomics in Paediatric Critical Illness:**
 - Collaboration with Charles Sturt University to understand changes in metabolic profile in children undergoing Fontan cardiac surgery – PhD commenced.
- **Red Cell and Microvascular Adaptation to Critical illness:**
 - New multicentre study: Characterisation of transfusion practices and thresholds in paediatric cardiac surgery (NITRIC study cohort).
- **Brain and Nervous System health and recovery from Paediatric Critical Illness**
 - New study: Cross-sectional study of long-term neurodevelopmental childhood outcomes following cardiac arrest or ECMO care in NSW.
- **Human Factors and Social Sciences of Paediatric Critical Care:**
 - Support for PhD in collaboration with Harvard University, Boston and University of Sydney: Social determinants of health in childhood survivors of ECMO.

More than 12,000 children require admission to intensive care in Australia and New Zealand every year for potentially life-threatening conditions.

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Pain Management Research Institute

A national consortium, led by Professor Michael Nicholas at the Pain Management Research Institute, University of Sydney is developing interdisciplinary digital pain education to support the healthcare workforce and improve the lives of patients with chronic pain.

The purpose of the interdisciplinary digital pain education is to develop a nationally consistent and integrated approach to the management of people with chronic pain. A patient care priorities framework was developed to shape the interdisciplinary digital pain education.

At the recent Australian Pain Society (APS) annual conference, the topical session about the interdisciplinary digital pain education had high engagement from the audience of health care professionals, researchers, government decision-makers and consumers. The topical session described the framework of patient pain care priorities, the architecture of the pain management education, and how patient stories are threaded through the e-learning modules as a vehicle to drive engagement and resonate with real world clinical experience.

The interdisciplinary digital pain education will be piloted with design experts, health care professionals, consumer organisation representatives and key stakeholders.

The Pain Foundation acknowledges the generous funding support from HM1 and their Core Fund Manager, TDM Growth Partners, as well as their keen interest in promoting the pilot trials and eventual rollout to practitioners nationally.



Chronic pain is a major and increasing public health issue and affects one in five people in Australia with more than 68% of people living with chronic pain of working age.

RPA Green Light Institute

The RPA Green Light Institute was established at Royal Prince Alfred Hospital (RPA Hospital) to facilitate and coordinate research for emergency departments. The Institute brings together experienced emergency clinicians from RPA Hospital, the Sydney Local Health District and other research institutes and teaching hospitals within NSW. While the RPA Green Light Institute remains acutely focused on emergency presentations and improving the emergency service experienced by patients, they are currently leading and supporting research projects ranging from improving cardiac arrest and sepsis, injury and trauma care, management of patients at risk of human trafficking and slavery, as well as studies looking at improving patient flow, reducing waiting times and enhancing patient experience. Of note, the Institute is currently supporting important research on:



Mental Health

The RPA Green Light Institute is conducting research into adolescent mental health presentations to the emergency department pre- and post- COVID-19. The aim is to determine the specific motivators for children and young adults with mental health needs in order to improve emergency care and understand the psychosocial triggers for presentation that may help inform future models of emergency department care and practice.

Sexual Assaults

The RPA Green Light Institute is collaborating with the Sexual Assault Medical Service at RPA Hospital to gain an understanding of factors associated with acute sexual assault presentations and characteristics of individuals who attend the Sexual Assault Medical Service within the metropolitan Sydney area. This research will deepen understanding, improve patient care and management, as well as potentially change service provision within the Sexual Assault sector.

Artificial Intelligence

The RPA Green Light Institute is collaborating with Macquarie University and the Digital Health Cooperative Research Centre to evaluate whether Artificial Intelligence for chest radiograph interpretation increases diagnostic accuracy and improves patient management decision making in simulated emergency care episodes.

One in five Australians present to an Emergency Department for health care each year.

Victor Chang Cardiac Research Institute

The Victor Chang Cardiac Research Institute is renowned worldwide for the quality of its scientific discoveries and is dedicated to finding cures for cardiovascular disease through innovative, collaborative, and cutting-edge medical research. Its 230 scientists and staff are working across the country to impact clinical patient care, improve health outcomes and save lives.



2022/2023 Highlights

- The Institute's Professor Jason Kovacic was part of a global team that identified the most critical genes that cause coronary heart disease. The knowledge will allow the Institute's scientists to understand the critical genes that cause heart attacks and coronary heart disease, and if they might be promising drug targets for patients. Another important aspect of this study was that a gene called PHACTR1 was validated as being among the top two genes for causing coronary heart disease. Professor Kovacic's team is spearheading world-leading research into PHACTR1.
- Researchers at the Institute have developed a new electrical test that can screen hundreds of gene mutations to pinpoint the exact mutations that are harmful to the heart for those suffering from inherited heart disorders. It will make it easier for families to discover if they are carrying genetic mutations that cause sudden cardiac arrest – a condition that kills nine out of 10 victims. Those at risk will be able to undertake lifestyle changes and get preventative treatment.

The number of successful heart transplants has increased by 25% at St Vincent's Hospital in Sydney, since the introduction of world-first technology pioneered by the Institute and St Vincent's. Through this game-changing research, the team developed a special technique, which allows surgeons to transplant donor hearts that have stopped beating after death (also known as DCD hearts). Research published in 2022 revealed it has reduced waiting lists in Australia and potentially around the world and that DCD hearts have similar survival rates to traditional transplants.

One Australian dies
from heart disease
every 28 minutes.

WEHI

WEHI's medical researchers have been serving the community for 108 years, making transformative discoveries in cancers, diseases related to ageing, infectious and immune diseases and developmental disorders. WEHI brings together diverse and creative teams of scientists with the experience and expertise to solve some of the world's most complex health problems. A spirit of collaboration is in our DNA, bringing together the brightest medical researchers from across the globe, remarkable clinicians focused on the health of the community and the power of philanthropy. A passion for improving and saving lives drives WEHI forward, even when breakthroughs are decades in the making. Highlights from the last year include:



- Brain-POP trial platform - A world-first clinical trial platform to transform research into new therapies for brain cancer and deliver more targeted, personalised treatment for patients was launched. Globally, it's the first perioperative clinical trial program for brain cancer.
- A landmark discovery offering another way to regulate the cell death process for diseases like psoriasis and inflammatory bowel disease – conditions that occur due to excessive cell death in the body – and could also help reduce the severity of viruses like SARS-CoV-2, responsible for COVID-19.
- An Australian-Israeli research team developed a way to reduce the toxic side-effects of pioneering cancer treatment, CAR T cell immunotherapy. About half of patients suffer adverse effects from the therapy but the findings could overcome this limitation by tailoring the immune cells used in the treatment.
- Revolutionary, world-first 3D images enabled researchers to understand how new anti-malaria compounds kill malaria parasites, paving the way for the next generation of anti-malarial treatments.
- Our scientists developed a blood test that can identify which colon cancer patients need chemotherapy after surgery and those who do not. The discovery could prevent thousands of low-risk cancer patients receiving unnecessary chemotherapy treatment.
- A powerful new genome editing technique enabled our researchers to replicate human diseases with unprecedented accuracy, promising to revolutionise the drug discovery process for a range of cancers. The technology can activate any gene, allowing new drug targets and causes of drug resistance to be explored on an unmatched level.
- A WEHI-led study has shown that treatment and drugs called mTOR inhibitors can prevent the formation of coronary artery damage and aneurisms, a much-feared complication of Kawasaki Disease (KD). KD mainly affects children under five years of age and is the most common cause of acquired heart disease in children in developed countries. Up to 300 Australian children are diagnosed with the disease each year.

WEHI have over 90 labs
researching more than
50+ diseases, and over
390 clinical trials
underway which are
based on WEHI
discoveries.

Directors' Report to Shareholders

The Directors of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or 'the Company') present their report together with the annual report of the Company (Annual Report) for the year ended 30 June 2023.

Principal Activity

HM1 was established in 2018 with the combined objective of providing a concentrated investment portfolio of the highest conviction ideas from respected fund managers, while also supporting Australian medical research organisations. No change in this activity took place during the period or is likely in the future.

Review of Operations

For the year ended 30 June 2023, the Company recorded a total comprehensive income after tax of \$63.0 million (2022: total comprehensive loss after tax of \$219.6 million). The result for the year is driven by the performance of the investment portfolio. The investment portfolio increased on a pre-tax basis by 15.1% for the year ended 30 June 2023 recovering some of the losses of the prior year. The result was driven by a strong recovery in the market values of the Core Portfolio generating \$150.4 million in net unrealised gains, partially offset by \$49.0 million in net realised losses primarily from the previous year's Conference Portfolio. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 8.8%. Further details of the performance of the investment portfolio and the Company can be found in the Investment Committee Report.

Financial Position

The net asset value of the Company increased 5.4% over the year from \$641.1 million on 30 June 2022 to \$675.5 million as of 30 June 2023. Further information on the financial position of the Company and the movement in net asset values is contained in the Investment Committee Report.

