

31 August 2021

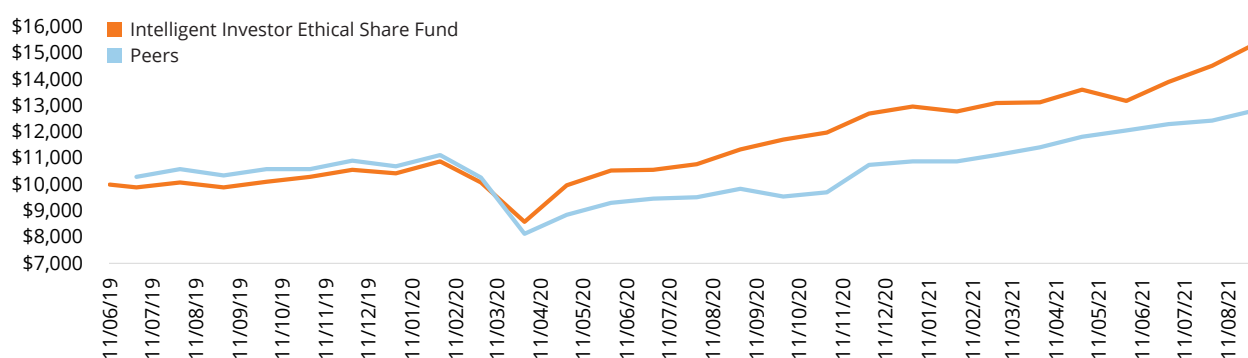
Monthly Update

Intelligent Investor Ethical Share Fund

(Managed Fund) (ASX: INES)

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.)
Intelligent Investor Ethical Share Fund	5.9%	16.6%	17.3%	35.8%	21.4%
S&P ASX 200 Accumulation Index	2.5%	6.0%	15.0%	28.1%	10.1%
Excess to Benchmark	3.4%	10.6%	2.3%	7.7%	11.3%

Asset allocation

Cash	25.9%
Communication Services	19.1%
Information Technology	16.6%
Industrials	12.2%
Financials	11.4%
Real Estate	8.3%
Health Care	3.8%
Utilities	1.6%
Consumer Discretionary	1.1%

Top 5 holdings

Frontier Digital Ventures (FDV)	8.3%
Pinnacle Investment Mgmt Group (PNI)	7.2%
Uniti Group (UWL)	6.9%
Sydney Airport (SYD)	6.5%
Audinate (AD8)	6.3%



CERTIFIED BY RIAA

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

Nathan Bell, has over 20 years of experience in 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 stock market is a device for transferring money from the impatient to the patient.’

— Warren Buffett

The fund increased 5.9% during August, compared to the market’s 2.5% return, with excellent results from key holdings, such as **Uniti Wireless, Frontier Digital Ventures** and **Aussie Broadband**.

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 avenues.

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 that it’s acquired over the past couple of 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’s latest quarterly results last month, but in July the company is almost running at \$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.

Sticking with fund managers, the only major change this month was adding **Magellan Financial**. In short, we believe it's early in Hamish Douglas's quest to build a diversified

financial giant. Nothing will be as profitable as its funds management business, but recent regulatory investigations into Australia's financial industry show it's overdue for a shakeup.

Although it's very expensive opening a corporate advisory business like Barrenjoey with highly paid staff with connections all around town, Magellan's steady fees mean it can afford to take some risks and pay decent dividends as well.

*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

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the Fund and issuer of units in the Fund.

While every care has been taken in the preparation of this document, InvestSMART makes no representations or warranties as to the accuracy or completeness of any statement in it. To the maximum extent permitted by law, neither InvestSMART, its directors, employees or agents accept any liability for any loss arising in relation to this document.

This document is not an endorsement that this portfolio is appropriate for you and should not be relied upon in making a decision to invest in this product. You should always consider the relevant disclosure document (including Product Disclosure Statement, Investment Menu, and Financial Services Guide along with any accompanying materials) and/or seek professional advice before making any investment decision. Disclosure documents for financial products offered by InvestSMART can be downloaded from the InvestSMART website or obtained by contacting 1300 880 160.

The document provides general financial information only. InvestSMART has NOT considered your personal objectives, financial situation and needs when preparing this document. You should consider your individual objectives, financial situation and needs and seek professional advice where necessary before making any investment decision.

Past performance is not a reliable indicator of future performance. InvestSMART does not assure nor guarantee the performance of any financial products offered.

InvestSMART, its associates and their respective directors and other staff each declare that they may, from time to time, hold interests in securities that are contained in this investment product.

Intelligent Investor
invest@intelligentinvestor.com.au
www.intelligentinvestor.com.au
PO Box 744, QVB NSW 1230
1300 880 160