

31 May 2021

Monthly Update

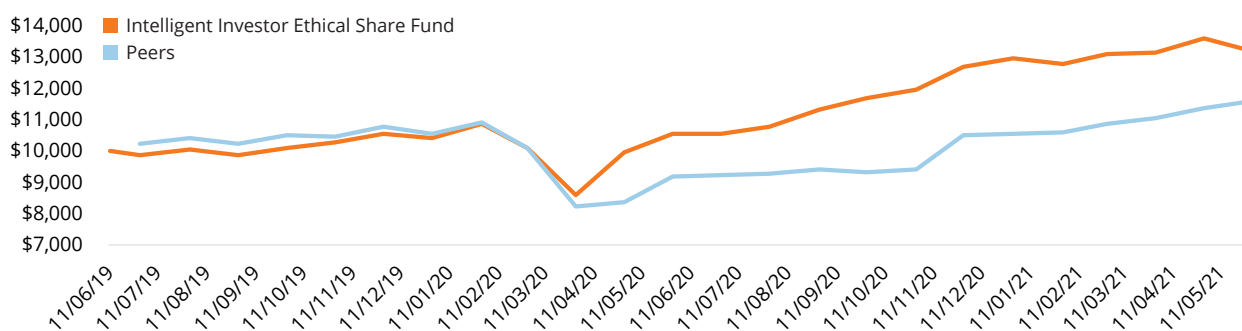
Intelligent Investor Ethical Share Fund

(Managed Fund) (ASX: INES)

As at 31 May 2021



Performance of \$10,000 since inception



Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	S. I. (p.a.)
Intelligent Investor Ethical Share Fund	-3.1%	0.6%	3.7%	25.2%	15.1%
S&P ASX 200 Accumulation Index	2.3%	8.5%	11.7%	28.2%	8.2%
Excess to Benchmark	-5.5%	-7.9%	-8.0%	-3.1%	6.9%

Asset allocation

Cash	34.7%
Communication Services	18.0%
Information Technology	15.8%
Industrials	12.4%
Financials	6.4%
Real Estate	6.1%
Health Care	3.7%
Utilities	1.9%
Consumer Discretionary	1.0%

Top 5 holdings

Frontier Digital Ventures (FDV)	8.1%
Audinate (AD8)	5.7%
Uniti Group (UWL)	5.7%
Sydney Airport (SYD)	5.7%
360 Capital Group (TGP)	5.2%

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.

Fund overview

Listed on 12 June 2019, the Intelligent Investor Ethical Share Fund is an Active ETF designed for investors seeking a diversified selection of Australian companies that produce growing, sustainable profits at low risk of interruption from the increasing threats associated with Environmental, Social and Governance (ESG) factors.

The Fund will invest in undervalued companies with strong long-term capital growth prospects based on the Intelligent Investor's value investing research process. Making more than 500 Buy recommendations since 2001 with an average outperformance of 5.2%¹ a year relative to the ASX 200.

Investment objective

To invest in a portfolio of ethically and socially responsible undervalued stocks to achieve medium to long-term capital growth.

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

1 July 2019 for the PMA
12 June 2019 for the Listed Fund

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

RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Intelligent Investor Ethical Share Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Intelligent Investor Ethical Share Fund's methodology, performance and stock holdings can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA.¹

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Intelligent Investor Ethical Share Fund

Monthly update

'The extent of the market's shrinkage in 1969-70 should have served to dispel an illusion that had been gaining ground during the past two decades. This was that leading common stocks could be bought at any time and at any price, with the assurance not only of ultimate profit but also that any intervening loss would soon be recouped by a renewed advance of the market to new high levels. That was too good to be true.'

— Benjamin Graham, *The Intelligent Investor*

The good news coming from our portfolio holdings belies the Fund's 3.1% fall this quarter compared to the market's 2.3% gain, which was spurred on by the big banks.

Technology stocks were hit hard this month due to increased expectations of higher inflation and ultimately the higher interest rates needed to quell it. So far at least, we've avoided disasters like **Nuix** and **Appen**.

But as we're focused on finding the next generation of big technology winners, volatility like we're currently experiencing is the price we must pay for high long-term returns. Nor does it mean the volatility is over, as high growth stocks are still very expensive on the whole.

It doesn't take much selling to knock the share prices of stocks like **Frontier Digital**

Ventures around given the absence of a long history of profitability, small market valuations and tightly held stock in a concentrated share registry of investors like ourselves.

This month's only portfolio change was selling smash repairer **AMA Group** where we accepted a small loss. The impact of labour shortages is compounding the loss of key management personnel following the departure of former CEO Anthony Hopkins.

While the share price rallied after new chief Carl Bizon recently announced that the company is currently trading within its bank covenants, the absence of a profit forecast so close to the end of the financial year suggests the result will be lousy and is increasing the chances of another potentially dilutive capital raising.

While **Qantas** boss Alan Joyce tried to get the Morrison government to commit to opening our international borders by October, Australia's botched vaccine roll out has condemned the reopening until 2022.

While that's kept the pressure on the share prices of **Sydney Airport** and **Auckland Airport**, we expect international travel will ramp up quickly as vaccination programs mature around the world. It will take time for earnings and dividends to recover, but at current prices we believe we're being compensated to wait.

Aussie Broadband's share price is now around 20% off its high despite showing growth well above its IPO forecast. For a business with less than a 5% market share,

the fact it's taking around 15% of market share for new connections shows its fast broadband services are resonating with customers.

Moelis also continues to perform well since our recent purchase after holding its Investor Day during the month. Unfortunately, we weren't able to buy many shares at the price we wanted, so it's had next to no impact on the fund.

While the fund is not currently keeping up with the market, that's common for a value portfolio in the late stages of a bull market. That's ok in the long term as long

as we're paying the right prices for the right businesses.

The news overall from our holdings continues to be good. And with most of them trading materially below their highs, it augurs well for our future returns compared to the major components of the index that look expensive.

*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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