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.

In April 2023, the Company paid a fully franked dividend of 13.5 cents per share. In light of the discount between the HM1 share price and NTA per share, and following shareholder feedback, the Board has modified the dividend policy to increase the frequency of dividend payments to twice yearly. The half-yearly dividend will be paid in April and October of each year. The first half-yearly fully franked dividend of 7 cents per share will be paid in October 2023.

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.

Medical Research

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations 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 forego any investment fees and instead donate an amount equivalent to 1.5% of net tangible assets per annum to designated medical research organisations.

During the year ended 30 June 2023, HM1 paid \$10.2 million to its designated medical research organisations and made a further provision of \$5.7 million. These donated monies will be used by the medical research organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders.

Directors

The following persons held office as Directors during the period or since the end of the 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

Information of Directors

Christopher Cuffe AO (Chairman and Independent Director)

Experience and expertise

Commencing his career as a chartered accountant, Christopher Cuffe entered the fund management industry in 1985. In 1988, he joined Colonial First State where he was CEO from 1990 until 2003. In 2003, he became CEO of the listed Challenger Group. He holds a Bachelor of Commerce from the University of New South Wales and a Diploma from the Securities Institute of Australia. He is a Fellow of the Chartered Accountants in Australia and New Zealand, a Fellow of the Institute of Company Directors, and an Associate of the Financial Services Institute of Australasia. In October 2007 Christopher was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry. Christopher Cuffe has been Chairman of the Company since 12 September 2018, the date of incorporation.

Christopher Cuffe has been Chairman of the Company since 12 September 2018, the date of incorporation.

Other current directorships

Christopher Cuffe is currently involved in a portfolio of activities in the investment and non-profit sectors which include: member of the investment committee of UniSuper (a \$115 billion profit-for-members superannuation fund); member of the investment committee of the Paul Ramsay Foundation (Australia's largest charitable foundation); Chairman of Australian Philanthropic Services (a not for profit organisation assisting individuals, families and professional advisers with effective philanthropy); director of listed companies Global Value Fund Limited and Argo Investments Limited; and founder, director and manager of Third Link Growth Fund.

Former directorship in the last 3 years

Christopher Cuffe was a non-executive director of Antipodes Global Investment Company Limited from July 2016 to December 2021.

Special responsibilities

Chairman of the Board and member of the Investment Committee.

Interests in shares of the Company

Details of Christopher Cuffe's interests in shares of the Company are included later in this report.

Interests in contracts

Christopher Cuffe has no interests in contracts of the Company.

Information of Directors (continued)**Lorraine Berends (Independent Director)***Experience and expertise*

Lorraine Berends has worked in the financial services industry for over 40 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014, she worked for 15 years with US based investment manager Marvin & Palmer Associates. She contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (now the CIMA Society of Australia) for 13 years (7 years as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (3 years as Chair). She has been awarded life membership of both the CIMA Society and ASFA. She holds a Bachelor of Science from Monash University, is a fellow of the Actuaries Institute and a fellow of ASFA.

Other current directorships

Lorraine Berends is an independent non-executive director of ASX listed Pinnacle Investment Management Group Limited and of listed investment companies Plato Income Maximiser Limited and Spheria Emerging Companies Limited. She is also a company appointed director of Qantas Superannuation Limited and a non-executive director of the Pinnacle Charitable Foundation.

Former directorship in the last 3 years

Lorraine Berends was a non-executive director of Antipodes Global Investment Company Limited from July 2016 to December 2021.

Special responsibilities

Chair of the Investment Committee.

Interests in shares of the Company

Details of Lorraine Berends' interests in shares of the Company are included later in this report.

Interests in contracts

Lorraine Berends has no interests in contracts of the Company.

Guy Fowler (Independent Director)*Experience and expertise*

Guy Fowler is a co-founder of the Hearts and Minds Investment Leaders Conference. Guy is also the founder and Co-Executive Chairman of Barrenjoey Capital Partners Pty Ltd. He worked in a range of senior positions at UBS Australia for over 25 years including as the Head of Capital Markets and as the Head of the Corporate Advisory business. In these roles he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. He is a qualified Chartered Accountant.

Other current directorships

None.

Special responsibilities

None.

Interests in shares of the Company

Details of Guy Fowler's interests in shares of the Company are included later in this report.

Interests in contracts

Guy Fowler has no interest in contracts of the Company.

Information of Directors (continued)**Matthew Grounds AM (Independent Director)***Experience and expertise*

Matthew Grounds is a co-founder of the Hearts and Minds Investment Leaders Conference. Matthew is also the Co-Executive Chairman of Barrenjoey Capital Partners Pty Ltd. Over the past 25 years, he held a variety of senior roles at UBS including CEO and Country Head, Joint Global Head of the Investment Banking business, Head of Capital Markets and Head of the Corporate Advisory business. In these roles, he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. He is also a Council Member of the University of NSW, Chairman of Victor Chang Cardiac Research Institute, and a Director of the Financial Markets Foundation for Children. He holds a Bachelor of Commerce (Finance major) and a Bachelor of Laws from the University of New South Wales.

Other current directorships

None.

Special responsibilities

Member of the Investment Committee

Interests in shares of the Company

Details of Matthew Grounds' interests in shares of the Company are included later in this report.

Interests in contracts

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Michael Traill AM (Independent Director)*Experience and expertise*

Michael Traill founded Social Ventures Australia in 2002, after 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. He is the author of "Jumping Ship – From the world of corporate Australia to the heart of social investment" which won the prestigious Ashurst Business Literature Prize. In 2010, he was made a member of the Order of Australia in recognition of his services to non-profit organisations. He holds a BA (Hons) from the University of Melbourne and an MBA from Harvard University. He is also an Adjunct Professor for the Centre for Social Impact (UNSW) and Chair of the Federal Government Task Force on Social Impact Investing.

Other current directorships

Michael Traill currently has a range of primarily social purpose Chair and board roles including Chair of the Paul Ramsay Foundation, Executive Director of For Purpose Investments, a Director of M H Carnegie & Co, Australian Retirement Trust (and Chair of the Investment Committee), Catalyst Education and Australian Philanthropic Services.

Special responsibilities

None.

Interests in shares of the Company

Details of Michael Traill's interests in shares of the Company are included later in this report.

Interests in contracts

Michael Traill has no interests in contracts of the Company.

Information of Directors (continued)**Gary Weiss AM (Independent Director)***Experience and expertise*

Gary Weiss is a co-founder of the Sohn Hearts & Minds Investment Leaders Conference. Gary was formerly Chairman of Clearview Wealth Limited and Coats PLC, is a former Non-Executive Director of Premier Investments Limited and Pro-Pac Packaging Limited, a former Executive Director of Whitlam, Turnbull & Co and Guinness Peat Group PLC and sat on the board of Westfield Holdings Limited and many other public companies. He has also been involved in overseeing large businesses with operations in many regions including Europe, China and India and is familiar with investments across a wide range of industries, corporate finance, and private equity type deals. He holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales. He is also a Commissioner of the Australian Rugby League Commission.

Other current directorships

Gary Weiss is currently the Executive Director of Ariadne Australia Limited. He is Chairman of Ardent Leisure Group, Cromwell Property Group and Estia Health Limited, and a Non-Executive Director of Victor Chang Cardiac Research Institute and Thorney Opportunities Limited.

Special responsibilities

Gary Weiss is a member of the Conference Fund Managers Selection Committee.

Interests in shares of the Company

Details of Gary Weiss' interests in shares of the Company are included later in this report.

Interests in contracts

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Geoffrey Wilson AO (Independent Director)*Experience and expertise*

Geoffrey Wilson has over 43 years direct experience in investment markets having held a variety of senior investment roles in Australia, the UK, and the US. He founded Wilson Asset Management in 1997 and created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies. He holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited, WAM Leaders Limited, WAM Research Limited, WAM Active Limited, WAM Microcap Limited, WAM Global Limited and WAM Strategic Value Limited. He is the Founder and a Director of Future Generation Global Investment Company Limited, Future Generation Investment Company Limited and a Director of WAM Alternative Assets Limited, Global Value Fund Limited, Wollongong 2021 Limited, Incubator Capital Limited, Sporting Chance Cancer Foundation, the Australian Stockbrokers Foundation, the Australian Fund Managers Foundation and the Australian Children's Music Foundation. He is a member of the Second Bite NSW Advisory Committee.

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Information of Directors (continued)**Geoffrey Wilson AO (Independent Director) (continued)***Special responsibilities*

None.

Interests in shares of the Company

Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Geoffrey Wilson has no interest in contracts of the Company.

David Wright (Independent Director)*Experience and expertise*

David is the CEO and joint founder of Zenith Investment Partners and has overall responsibility for the management of the broader Group and remains closely involved in servicing the company's investment consulting clients with portfolio construction, management and monitoring advice. He has a wealth of investment industry experience acquired over his extensive career including senior positions at IWL Ltd as Head of Research and Associate Director and Head of Managed Funds research at Lonsdale Limited.

