

Intelligent Investor Australian Equity Growth Fund

(Managed Fund) (ASX:IIGF)

Issued by
InvestSMART Funds
Management Limited
ACN 067 751 759
AFSL 246441

Managed by
Intelligent Investor
Holdings Pty Ltd
ACN 109 360 983
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ARSN 630 396 691
ASX Code: IIGF

‘You cannot overtake 15 cars in sunny weather, but you can do it whilst it’s raining.’

— Ayrton Senna

The Fund increased 1.5% during August compared to the market’s 1.2% gain. Though August is reporting season, there wasn’t much new information from our holdings.

The good news is that dividends from our resources holdings are large and/or soaring. Chiefly **Woodside**, **Whitehaven Coal** and **Newhope Coal**. But with large increases in their share prices, they’re no longer the bargains they were.

Woodside is fully priced if commodity prices keep falling into a recession and its costs continue to increase. On the flipside, this would be great news for long-term investors, as we’d be able to replace many current holdings with much higher quality businesses at sensible prices.

Regardless, we’re happy with the fund’s positioning and delighted old fashioned value investing has recently paid off, even as many highly speculative stocks rebounded. This is typical of a bear market rally, where speculators repeat the follies that brought a climax to the prior bull market.

Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	S.I. (p.a)
II Australian Equity Growth Fund	1.5%	5.5%	7.4%	5.2%	19.6%
S&P ASX 200 Accumulation Index	1.2%	-2.4%	0.7%	-3.4%	12.8%
Excess to Benchmark	0.3%	7.9%	6.7%	8.6%	6.8%


Inception (S.I.): 5 October 2020





Fund overview


The Intelligent Investor Australian Equity Growth Fund 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.


 **5+ yrs**
Suggested investment timeframe

 **10 - 35**
Indicative number of securities

 **Risk profile: High**
Expected loss in 4 to 6 years out of every 20 years

 **S&P/ASX 200 Accumulation Index**
Benchmark

 **Investment fee**
0.97% p.a.

 **Performance fee**
Nil

Whether we're in a bear market rally remains to be seen, but for many unprofitable companies this will be their last reprieve before failing.

There weren't any major changes to the portfolio during the month, but we sold **LendLease** on 1 September after learning more about a large potential tax liability relating to the historical accounting treatment on the sale of some retirement villages.

The stock is potentially very cheap. But a bad outcome following the current investigation by the Australian Tax Office combined with a potential recession and another capital raising if there's a cost blowout on the Melbourne Metro Tunnel would gut the stock's potential.

Also, learning more about both prior and current management's attitude toward legal advice on the matter reminded us of other companies that have recently been in the headlines for all the wrong reasons, such as the banks, the casinos, **Qantas** for its outrageous share buyback and **Rio Tinto** after blowing up an indigenous site.

The disastrous financial impact of these decisions is clear to anyone to see, and Lendlease is particularly vulnerable given its cyclical, low-margin business.

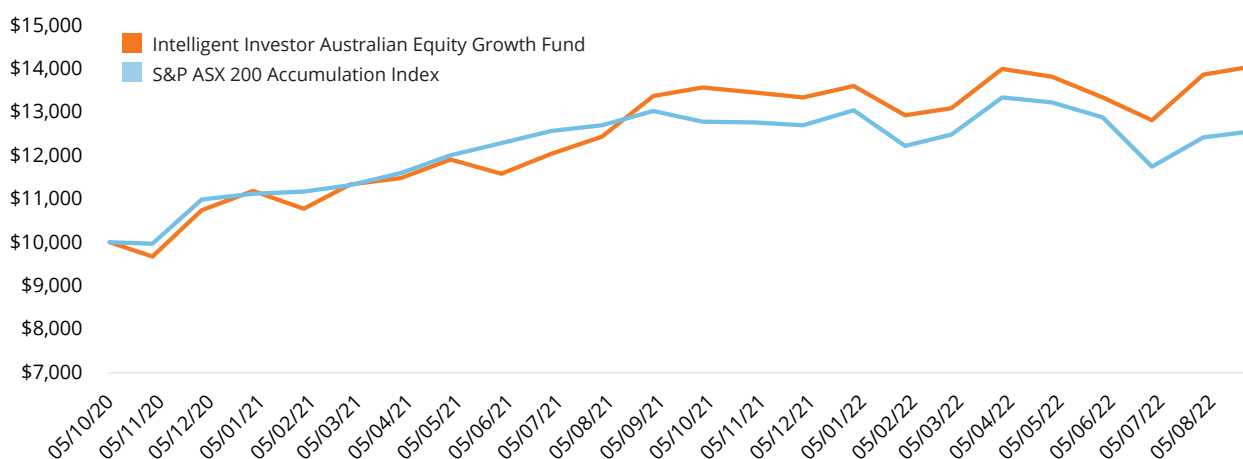
Litigator **Omni Bridgeway** has been a sleeper in the portfolio, recently increasing over 50% due to several pieces of good news including launching new funds, insuring more of its successful claim payouts, and searching for ways to realise cash from its cases sooner.

Lastly, **360 Capital** announced an eight-cent special dividend, which is a 10% yield at the current share price. However, given the company is now essentially a cash box as CEO and major shareholder Tony Pitt prepares the company for a recession, dividends will fall substantially next year.

We're happy with the fund's performance despite its conservative positioning. But we're very much looking forward to introducing some new ideas and repurchasing some familiar names that can grow steadily in the years ahead.

Please get in touch if you have any questions on **1300 880 160** or at info@intelligentinvestor.com.au

Performance since inception



Inception (S.I.): 5 Oct 2020

Asset allocation

Cash	23.3%
Information Technology	15.1%
Energy	14.4%
Financials	12.0%
Consumer Discretionary	11.3%
Real Estate	7.7%
Materials	6.8%
Industrials	5.1%
Health Care	2.4%
Utilities	1.9%

Top 5 holdings

Woodside Energy Group (WDS)	7.3%
RPMGlobal Holdings (RUL)	6.1%
Auckland International Airport (AIA)	5.1%
Whitehaven Coal (WHC)	4.9%
Star Entertainment Group (SGR)	4.6%

Fund Stats

Income yield	13.92%
Net asset value	\$3.00

Important information

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All tables and chart data is correct as at 31 August 2022.