

31 August 2021

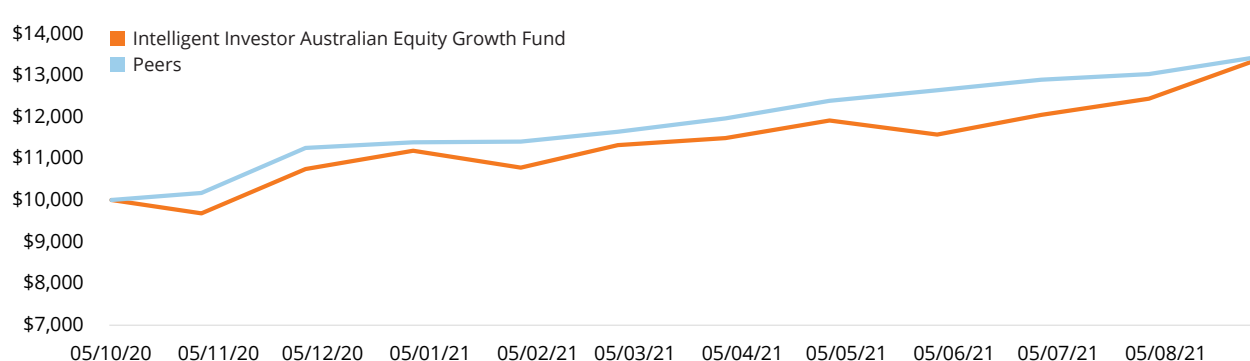
Monthly Update

Intelligent Investor Australian Equity Growth Fund

(Managed Fund) (ASX: IIGF)

As at 31 Aug 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	7.6%	15.5%	18.1%	N/A	33.7%
S&P ASX 200 Accumulation Index	2.5%	6.0%	15.0%	N/A	30.2%
Excess to Benchmark	5.1%	9.5%	3.1%	N/A	3.5%

Asset allocation

Information Technology	25.3%
Consumer Discretionary	15.2%
Financials	13.2%
Cash	10.8%
Industrials	7.6%
Communication Services	6.4%
Materials	5.9%
Energy	5.8%
Consumer Staples	3.8%
Real Estate	3.6%
Utilities	2.5%

Top 5 holdings

Frontier Digital Ventures (FDV)	6.6%
Pinnacle Investment Mgmt Group (PNI)	6.6%
Uniti Group (UWL)	6.4%
Star Entertainment Group (SGR)	6.2%
Sydney Airport (SYD)	5.3%

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

'The stock market is a device for transferring money from the impatient to the patient.'

— Warren Buffett

The fund increased 7.6% during August, compared to the market's 2.5% return. The stars this month were fast fashion jeweller **Lovisa**, and coal companies **Newhope Coal** and **Whitehaven Coal**. Star Entertainment's share price was also buoyed by a better result than expected.

Despite global lockdowns forcing Lovisa to shut many of its stores for extended periods, it still reported annual earnings per share of 26 cents with a final dividend of 18 cents. Pretty good considering the share price fell to \$2.50 barely a year ago.

While profits will increase as life gets back to normal post lockdowns, the big prize is success in the US where the early signs are encouraging. The company is exceptionally well managed and, despite the big increase in the stock price, it's still early days for the company's global ambitions.

The coal price has been on such a tear that highly leveraged coal producer Whitehaven could be debt free in a year. That paves the way for some big dividends and potentially another doubling of the share price even though the coal price is unlikely to sustain

its current levels despite China's ban on Australian coal imports.

Next year should be a different story, and along with the opening of the new Brisbane casino a year later we expect a big recovery in profits and dividends.

Excellent results

The huge increase in **Aussie Broadband's** share price shows how its premium broadband services have been taking market share. Although the share price looks ritzy on traditional metrics, management is currently investigating new growth options.

We'll judge them accordingly, but management has been very impressive so far and we like the stability of revenues and profits, particularly at this stage of the business cycle.

Ditto for **Uniti Wireless**, which is now focused on maximising the performance of its fibre and other assets acquired rapidly in recent years. Again, management is first class and has skin in the game, and we like the steady growth from the company's valuable and predictable telco assets.

We covered **Frontier Digital Ventures'** latest quarterly results last month, but in July the company was almost running at a \$70m annualised revenue run rate. In our view that justifies a share price above \$2 at least in the current market. But once the figure reaches \$100m over the next year or two, we'd expect a share price closer to \$3, or almost double the current price, with plenty of room to grow from there.

After rejecting a takeover offer of around \$40 per share, **Altium**'s share price has since fallen below \$30 after pushing back its performance targets from 2025 to 2026. It makes little difference to the company's value, but it's one we'd like to add to at lower prices. A lot needs to go right for the company to justify its current value, but we believe it's in the right industry at the right time.

360 Capital

360 Capital is only a small position in the fund, but we had hoped it could become a big long-term winner. While the stock is (very) cheap, it's not going to become the next **Pinnacle Investment Management** any time soon.

Funds under management has been increasing, but raising money has proven difficult, particularly for the fledgling equities funds management business. We weren't impressed with the managers, anyway, but we're disappointed to also be parting ways with David Yuile, who manages the **360 Capital Digital Infrastructure Fund**.

CEO Tony Pitt recently announced that he's putting the company's data storage assets and its 50% share of the management contract for 360 Capital Digital Infrastructure Fund up for sale to cash in on the huge prices currently being paid for data centres (as shown by the recent dramatic increase in **Macquarie Telecom**'s share price).

You must admire Pitt's ruthless pragmatism. By halving staff numbers, 360 Capital's entire funds management business is now trading at breakeven and selling the data storage assets will once again have the company swimming in cash. It's not a bad position to be in at this stage of the cycle, but with the share price 20% under our original entry price, despite banking some good dividends we'll likely sell eventually to fund better ideas.

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



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