Other current directorships

David Wright is currently a director of Zenith Investment Partners Pty Ltd, Zenith Partners Group Pty Ltd, Zenith CW Pty Ltd, ZIP Holdco Pty Ltd, FE fund info (Australia) Pty Ltd and FE (Au) Pty Ltd and a member of the Qantas Superannuation Investment Committee and the Deakin University Financial Planning Advisory Board.

Special responsibilities

Chair of the Conference Fund Managers Selection Committee

Interests in shares of the Company

Details of David Wright's interests in shares of the Company are included later in this report.

Interests in contracts

David Wright has no interests in contracts of the Company.

Chief Executive Officer**Paul Rayson**

Paul Rayson is a Chartered Accountant and has worked in the financial services industry for over 25 years and has extensive experience in investment markets, technology, retail banking, risk management and insurance. He is the former Managing Director of CommSec, Australia's leading online broker and former Managing Director of Australian Investment Exchange Limited and Colonial Mutual Life Assurance Society Limited. He has also held a number of CFO and governance positions across large financial services businesses. Prior to financial services, he held senior roles in Chartered Accounting and Consulting firms specialising in corporate advisory, risk management and strategy. He holds a Commerce degree from Swinburne University and is a Fellow of the Institute of Chartered Accountants.

Chief Investment Officer**Charlie Lanchester**

Charlie is an accomplished fund manager and investor with over 30 years active funds management experience at leading investment organisations. Most recently Charlie was Head of Fundamental Australian Active Equities at BlackRock. Prior to that Charlie held senior investment roles at Perpetual Investments, Platinum Asset Management and Schroder Investment Management. Charlie is also currently the Chair of the Australian Fund Manager Awards Foundation and Chair of Surf Aid International.

Company Secretary**Tom Bloomfield**

Tom Bloomfield held the position of Company Secretary during the financial period. Tom has over fifteen years of international Corporate Secretarial experience working for global organisations, both 'in-house' and for corporate services providers. He has experience working with and consulting to a range of international and domestic clients. He acts as Company Secretary to a number of ASX listed, unlisted and private companies in Australia in numerous industry sectors. Tom is a Chartered Company Secretary, Fellow of ICSA (Institute of Chartered Secretaries and Administrators) and Member of the Australian Institute of Company Directors. He holds a Law degree with Honours and a Graduate Diploma in Applied Corporate Governance.

Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

Brett Paton

Brett Paton is currently Chairman of the management company of Escala Partners, an Australian wealth management advisory group, and Chairman of Pointsbet Holdings Limited. He has worked in a range of senior positions including Vice Chairman at UBS Australia where he spent 23 years. He also spent 5 years at Citi serving as Vice Chairman Australia, Institutional Clients Group. He has served as a Non-Executive Director of Tabcorp and Chair of Audit and Risk for its demerged entity, Echo Entertainment, giving him valuable insights into the functions expected of ASX 100 boards. He was previously a Council Member at RMIT University and Chair of the Risk and Audit Committee, Chairman of PLC VC, a global venture capital investment organisation, and previously a member of the ASX Capital Markets Advisory Committee. He is a qualified Chartered Accountant.

Christopher Cuffe AO

Christopher Cuffe is also a Director. Please refer to the Directors' Report to Shareholders for details of Christopher Cuffe's experience and qualifications.

Lorraine Berends

Lorraine Berends is also a Director. Please refer to the Directors' Report to Shareholders for details of Lorraine Berends' experience and qualifications.

David Wright

David Wright is also a Director. Please refer to the Directors' Report to Shareholders for details of David Wright's experience and qualifications.

Matthew Grounds AM

Matthew Grounds is also a Director. Please refer to the Directors' Report to Shareholders for details of Matthew Ground's experience and qualifications.

Members of the Investment Committee (continued)

Paul Rayson

Paul Rayson is also Chief Executive Officer. Please refer to the Directors' Report to Shareholders for details of Paul Rayson's experience and qualifications.

Members of the Conference Fund Manager Selection Committee

David Wright

David Wright is also a Director. Please refer to the Directors' Report to Shareholders for details of David Wright's experience and qualifications.

Gary Weiss AM

Gary Weiss is also a Director. Please refer to the Directors' Report to Shareholders for details of Gary Weiss' experience and qualifications.

Michael Walsh

Michael Walsh is a founding member of the organising committee for the Sohn Hearts and Minds Investment Leaders Conference and has been instrumental in the success of the event. Michael Walsh is currently a Senior Advisor, UBS Global Markets and Head of Global Family Offices at UBS in Australia and New Zealand.

Charlie Lanchester

Charlie Lanchester is also Chief Investment Officer. Please refer to the Directors' Report to Shareholders for details of Charlie Lanchester's experience and qualifications.

Remuneration Report (Audited)

The responsibility for the Company's remuneration policy rests with the Board of Directors. Given the size of the Company, its charitable nature, that the Company has only three employees and that Directors have agreed to waive Directors' fees on an ongoing basis, the Company has not formed a separate remuneration committee.

a) Remuneration of Directors and Other Key Management Personnel

Key management personnel (KMP) include the Directors, the Chief Executive Officer and the Chief Investment Officer. Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 30 June 2023, no Directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer is set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three month notice period. The remuneration of the Chief Executive Officer and the Chief Investment Officer is salary based and does not include securities or options in the Company and no element of the remuneration is tied to Company performance. The Chief Executive Officer and the Chief Investment Officer are not provided with retirement benefits apart from statutory superannuation.

Year ended 30 June 2023	Short-term benefits Salary \$	Termination Benefits \$	Post-employment benefits Superannuation \$	Total Remuneration \$
Paul Rayson	274,708	–	25,292	300,000
Charlie Lanchester (commenced 12/4/23)	66,250	–	5,550	71,800
Past Employee				
Rory Lucas (employment ceased 1/2/23)	188,125	205,904*	16,042	410,071

* Includes payment for notice period and statutory entitlements

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Remuneration Report (Audited) (continued)

a) Remuneration of Directors and Other Key Management Personnel (continued)

Year ended 30 June 2022	Short-term benefits Salary \$	Termination Benefits \$	Post-employment benefits Superannuation \$	Total Remuneration \$
Paul Rayson	218,216	–	19,784	238,000
Rory Lucas	243,216	–	19,784	263,000

**Company performance
measures and KMP
remuneration**

	2023	2022	2021	2020	2019
Total comprehensive income/(loss) (\$)	62,953,931	(219,589,213)	157,948,475	117,553,802	70,453,027
Dividends (cents per share)	13.5	13.5	12.0		
NTA after tax (\$ per share)	2.95	2.81	3.92	3.92	2.85
Share Price (\$ per share)	2.26	2.02	4.32	4.32	2.95
Total KMP remuneration (\$)	781,871	501,000	383,175	383,175	180,219
Shareholders' Equity (\$)	675,522,876	641,129,695	885,999,277	750,506,830	570,453,028

b) Other KMP Related Transactions

The Company Secretary has waived his right to receive fees. The Company holds professional indemnity insurance to his benefit. He receives an indemnity as an officer of the Company to the maximum extent permitted by law and is entitled to be reimbursed for any external costs and expenses he incurs. The Company Secretary is a General Manager of Boardroom Pty Limited. Boardroom Pty Limited provide company secretarial services to the Company.

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. Hearts and Minds Investments Limited donated \$5,036,644 to Victor Chang Cardiac Research Institute for the year ended 30 June 2023 (2022: \$6,298,991).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. Hearts and Minds Investments Limited donated \$5,036,644 to Victor Chang Cardiac Research Institute for the year ended 30 June 2023 (2022: \$6,298,991).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation held 4,270,106 shares in HM1 on 30 June 2023 (2022: 4,270,106).

Michael Traill is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms amounting to \$8,800 for the year 30 June 2023 (2022: \$4,400).

Christopher Cuffe is Chairman of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms amounting to \$8,800 for the year 30 June 2023 (2022: \$4,400).

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Remuneration Report (Audited) (continued)

c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

As the date of this report, the Directors, other key management personnel and their related parties held the following interest in the Company:

Ordinary shares held	Balance at beginning of the period	Acquisitions	Disposals	As at the date of this report
Christopher Cuffe AO	1,153,300	25,000	(1,103,300)*	75,000
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,172,281	–	(1,100,000)*	72,281
Gary Weiss AM	495,002	3,876	–	498,878
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	95,000	–	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	131,371	–	(131,371)	–
Charlie Lanchester	–	89,061	–	89,061

Directors, other key management personnel and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

*Due to an internal process and approval change made by Australian Philanthropic Services, Mr Christopher Cuffe and Mr Michael Traill were no longer deemed to control the 1,100,000 HM1 shares held by Australian Philanthropic Services Foundation on 30 June 2022.

