

28 February 2021

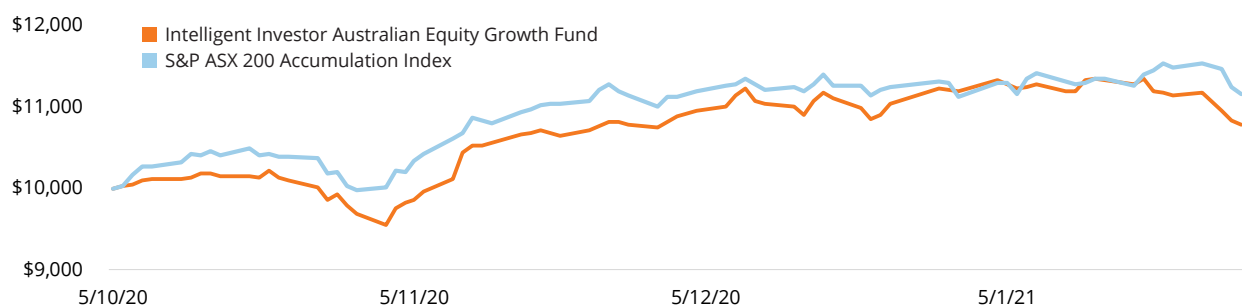
Monthly Update

Intelligent Investor Australian Equity Growth Fund

(Managed Fund) (ASX: IIGF)

As at 28 February 2021

Performance of \$10,000 since inception



Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	S.I. (p.a)
II Australian Equity Growth Fund	5.0%	5.4%	N/A	N/A	13.3%
S&P ASX 200 Accumulation Index	1.5%	3.0%	N/A	N/A	13.3%
Excess to Benchmark	3.5%	2.4%	N/A	N/A	0.0%

Asset allocation

Information Technology	30.5%
Consumer Discretionary	17.1%
Financials	14.9%
Cash	12.1%
Industrials	8.8%
Materials	5.2%
Energy	5.1%
Communication Services	3.5%

Top 5 holdings

Frontier Digital Ventures (FDV)	8.8%
Star Entertainment Group (SGR)	6.7%
Audinate (AD8)	6.6%
Pinnacle Investment Mgmt Group (PNI)	6.6%
RPMGlobal (RUL)	6.1%

About Us

With a 20-year track record of beating the market, clear and straightforward language, and an 'open book' approach to stock research and analysis, *Intelligent Investor* offers actionable, reliable recommendations on ASX-listed stocks.

In 2014, *Intelligent Investor* became a part of the InvestSMART family, extending our expertise to even more Australian investors seeking quality analysis and advice.

Portfolio overview

The Intelligent Investor Equity Growth Portfolio is a concentrated portfolio of 10 - 35 Australian-listed stocks. The Portfolio invests in a mix of large, mid and small cap stocks, focusing on highly profitable industry leaders that have long-term opportunities to reinvest profits at high rates of return.

As contrarian value investors, producing safe and attractive returns in the stock market means sticking to a disciplined and repeatable process. We do this by patiently waiting for overreactions in share prices, so we can buy at a large discount to our estimate of intrinsic value.

Investment objective

The portfolio aims to achieve a return of 2% above the S&P/ASX 200 Accumulation Index p.a. over five year rolling periods with minimal turnover to allow returns to compound in a favourable tax environment.

Who manages the investment?

Nathan Bell, has over 20 years of experience in portfolio management and research and is supported by our Investment Committee, chaired by Paul Clitheroe. Nathan returned to *Intelligent Investor* in 2018 as Portfolio Manager, having previously been with *Intelligent Investor* for nine years, spending five of those as Research Director. Nathan has a Bachelor of Economics and subsequently completed a Graduate Diploma of Applied Investment and Management. Nathan is a CFA Charterholder.

Key Fund Details

INVESTMENT CATEGORY

A portfolio of individually-selected Australian Equities

INVESTMENT STYLE

Active Stock Selection, Value Investing Approach

BENCHMARK

S&P/ASX 200 Accumulation Index

INCEPTION DATE

6 October 2020

SUGGESTED INVESTMENT TIMEFRAME

5+ years

NUMBER OF STOCKS

10 - 35

INVESTMENT FEE

0.97% p.a.

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

N/A

SUITABILITY

Suitable for investors who are seeking domestic equity exposure with a growing stream of dividends to offset inflation

Intelligent Investor Australian Equity Growth Fund

Monthly update

'I bought \$6bn worth of tech stocks, and in six weeks I had lost \$3bn in that one play. You asked me what I learned. I didn't learn anything. I already knew that I wasn't supposed to do that. I was just an emotional basket case and couldn't help myself.'

— Stanley Druckenmiller on buying at the peak of the dotcom boom

The fund increased 5.0% during February compared to the index's 1.5% gain. February is reporting season and it was overwhelmingly positive for the fund. A couple of standout results came from **Pinnacle Investment Management** and **Lovisa**, whose share prices increased 29% and almost 40%, respectively, during the month.

It's hard to imagine that just twelve months ago, Pinnacle's stable of fund managers would've been thinking it would be years before they enjoyed performance fees again. Yet, the company could report earnings per share of over 40c for the full year in August, which means it was trading on a price-to-earnings ratio of just 6.5 during the COVID-induced panic last year.

The company's funds under management (FUM) has reached \$70bn. But with its growing stable of high performing fund managers offering 18 investment strategies, the company trying to tap overseas investors, and more Australians searching for funds where the owners have skin in the game and aren't being flogged to them by a large financial institution biased towards its own funds, FUM could continue to grow for a long time yet.

The fact that Lovisa produced a profit and paid a dividend is remarkable given it couldn't keep stores open last year due to COVID shutdowns. Having another company pay Lovisa to assume a portfolio of European leases also exemplifies the sort of entrepreneurial flair that you either don't get at much larger companies or such deals are too small to move the needle on profits.

With Lovisa's share price now pricing in a strong recovery, making big gains from here depends on its success abroad, particularly in the US. We like its odds of success, though we have been trimming the position to reflect the lower potential gains with the stock increasing sixfold since the panic almost exactly a year ago.

In contrast, the results from smash repair company **AMA Group** showed the severe impact that shutdowns in Victoria have had on the number of vehicle accidents. While that's good news for all of us, unfortunately as traffic is rebounding the number of car accidents will get back to normal, as will the number of repairs managed by AMA.

New CEO Carl Bizon is also focusing on improving the company's governance by tightening controls. While this is good news, the key question will be whether he has the ability to deliver on a bigger vision like former CEO Andy Hopkins once revenue recovers from the COVID induced slowdown. Either way, we believe the company is worth much more than it's trading at today.

*If you have any questions, as always, please call us on **1300 880 160** or email us at [**info@intelligentinvestor.com.au**](mailto:info@intelligentinvestor.com.au).*



Important information

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