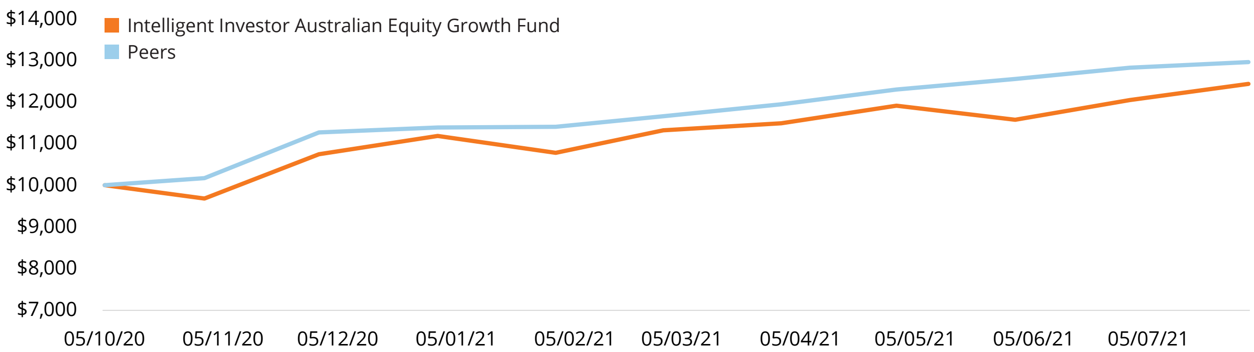
31 July 2021

Monthly Update

Intelligent Investor Australian Equity Growth Fund (Managed Fund) (ASX: IIGF)

As at 31 Jul 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	3.3%	4.4%	15.3%	N/A	24.3%
S&P ASX 200 Accumulation Index	1.1%	5.8%	13.8%	N/A	27.0%
Excess to Benchmark	2.2%	–1.4%	1.5%	N/A	–2.7%

Asset allocation

Information Technology	27.5%
Consumer Discretionary	14.6%
Financials	12.8%
Cash	12.6%
Industrials	8.1%
Energy	6.2%
Materials	6.0%
Communication Services	5.6%
Real Estate	4.0%
Utilities	2.6%

Top 5 holdings

Frontier Digital Ventures (FDV)	6.9%
RPMGlobal Holdings (RUL)	6.5%
Star Entertainment Group (SGR)	5.6%
Uniti Group (UWL)	5.6%
Sydney Airport (SYD)	5.6%

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

'To be an investor you must be a believer in a better tomorrow.'

— Benjamin Graham

The Fund increased 3.3% during July, compared to the market's 1.1% return. The stars this month were Pinnacle Investment Management and RPM Global, which we discussed in detail in our June quarterly report.

Crown Resorts was the main disappointment, as more sordid details of management's and the board's despicable behaviour were exposed by the Victorian regulatory Inquiry that denounced Crown is unfit to hold its gaming license.

Why anyone thought outgoing chairman Helen Coonan was the right person to turn Crown's fortunes around is beyond us, given Crown's institutionalised culture of deceit and recklessness grew on her watch.

Were Crown to lose its license(s) the impact on the portfolio would be minimal. But it's more likely the license will be sold (or at least suspended), or Crown will be acquired so that staff keep their jobs, and the flow of government taxes isn't interrupted.

With a bit of luck, **Star Entertainment** will be a beneficiary of Crown's problems, though it smartly rescinded its acquisition offer if only to pay a lower price.

Can a leopard change its spots?

The only addition to the portfolio during July was **Lendlease**. The global property developer has been a serial underperformer after former CEO Steve McCann acquired the engineering business a decade ago.

Bidding for huge, complex projects is fraught with peril. Until you start digging you never know how much these projects are going to cost and the surprises can be fatal and litigious.

Lendlease's size has saved it from an industry big on bravado, intense price competition and unsavoury headlines, but it's made the stock way riskier than it should be and condemned it to the bin of serial underperformers.

The company has a huge, global property development business that's building a large and growing funds management business. With new internally appointed CEO Tony Lombardo recently selling the company's engineering business (though he's stuck with the troublesome Melbourne Metro project) and its small services business to **Service Stream**, Lendlease is far less risky.

It also means the company can finally focus on property development that Lombardo expects can produce a 10-14% return on equity. Cheap and easy money means there is no shortage of money looking for a home, and Lendlease offers the sort of long-term assets with predictable returns that many large investors covet.

Should the business become more predictable and grow its funds management division without any major setbacks from the Melbourne Metro project, previously wary investors could push the share price back towards $20.

Updates

Both **Audinate** and **Frontier Digital Ventures** published updates showing revenue is recovering after COVID-induced slowdowns. While Audinate needs great results for many years to justify its premium, Frontier deserves a far higher value than less than seven times next year's revenue, which it's currently trading on. Similar businesses are currently trading at double that, with slower growth. And if Carsome's recent bid for **iCar Asia** is a guide, Frontier Digital should be trading well north of $2.

Founder and chief Shaun Di Gregorio has done an excellent job over the past year taking advantage of large companies offloading businesses immaterial to them but valuable to Frontier's expanding footprint. Frontier's portfolio companies have also tried to take advantage of weaker competitors forced to cut their marketing during COVID to preserve cash.

We'll have a better idea of what Frontier's portfolio companies are capable of over the next few years as they mature and take advantage of their market leadership.

As you read this, we'll be deep into reporting season. As most companies report their bad news before August, any surprises are likely to be around corporate activity rather than with operating performances.

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

INTELLIGENT INVESTOR

Important information

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