For further details, please refer to the key management personnel compensation note in the financial statements.

- End of remuneration report -

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Directors' Meetings

Director	No. of eligible to attend	Attended
Christopher Cuffe AO	5	4
Lorraine Berends	5	5
Guy Fowler	5	5
Matthew Grounds AM	5	5
Michael Traill AM	5	5
Gary Weiss AM	5	5
Geoffrey Wilson AO	5	5
David Wright	5	5

Investment Committee Meetings

Member	No. of eligible to attend	Attended
Christopher Cuffe AO	5	5
Lorraine Berends	5	5
Brett Paton	5	4
David Wright	5	5
Matthew Grounds AM	5	5
Paul Rayson	5	5

Conference Fund Managers Selection Committee Meetings

Member	No. of eligible to attend	Attended
David Wright	4	4
Gary Weiss AM	4	4
Michael Walsh	4	4
Charlie Lanchester	4	4

Events Occurring After the Reporting Period

The Directors are not aware of any events subsequent to 30 June 2023 that would materially affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

Future Developments

HM1's future performance is dependent on the performance of the HM1's investment portfolio, which in turn is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market. Accordingly, it is not possible or appropriate to accurately predict the future performance of HM1's investment portfolio and HM1's performance.

Environmental Regulation

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Risk Management Philosophy and Approach

The Board of Directors' risk policies and controls are designed to be robust and relevant to the investment objectives and investment strategy. The Board of Directors is committed to robust corporate governance practices to create value and provide accountability and a control system commensurate with the risk involved. The Board of Directors will monitor the investment portfolio to ensure compliance with the investment strategy and the investment guidelines.

Risk Management Philosophy and Approach (continued)

The Investment Committee, in conjunction with the Chief Investment Officer, is responsible for managing the investment portfolio. The Investment Committee meets quarterly, and more frequently as required, to review the investment portfolio and ensure that HM1 continues to deliver on its investment objective and investment strategy.

Indemnification and Insurance of Officers and Directors

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each officer of the Company, a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

No indemnities have been given or insurance premiums paid during or since the end of the financial period, for any person who is or has been an auditor of the Company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year, Pitcher Partners, the Company's auditor, did not perform any non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform certain taxation services for the Company. Details of the amounts paid to the auditors are disclosed in Note 5 to the financial statements.

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 6 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants including Independence Standards* set by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

In accordance with the *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, the amounts in the Directors' Report to Shareholders and Annual Report have been rounded off in accordance with that Class Order to the nearest dollar or unless otherwise indicated.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2023 is provided on the Company website at heartsandmindsinvestments.com.au

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Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
29 August 2023

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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 audit of Hearts and Minds Investments Limited for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

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

A handwritten signature in black ink, appearing to read 'S M Whiddett'.

S M Whiddett
Partner

Pitcher Partners
Sydney

29 August 2023

	Notes	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Investment loss from ordinary activities			
Net realised losses on financial assets at fair value through profit or loss		(71,485,233)	(21,713,890)
Net unrealised gains/(losses) on financial assets at fair value through profit or loss		121,668,567	(115,972,088)
Net realised gains on foreign exchange transactions		2,181,067	2,546,575
Net unrealised (losses)/gains on foreign exchange transactions		(144,485)	8,485,843
Interest income		–	47
Dividend income	4	5,351,866	4,051,590
Sundry income		9,604	13,663
Total investment income/(loss)		57,581,386	(122,588,260)
Expenses			
Donations	7	(10,090,124)	(12,070,528)
Interest expense		(1,651)	(52,429)
Employee costs		(950,718)	(777,069)
Other expenses		(881,633)	(878,344)
Total expenses		(11,924,126)	(13,778,370)
Income/(loss) before income tax		45,657,260	(136,366,630)
Income tax (expense)/benefit	3	(12,930,776)	41,529,395
Net income/(loss) for the year		32,726,484	(94,837,235)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments taken to equity, net of tax	9	9,999,090	37,862,682
Net unrealised gains/(losses) on investments taken to equity, net of tax	9	20,228,357	(162,614,660)
Net realised and unrealised gains/(losses) on investments taken to equity, net of tax		30,227,447	(124,751,978)
Other comprehensive income/(loss) for the year, net of tax		30,227,447	(124,751,978)
Total comprehensive income/(loss) for the year		62,953,931	(219,589,213)
		Cents	Cents
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings/(loss) per share	12	14.35	(41.88)

The accompanying notes form part of these financial statements.

	Notes	30 June 2023 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	10	59,246,589	122,026,366
Financial assets at fair value through profit or loss	14	479,951,559	187,553,443
Current tax asset	3	–	14,825,917
Other receivables	6	862,881	165,227
Total current assets		540,061,029	324,570,953
Non-current assets			
Financial assets at fair value through other comprehensive income	14	129,231,792	284,407,363
Deferred tax assets	3	12,056,061	38,114,298
Total non-current assets		141,287,853	322,521,661
Total assets		681,348,882	647,092,614
Liabilities			
Current liabilities			
Donation provision	7	5,726,006	5,875,169
Other payables		100,000	87,750
Total current liabilities		5,826,006	5,962,919
Total liabilities		5,826,006	5,962,919
Net assets		675,522,876	641,129,695
Equity			
Share capital	8	574,476,801	572,278,169
Reserves	9	163,156,826	163,688,761
Accumulated losses	9	(62,110,751)	(94,837,235)
Total equity		675,522,876	641,129,695

The accompanying notes form part of these financial statements.

	Notes	Share capital \$	Investment portfolio revaluation reserve \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2021	8	567,043,973	152,272,375	166,682,929	–	885,999,277
Net loss for the year	9	–	–	–	(94,837,235)	(94,837,235)
Other comprehensive loss, net of tax	9	–	(124,751,978)	–	–	(124,751,978)
Transfer to profits reserve	9	–	(37,862,682)	37,862,682	–	–
Transactions with equity holders in their capacity as owners:						
Shares issued	8	5,234,196	–	–	–	5,234,196
Dividends	9	–	–	(30,514,565)	–	(30,514,565)
Balance at 30 June 2022		572,278,169	(10,342,285)	174,031,046	(94,837,235)	641,129,695
Balance at 1 July 2022	8	572,278,169	(10,342,285)	174,031,046	(94,837,235)	641,129,695
Net income for the year	9	–	–	–	32,726,484	32,726,484
Other comprehensive income, net of tax	9	–	30,227,447	–	–	30,227,447
Transfer to profits reserve	9	–	(9,999,090)	9,999,090	–	–
Transactions with equity holders in their capacity as owners:						
Shares issued	8	2,198,632	–	–	–	2,198,632
Dividends	9	–	–	(30,759,382)	–	(30,759,382)
Balance at 30 June 2023		574,476,801	9,886,072	153,270,754	(62,110,751)	675,522,876

The accompanying notes form part of these financial statements.

	Notes	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Cash flows from operating activities			
Dividends received		4,662,484	4,157,618
Interest received		–	47
Other income received		1,332	17,734
Interest paid		(1,651)	(52,429)
Donations paid		(10,239,287)	(12,570,637)
Payments for other expenses		(1,820,101)	(1,567,663)
Income tax refund/(paid)		14,998,758	(50,871,576)
Net cash provided by/(used in) operating activities	11	7,601,535	(60,886,906)
Cash flows from investing activities			
Proceeds from sales of investments		444,410,176	466,054,222
Payments for purchases of investments		(488,267,320)	(392,481,146)
Net cash (used in)/provided by investing activities		(43,857,144)	73,573,076
Cash flows from financing activities			
Dividends paid	8, 9	(28,560,750)	(25,280,369)
Net cash used in financing activities		(28,560,750)	(25,280,369)
Net decrease in cash and cash equivalents		(64,816,359)	(12,594,199)
Cash and cash equivalents at the beginning of the year		122,026,366	123,588,147
Effect of foreign currency exchange rate changes on cash and cash equivalents		2,036,582	11,032,418
Cash and cash equivalents at the end of the year	10	59,246,589	122,026,366

The accompanying notes form part of these 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 8, 210 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 financial statements of the Company are for the year ended 30 June 2023.

The financial statements were authorised for issue on 29 August 2023 by the Board of Directors.

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

These financial statements have been prepared on an accruals basis, and are based on historical cost convention except for the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and cash flow information.

In accordance with *ASIC Corporations (Rounding in Financial/Directors’ Report) Instrument 2016/191*, the amounts in the 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 year and there was no material impact on adoption.

(b) Investment income

(i) Dividends

Dividends are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

(ii) Interest income

Interest income is recognised using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

At initial recognition, the Company measures a financial asset at its fair value in the Statement of Financial Position. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

2 Summary of significant accounting policies (continued)**(c) Financial instruments (continued)***Classification of financial assets*

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (“FVTOCI”) in accordance with the relevant criteria in AASB 9 *Financial Instruments*.

Financial assets not irrevocably designated on initial recognition at FVTOCI are classified as ‘Fair Value through Profit or Loss’ (“FVTPL”).

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 subsequent changes in the fair value of these investments (and the related tax thereon) in other comprehensive income. Such financial assets were classified at FVTOCI 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 classifies new investments in equity instruments (financial assets) at 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.

Classification of financial liabilities

Financial liabilities recognised by the Company are subsequently measured at amortised cost.

Measurement

The fair value of financial assets is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Usually, the quoted market prices on a recognised exchange or, in its absence, the most advantageous market to which the Company has access at that date. The Company’s accounting policy on fair value is disclosed in Note 14.

Changes in the fair value for financial assets at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred tax liability.

Other receivables

Other receivables are non-derivative assets and are stated at their amortised cost less any provision for impairment.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

When a financial asset held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the profits reserve.

(d) Donation provision

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 of the previous half-year. The donation provision represents the amount provided for donations at the reporting date.

2 Summary of significant accounting policies (continued)

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars (“AUD” or “\$”) which is the Company’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain or loss.

(f) Income tax

The income tax expense or benefit for the year is the tax payable on that year’s taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences and unused tax losses, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Company has a legally enforceable right to offset and intends to settle on a net basis.

Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity as appropriate.

(g) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST, unless GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of significant accounting policies (continued)**(i) Issued capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares have been recognised in the Statement of Comprehensive Income, net of any tax effects.

(j) Profits reserve

A profits reserve is made up of amounts transferred from current and retained earnings and realised gains on disposal of financial assets that are preserved for future dividend payments.

(k) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(l) Earnings/(loss) per share

(i) *Basic earnings/(loss) per share is calculated by dividing:*

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted earnings/(loss) per share*

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The investments of the Company are recommended by fund managers who provide their expertise and stock recommendations to the Company on a pro bono basis. Therefore, the investment portfolio of the Company does not incur any fund management fees. It is estimated that the investments fees forgone by the fund managers based on normal commercial terms for the year ended 30 June 2023 equates to \$9,735,444 (2022: \$12,580,000). This notional benefit to the Company is not included in the financial statements of the Company.

During the year ended 30 June 2023, the Company made purchases of \$54,625,405 into unlisted securities which are not quoted in an active market. These investments are valued at their fair value. The methods used to determine the fair value of these investments is outlined in Note 14(a).

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences.

Other than these estimates, there are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2023 (2022: None).

2 Summary of significant accounting policies (continued)

(n) New standards and interpretations applicable and not yet adopted

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

3 Income tax

(a) Income tax expense

The prima facie tax on profit or loss before income tax is reconciled to the income tax expense as follows:

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Prima facie income tax expense on the net profit at 30%	13,697,178	(40,909,988)
Imputation credits and foreign tax credits claimed at 100%	(1,094,860)	(884,867)
Imputation credits gross up on dividends received	219,490	227,532
Foreign tax credits gross up dividends received	108,968	37,928
Income tax expense/(benefit) recognised in profit or loss	12,930,776	(41,529,395)
Deferred tax on net unrealised gains/(losses) on investments	8,669,296	(69,691,998)
Income tax on net realised gains on investments	4,285,324	16,226,863
Income tax expense/(benefit) recognised in other comprehensive income/(loss)	12,954,620	(53,465,135)
Total income tax expense/(benefit)	25,885,396	(94,994,530)

(b) Total income tax expense results in a:

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Current income tax benefit	–	(9,518,736)
Deferred tax assets	(20,437,697)	298,260
Deferred tax liabilities	33,368,473	(32,308,919)
Income tax expense/(benefit) recognised in profit or loss	12,930,776	(41,529,395)
Deferred tax liability on net unrealised gains/(losses) on investments	8,669,296	(69,691,998)
Current income tax liability on net realised gains on investments	4,285,324	16,226,863
Income tax expense/(benefit) recognised in other comprehensive income/(loss)	12,954,620	(53,465,135)
Total income tax expense/(benefit)	25,885,396	(94,994,530)

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3 Income tax (continued)

(c) Balance of current tax asset:

	30 June 2023	30 June 2022
	\$	\$
Current tax asset	–	14,825,917
Current tax receivable	–	14,825,917
Closing balance	–	14,825,917
Movement in current tax asset:		
Opening balance	14,825,917	(29,337,532)
Charged to profit or loss	–	(6,708,127)
Tax (refund)/payment	(14,998,758)	50,871,576
Adjustment for prior year over provision	172,841	–
Closing balance	–	14,825,917

(d) Balance of deferred tax asset:

	30 June 2023	30 June 2022
	\$	\$
Deferred tax assets	12,056,061	38,114,298
Current year tax loss	16,468,964	–
Non deductible offer costs - balance	–	444,680
Donation accrual not deductible at balance date	1,717,802	1,762,551
Unrealised (gains)/losses on investment	(5,913,776)	39,256,093
Dividend receivable at balance date	(260,275)	(50,287)
Unrealised (gains)/losses on foreign exchange	43,346	(3,298,739)
Closing balance	12,056,061	38,114,298
Movement in deferred tax asset:		
Opening balance	38,114,298	1,752,506
Charged to profit or loss	(13,103,616)	–
Charged to other comprehensive income	(12,954,621)	–
Re-allocation to deferred tax asset	–	36,361,792
Closing balance	12,056,061	38,114,298

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3 Income tax (continued)

(e) Balance of deferred tax liabilities:

	30 June 2023	30 June 2022
	\$	\$
Deferred tax liabilities	-	-
Movement in deferred tax liabilities:		
Opening balance	-	65,340,865
Charged to profit or loss	-	(48,237,522)
Charged to other comprehensive income/(loss)	-	(53,465,135)
Re-allocation to deferred tax asset	-	36,361,792
Closing balance	-	-

(f) Dividend franking account

	For the year ended 30 June 2023	For the year ended 30 June 2022
	\$	\$
Opening balance	81,873,826	43,321,479
Franking credits on dividends received	711,702	758,442
Franking credits on dividends paid	(13,182,592)	(13,077,671)
Tax (refund)/paid during the year	(14,998,758)	50,871,576
Closing balance of franking account	54,404,178	81,873,826
Franking credits on dividends receivable	19,931	-
Franking credits available for use in subsequent reporting periods	54,424,109	81,873,826

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4 Dividend income

Dividend income from financial assets at fair value

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Dividend income from financial assets at fair value – Investments sold during the year	863,595	1,504,974
Dividend income from financial assets at fair value – Investments held at year end ¹	4,851,499	2,673,042
Dividend income from financial assets at fair value	5,715,094	4,178,016
Withholding tax on dividends	(363,228)	(126,426)
Dividend income from financial assets at fair value	5,351,866	4,051,590

¹ Dividend income related to investments in other comprehensive income as of 30 June 2023 is \$1,103,213 (2022: 912,876).

5 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Audit and review of financial statements	53,369	52,279
Other services provided by related practice of the auditor		
Taxation services	4,125	8,525
Total remuneration for audit and other assurance services	57,494	60,804

6 Other receivables

	30 June 2023 \$	30 June 2022 \$
Dividend receivable	854,272	164,890
Other receivables	8,609	337
Total other receivables	862,881	165,227

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7 Donation provision

	30 June 2023 \$	30 June 2022 \$
Donation provision	5,726,006	5,875,169
Total donation provision	5,726,006	5,875,169

For the year ended 30 June 2023, the amount recognised in the Statement of Comprehensive Income as an expense was \$10,090,124 (2022: \$12,070,528). This amount represents donations paid or payable to medical research beneficiaries to advance medical research in Australia. As at 30 June 2023, the amount recorded as a donation provision in the Statement of Financial Position of \$5,726,006 (2022: \$5,875,169) represents a provision for donations payable to medical research beneficiaries at balance date.

8 Share capital

(a) Issued capital

	30 June 2023 No. of shares	30 June 2023 \$
Ordinary shares	228,802,420	574,476,801

	30 June 2022 No. of shares	30 June 2022 \$
Ordinary shares	227,850,849	572,278,169

(b) Movements in share capital

	For the year ended 30 June 2023 No. of shares	For the year ended 30 June 2023 \$
Opening balance	227,850,849	572,278,169
Shares issued at \$2.31 per share	951,571	2,198,632
Closing balance	228,802,420	574,476,801

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8 Share capital (continued)

(b) Movements in share capital (continued)

	For the year ended 30 June 2022 No. of shares	For the year ended 30 June 2022 \$
Opening balance	226,033,818	567,043,973
Shares issued at \$2.88 per share	1,817,031	5,234,196
Closing balance	227,850,849	572,278,169

On 4 April 2023 the Company issued 951,571 fully paid ordinary shares at \$2.31 pursuant to the dividend reinvestment plan. In the prior financial year, on 12 April 2022 the Company issued 1,817,031 fully paid ordinary shares at \$2.88 pursuant to the dividend reinvestment plan.

9 Reserves and accumulated losses

(a) Reserves

	30 June 2023 \$	30 June 2022 \$
Investment portfolio revaluation reserve	9,886,072	(10,342,285)
Profits reserve	153,270,754	174,031,046
Accumulated losses	(62,110,751)	(94,837,235)
Total reserves	101,046,075	68,851,526

(b) Investment portfolio revaluation reserve

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Opening balance	(10,342,285)	152,272,375
Net realised gains on investments	14,284,414	54,089,546
Income tax on net realised gains on investments	(4,285,324)	(16,226,864)
Net unrealised gains/(losses) on investments	28,897,653	(232,306,657)
Deferred income tax on unrealised gains/(losses) on investments	(8,669,296)	69,691,997
Transfer to profits reserve	(9,999,090)	(37,862,682)
Closing balance	9,886,072	(10,342,285)

9 Reserves and accumulated losses (continued)

(c) Net realised (losses)/gains on investments

During the year a number of investments held at fair value were sold realising a net loss as set out below. The investments were sold following recommendations from our portfolio fund managers and in accordance with our investment strategy.

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Proceeds from sale of investments	444,410,176	466,054,222
Original cost of investments sold	(501,610,995)	(433,678,566)
	(57,200,819)	32,375,656

(d) Profits reserve

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Opening balance	174,031,046	166,682,929
Transfer to investment portfolio revaluation reserve	9,999,090	37,862,682
Dividends	(30,759,382)	(30,514,565)
	153,270,754	174,031,046

During the year, the Company paid a fully franked dividend of \$0.135 per share to shareholders amounting to a total dividend payment of \$30,759,382, of which \$3,766,855 was reinvested by shareholders in HM1 shares via the dividend reinvestment plan. In the prior year, the Company paid a fully franked dividend of \$0.135 per share to shareholders amounting to a total dividend payment of \$30,514,565, of which \$5,234,196 was reinvested by shareholders in additional HM1 shares via the dividend reinvestment plan.

(e) Accumulated losses

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Opening balance	(94,837,235)	–
Net income/(loss) for the year	32,726,484	(94,837,235)
	(62,110,751)	(94,837,235)

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10 Cash and cash equivalents

Cash at the end of the reporting year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2023	30 June 2022
	\$	\$
Cash at bank	3,866,782	3,086,828
Cash at custodian	55,379,807	118,939,538
Total cash and cash equivalents	59,246,589	122,026,366

The cash at bank is denominated in AUD, is at call and is earning interest at a fixed rate of 0.01% (2022: 0.01%). The cash at custodian is at call and denominated in AUD, United States Dollars (“USD”), Japanese Yen (“JPY”), Hong Kong Dollars (“HKD”), Canadian Dollars (“CAD”), Euros (“EUR”) and British Pound Sterling (“GBP”) and is non-interest bearing.

Risk exposure

The Company’s exposure to interest rate risk is discussed in Note 13. The maximum exposure to credit risk in relation to cash at the end of the reporting year is the carrying amount of cash in bank and cash at custodian.

Cash in bank is with Commonwealth Bank of Australia that has a Standard and Poor’s short-term rating of A-1+ (2022: A-1+) and long-term rating of AA- (2022: AA-). Cash at custodian is with JP Morgan Chase Bank that has a short-term rating of A-1 (2022: A-1) and a long-term rating of A+ (2022: A+).

11 Reconciliation of net loss for the year to net cash provided by/(used in) operating activities

	For the year ended 30 June 2023	For the year ended 30 June 2022
	\$	\$
Net income/(loss) for the year	32,726,484	(94,837,235)
Fair value (gains)/losses and movements in financial assets at fair value through profit or loss	(50,183,334)	137,685,978
Effects of foreign currency exchange rate changes on cash and cash equivalents	(2,036,582)	(11,032,418)
Change in operating assets and liabilities:		
(Increase)/decrease in other receivables	(697,654)	110,099
Decrease/(increase) in deferred tax assets	17,388,941	(36,361,792)
Decrease/(increase) in current tax asset	10,540,593	(60,390,312)
Decrease in donation provision	(149,163)	(500,109)
Increase in deferred tax liabilities	–	4,351,133
Increase in other payables	12,250	87,750
Net cash provided by/(used in) operating activities	7,601,535	(60,886,906)

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12 Basic and diluted loss per share

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Net income/(loss) for the year used in the calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company	32,726,484	(94,837,235)

	For the year ended 30 June 2023 \$	For the year ended 30 June 2022 \$
Basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	14.35	(41.88)

Weighted average number of shares used as denominator

	For the year ended 30 June 2023 No. of shares	For the year ended 30 June 2022 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	228,054,198	226,428,174

At the end of the year, there were no outstanding securities that are potentially dilutive in nature for the Company (2022: None).

13 Financial risk management

The Company's financial instruments consist mainly of cash and cash equivalents, other receivables, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk, liquidity risk and other risks. The Board of the Company have implemented a risk management framework to mitigate these risks.

Risks are managed in the context of the Company's strategic objectives, the size and complexity of its operations, and the Board's expectations and attitude to risk. The Company has implemented a risk management framework based on the Australian New Zealand International Standard Organisation 31000:2009 *Risk management – Principles and guidelines*. Details of the Company's risk management framework are available on the Company's website.

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13 Financial risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The investment portfolio is exposed to market risk. The market risk of securities in the Company's investment portfolio can fluctuate as a result of market conditions. The value of the investment portfolio may be impacted by factors such as economic conditions, interest rates, currency exchange rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes. In addition, as the Company is listed on the ASX, its securities are exposed to market risks. As a result, the security price may trade at a discount or a premium to its net tangible assets.

Currency risk

The Company holds monetary assets denominated in currencies other than the Australian dollar. The Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company does not hedge against its foreign exchange exposure, and consequently, the impact of foreign exchange movements is directly reflected in the Statement of Comprehensive Income.

While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain investments in which the Company invests, even if those investments are denominated in Australian dollars. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Company's equity of future movements in foreign exchange rates.

The table below summarises the Company's monetary assets exposed to foreign currency risk at 30 June 2023 and 30 June 2022:

	30 June 2023	30 June 2022
	Net currency exposure*	Net currency exposure*
	%	%
United States Dollar	56	60
Euro	10	3
Canadian Dollar	3	4
Pound Sterling	2	1
Hong Kong Dollar	1	3
Japanese Yen	–	2
	72	73
Total	72	73

* As percentage of investment portfolio exposure.

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13 Financial risk management (continued)

Market risk (continued)

Sensitivity

The following tables illustrate the sensitivities of the Company's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the AUD weakened/strengthened by 10% against the other currencies.

30 June 2023	USD impact AUD	HKD impact AUD	EUR impact AUD	JPY impact AUD	CAD impact AUD	GBP impact AUD
Impact on total comprehensive income	+/-25,232,459	+/-569,475	+/-4,110,730	+/- –	+/-1,326,689	+/-843,704

30 June 2022	USD impact AUD	HKD impact AUD	EUR impact AUD	JPY impact AUD	CAD impact AUD	GBP impact AUD
Impact on total comprehensive income	+/- 24,878,177	+/- 856,475	+/- 392,231	+/- 710,585	+/- 1,226,689	+/- 550,815

Equity price risk

The Company is exposed to price risk on its financial assets classified in the Statement of Financial Position as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. There is a risk that securities will fall in value over short or extended periods of time. Equity markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. The Company's typical investment portfolio is expected to hold 25 to 30 securities, which represents a high level of investment concentration. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility. The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of fund managers.

Price risk also arises from the Company's investments in unlisted securities, whose valuation is based on the valuation of the underlying companies or funds of those unlisted securities. All investments present a risk of loss of capital. The Company mitigates this risk through careful selection of unlisted securities within defined limits. The underlying companies or funds are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid in nature.

The Company follows a due diligence process prior to making an investment in an unlisted security. In making an investment decision, the Company considers both qualitative and quantitative criteria in the areas of financial performance, business strategy and risk, such as financial information obtained through the underlying investment manager and from information gathered from external sources. The Company also performs ongoing monitoring procedures primarily through discussions with the underlying investment managers.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the market risk that the Company was exposed to at reporting date, assuming a tax rate of 30%.

	30 June 2023 \$	30 June 2022 \$
Impacts on total profit and loss		
MSCI World Index (AUD)		
Change in variable +/- 5%	16,798,305	6,564,370
Change in variable +/- 10%	33,596,609	13,128,741
Impacts on total comprehensive income		
MSCI World Index (AUD)		
Change in variable +/- 5%	4,523,113	16,518,628
Change in variable +/- 10%	9,046,225	33,037,256

13 Financial risk management (continued)

Market risk (continued)

Cash flow and interest rate risk

The Company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The tables below summarise the Company's exposure to interest rate risks:

30 June 2023	Interest bearing	Non-interest bearing	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents	3,866,782	55,379,807	59,246,589
Financial assets at fair value through profit or loss	–	479,951,559	479,951,559
Financial assets at fair value through other comprehensive income	–	129,231,792	129,231,792
Other receivables	–	862,881	862,881
Total financial assets	3,866,782	665,426,039	669,292,821
Financial liabilities			
Donation provision	–	5,726,006	5,726,006
Other payables	–	100,000	100,000
Total financial liabilities	–	5,826,006	5,826,006
30 June 2022			
	Interest bearing	Non-interest bearing	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents	3,086,828	118,939,538	122,026,366
Financial assets at fair value through profit or loss	–	187,553,443	187,553,443
Financial assets at fair value through other comprehensive income	–	284,407,363	284,407,363
Other receivables	–	165,227	165,227
Total financial assets	3,086,828	591,065,571	594,152,399
Financial liabilities			
Donation provision	–	5,875,169	5,875,169
Other payables	–	87,750	87,750
Total financial liabilities	–	5,962,919	5,962,919

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. At 30 June 2023, if interest rates had increased by 200 basis points (bps) or decreased by 200 bps from the year end rates with all other variables held constant, post tax profit for the year would have been \$1,903,366 (2022: \$1,719,302) higher or \$1,903,366 (2022: \$1,719,302) lower, as a result of higher or lower interest income from cash and cash equivalents.

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13 Financial risk management (continued)**Market risk (continued)***Sensitivity (continued)*

Interest rate risk also arises from the effects of fluctuations in the prevailing levels of market interest rates on the Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The sensitivity to changes in the value of financial assets at fair value through other comprehensive income is set out in the price risk and currency risk sensitivity tables. The Directors do not consider it meaningful to provide a separate analysis of the sensitivity of the investment portfolio to changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions and other receivables.

The maximum exposure to credit risk at balance sheet date of recognised financial assets is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the Statement of Financial Position and Note 10 to the financial statements.

The Company held no collateral as security or any other credit enhancements. None of the assets exposed to a credit risk are overdue or considered to be impaired.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board and Investment Committee monitor the Company's cash flow requirements in relation to the investment portfolio taking into account dividends, tax payments and investing activity.

The Company's inward cash flows depend on the level of dividend and interest revenue received, investment disposals and capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. The major cash outflows are investments, donations, general expenditure and future dividends paid to shareholders and the level of these outflows is managed by the Board and Investment Committee. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. A sufficient level of the Company's cash is held at call to meet cash outflows and mitigate liquidity risk.

13 Financial risk management (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted cash flows:

30 June 2023	On demand	1 to 3	3 to	More than	No fixed	Total
	\$	months	12 months	12 months	maturity	\$
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	59,246,589	–	–	–	–	59,246,589
Financial assets at fair value through profit or loss	–	–	–	–	479,951,559	479,951,559
Financial assets at fair value through other comprehensive income	–	–	–	–	129,231,792	129,231,792
Other receivables	862,881	–	–	–	–	862,881
Total financial assets	60,109,470	–	–	–	609,183,351	669,292,821
Financial liabilities						
Donation provision	–	5,726,006	–	–	–	5,726,006
Other payables	100,000	–	–	–	–	100,000
Total financial liabilities	100,000	5,726,006	–	–	–	5,826,006
30 June 2022						
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	122,026,366	–	–	–	–	122,026,366
Financial assets at fair value through profit or loss	–	–	–	–	187,553,443	187,553,443
Financial assets at fair value through other comprehensive income	–	–	–	–	284,407,363	284,407,363
Other receivables	165,227	–	–	–	–	165,227
Total financial assets	122,191,593	–	–	–	471,960,806	594,152,399
Financial liabilities						
Donation provision	–	5,875,169	–	–	–	5,875,169
Other payables	87,750	–	–	–	–	87,750
Total financial liabilities	87,750	5,875,169	–	–	–	5,962,919

14 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.

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).

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 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 year.

(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 and liabilities measured and recognised at fair value at:

30 June 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Listed equity securities on major exchanges	423,574,173	–	–	423,574,173
Unlisted equity securities	–	15,465,021	40,912,365	56,377,386
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	129,231,792	–	–	129,231,792
Total financial assets at fair value	552,805,965	15,465,021	40,912,365	609,183,351

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14 Financial assets (continued)

Fair value measurements (continued)

(b) Fair value hierarchy (continued)

30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equity securities on major exchanges	187,553,443	–	–	187,553,443
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	284,407,363	–	–	284,407,363
Total financial assets at fair value	471,960,806	–	–	471,960,806

There were no transfers between levels for recurring fair value measurements during the year (2022: None).

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

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

Valuation techniques and key inputs used in Level 2 and Level 3 fair value measurements:

	Fair value as at 30 June 2023 \$	Valuation techniques	Unobservable inputs	Range inputs
Recurring fair value measurements				
<i>Financial assets at fair value through profit or loss:</i>				
Unlisted equity securities	<u>56,377,386</u>	Recent material arm's length market transaction	N/A	N/A

(c) Level 3 fair value measurements

The table below shows reconciliation of all movements in the fair value of Level 3 investments:

	2023 \$	2022 \$
At beginning of year	–	–
Purchases	39,625,405	–
Net change in unrealised gain	1,286,960	–
At end of year	<u>40,912,365</u>	–

The net change in unrealised gain on Level 3 investments still held as at year end that amounted to \$1,286,960 (2022: Nil) was included in the Statement of Comprehensive Income.

14 Financial assets (continued)**Fair value measurements (continued)****(c) Level 3 fair value measurements (continued)***Valuation process for Level 3 investments*

The Company holds investments in unlisted securities which are not quoted in an active market and the inputs for measuring fair value are not based on observable market data. Transactions in such investments do not occur on a regular basis. These investments are valued at fair value. The method that the Company uses to determine the fair value of these investments is generally the most recent material arm's length transaction or the latest available price or valuation received from the underlying investment manager. The Board has determined that it is appropriate to use these transactions or latest available prices or valuations in determining the fair value of the investments in unlisted securities. The Company classifies the fair value of these investments as Level 3 in the fair value hierarchy.

The latest available price received from the underlying investment manager of an unlisted security is calculated by the relevant underlying investment manager in accordance with their methodologies and assumptions to determine the fair value of the investment in any portfolio companies. The methodologies that are used by the underlying investment manager to determine the fair value of the Company's investment in any unlisted portfolio companies are as follows:

- market approach (whereby fair value is derived by reference to observable transactions or valuation measures for comparable companies or assets including any recent transactions in the unlisted security);
- income approach (such as the discounted projected cash flow method); or
- cost approach, as the best initial approximation of fair value upon acquisition of an investment.

The Company does not utilise valuation models to calculate the fair value of its investments in unlisted securities. The most recent material arms-length transaction or latest available price or valuation received from the underlying investment manager are considered to be the key inputs in the determination of fair value. The Company does not have any other key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the Company's net asset value within the next financial year. However, the Company has the following control procedures in place to evaluate whether the carrying value of the unlisted securities is calculated in a manner consistent with AASB 13 *Fair Value Measurement*:

- Thorough initial due diligence process and ongoing monitoring procedures, primarily discussions with the underlying investment manager;
- Historical realisations or quoted market values of comparable companies to the last reported fair values;
- Review of the financial statements, key assumptions and significant judgements used in determining the fair value of each investment;
- The evaluation of detailed valuation assessments provided by the investment manager, (where available).

Due to the inherent uncertainty of the valuation of the unlisted securities, the values used and the methodologies and assumptions adopted in the valuation may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of the revaluation of the unlisted securities within the next financial period.

15 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.

	30 June 2023	30 June 2022
	Country of Listing	Country of Listing
	%	%
United States	56	58
Australia	28	29
Germany	10	–
Canada	3	8
United Kingdom	2	4
Hong Kong	1	1
	100	100

16 Key management personnel compensation

The names and positions held of the Company's key management personnel (KMP) (including Directors in office at any time during the year ended 30 June 2023) are:

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
Paul Rayson	Chief Executive Officer
Rory Lucas	Chief Investment Officer
Charlie Lanchester	Chief Investment Officer

(a) Remuneration

KMP include the Directors, the Chief Executive Officer and the Chief Investment Officer. Directors have agreed to waive their directors' fees on an ongoing basis. For the year ended 30 June 2023, no directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer are set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three month notice period. The remuneration of the Chief Executive Officer and the Chief Investment Officer is salary based and does not include securities or options in the Company and no element of the remuneration is tied to Company performance. The Chief Executive Officer and the Chief Investment Officer are not provided with retirement benefits apart from statutory superannuation.

16 Key management personnel compensation (continued)

(a) Remuneration (continued)

Year ended 30 June 2023	Short-term benefits Salary \$	Termination benefits \$	Post- employment benefits Superannuation \$	Total Remuneration \$
Paul Rayson	274,708	–	25,292	300,000
Charlie Lanchester (commenced 12/4/23)	66,250	–	5,550	71,800
Post Employee				
Rory Lucas (employment ceased 1/2/23)	188,125	205,904*	16,042	410,071

* Includes payment for notice period and statutory entitlements

Year ended 30 June 2022	Short-term benefits Salary \$	Termination benefits \$	Post- employment benefits Superannuation \$	Total Remuneration \$
Paul Rayson	218,216	–	19,784	238,000
Rory Lucas	243,216	–	19,784	263,000

(b) Shareholdings

The Company's KMP and their related parties held the following interests in the Company:

30 June 2023 Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	1,153,300	25,000	(1,103,300)*	75,000
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,172,281	–	(1,100,000)*	72,281
Gary Weiss AM	495,002	3,876	–	498,878
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	95,000	–	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	131,371	–	(131,371)	–
Charlie Lanchester	–	89,061	–	89,061

* Due to an internal process and approval change made by Australian Philanthropic Services, Mr Christopher Cuffe and Mr Michael Traill were no longer deemed to control the 1,100,000 HM1 shares held by Australian Philanthropic Services Foundation on 30 June 2022.

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16 Key management personnel compensation (continued)

(b) Shareholdings (continued)

30 June 2022 Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	1,100,000	53,300	–	1,153,300
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,172,281	–	–	1,172,281
Gary Weiss AM	495,002	–	–	495,002
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	95,000	–	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	116,041	35,330	(20,000)	131,371

Directors, other KMP and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

17 Related party transactions

All transactions with related entities were made on normal commercial terms and at market rates, except as noted below.

Investment and management fees

The Company will forego any investment and management fees associated with implementing and managing the investment strategy. Instead, donations will be paid by the Company to the designated charities every six months.

The Company Secretary has waived his right to receive fees. The Company holds professional indemnity insurance to his benefit. He receives an indemnity as an officer of the Company to the maximum extent permitted by law and is entitled to be reimbursed for any external costs and expenses he incurs. The Company Secretary is a General Manager of Boardroom Pty Limited. Boardroom Pty Limited provide company secretarial services to the Company.

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$5,036,644 to Victor Chang Cardiac Research Institute for the year ended 30 June 2023 (2022: \$6,298,991).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$5,036,644 to Victor Chang Cardiac Research Institute for the year ended 30 June 2023 (2022: \$6,298,991).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation holds 4,270,106 shares in HM1 on 30 June 2023 (2022: 4,270,106).

Michael Traill is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms amounting to \$8,800 for the year 30 June 2023 (2022: \$4,400).

Chris Cuffe is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms amounting to \$8,800 for the year 30 June 2023 (2022: \$4,400).

Directors' fees

The Directors have agreed to waive any right to be paid director fees (see Note 16).

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18 Commitments and contingencies

The Company had no material contingent liabilities or commitments as at 30 June 2023 (2022: Nil).

19 Events occurring after the reporting year

No matter or circumstance has occurred subsequent to year 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 years.

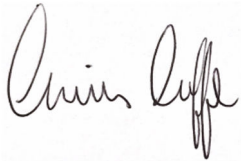
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Directors' Declaration

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 report as set out in pages 33 to 58 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 27 to 28, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company as at 30 June 2023 and of its performance, as represented by the results of the operations and the cash flows, for the 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.
- (c) The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the person who performs the Chief Executive Officer and Chief Financial Officer functions, for the purpose of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
29 August 2023

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Pitcher Partners Sydney Partnership

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hearts and Minds Investments Limited ("the Company"), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 30 June 2023, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Hearts and Minds Investments Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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 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 on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p>Existence and Valuation of Financial Assets Refer to Note 14: Financial Assets</p>	
<p>The Company's financial assets are its largest asset and represent the most significant driver of the Company's Net Tangible Assets and operating result.</p> <p>The majority of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX and are therefore classified as Level 1.</p> <p>The Company has also made an investment into an unlisted managed investment scheme which involves judgement in determining the fair value of the investment and is considered Level 2.</p> <p>The remaining investments are considered to be Level 3, where the investment is not traded in an active market and fair value is determined using valuation techniques where there are judgements involved in determining the fair value of the investments. For Level 3 investments the models used to value these investments include inputs which may not be market observable and are therefore estimated based on assumptions.</p> <p>Given the significance of the investments balance, the key audit matter for us was whether the Company has accurately recorded the fair value and has ownership at year end</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and evaluating the investment management processes and controls; • Reviewing and evaluating the independent auditors' report on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator and Custodian; • Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the auditors' report relate to and obtaining a bridging letter; • Obtaining confirmation of the investment holdings directly from the Custodian; • For level 1 securities: Comparing the investment valuation of the Company at last sale price ensuring that the last sale price is within the bid-ask spread obtained from independent pricing sources; • For Level 2 securities: Obtaining information on the latest reported unit price and comparing to reported net asset values and considered distribution statements; • For level 3 securities: Selecting samples of investments to review in detail, assessing management's assumptions and significant judgements used in determining the fair value of each investment; • Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; and • Assessing the adequacy of disclosures in the financial statements.

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Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the financial year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 27 of the Directors' Report for the financial year ended 30 June 2023. In our opinion, the Remuneration Report of Hearts and Minds Investments Limited, for the financial year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M Whiddett
Partner

29 August 2023



Pitcher Partners
Sydney

Additional Securities Exchange Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information is current as at 28 July 2023 (Reporting Date).

Corporate Governance Statement

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on HM1's website (www.heartsandmindsinvestments.com.au) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

Number of Holdings of Equity Securities

As at the Reporting Date, the number of holders in each class of equity securities on issue in HM1 is as follows:

Security type	No. of securities	No. of shareholders
Fully Paid Ordinary Shares	228,802,420	8,639

Voting Rights of Equity Securities

The only class of equity securities on issue in the Company which carry voting rights is ordinary shares.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of Holders of Ordinary Shares

	Class of Ordinary Shares		
	Total holders	Units	% Units
1-1,000	1,393	638,707	0.280
1,001-5,000	2,761	7,400,375	3.230
5,001-10,000	1,587	12,302,259	5.380
10,001-100,000	2,710	70,790,533	30.940
100,001-9,999,999,999	188	137,670,546	60.170
Totals:	8,639	228,802,420	100.000

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Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

Unmarketable Parcels as Reporting Date	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$2.38 per unit	210	311	32,225

Substantial Holders

There are no substantial holders (voting interest greater than 5%) in Hearts and Minds Investments Limited as at 28 July 2023 (2022: Nil).

Twenty Largest Holders of Quoted Equity Securities

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder as at the Reporting Date, is as follows:

Shareholder name	Shares held	% Held
HSBC Custody Nominees (Australia) Limited	39,319,374	17.185%
National Nominees Limited	14,756,281	6.449%
Netwealth Investments Limited <Wrap Services A/C>	7,690,244	3.361%
Bnp Paribas Nominees Pty Ltd Barclays <Drp A/C>	7,601,388	3.322%
Koll Pty Ltd <No 1 Account>	4,443,750	1.942%
Beta Gamma Pty Ltd <Walsh Street Super A/C>	4,434,454	1.938%
Charles & Cornelia Goode Foundation Pty Ltd <Ccg Foundation A/C>	2,446,672	1.069%
Associated World Investments Pty Ltd	2,250,000	0.983%
Skip Enterprises Pty Limited <Farquhar A/C>	2,250,000	0.983%
Jane Hansen Super Pty Ltd <Jane Hansen Super Fund A/C>	2,200,228	0.962%
The Ian Potter Foundation Ltd <No 1 A/C>	1,800,000	0.787%
Wilson Foundation Pty Ltd <Wilson Foundation A/C>	1,687,500	0.738%
Bnp Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	1,437,354	0.628%
Kennbros Pty Limited	1,279,170	0.559%
Navigator Australia Ltd <Mlc Investment Sett A/C>	1,264,707	0.553%
Bridgestar Pty Ltd	1,150,000	0.503%
John Shearer (Holdings) Pty Limited	1,148,939	0.502%
Australian Philanthropic Services Foundation Pty Ltd <Aps Foundation A/C>	1,100,000	0.481%
Citicorp Nominees Pty Limited	955,277	0.418%
Super Y Pty Ltd <Yamey Super Fund A/C>	938,824	0.410%
Total number of shares of Top 20 Holders:	100,154,162	43.773%
Total Securities:	228,802,420	100.000%

Unquoted Equity Securities

There are no unquoted equity securities.

Company Secretary

The Company Secretary is Mr Tom Bloomfield.

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Registered Office

The address and telephone number of the Company's registered office is:

Level 8, 210 George Street
Sydney NSW 2000 Australia

Telephone +61 2 9290 9600

Share Registry

The address and telephone number of the Company's share registry, Boardroom Pty Limited is:

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000 Australia
Phone No: +61 2 9290 9600

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: HM1).

Other Information

There are no issues of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act which have not yet been completed. No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

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