

Intelligent Investor Ethical Share Fund

(Managed Fund) (ASX:INES)

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

Managed by
Intelligent Investor
Holdings Pty Ltd
ACN 109 360 983
CAR 1255 838

ARSN 630 396 584
ASX Code: INES

“This matter of training oneself not to go with the crowd but to be able to zig when the crowd zags, in my opinion, is one of the most important fundamentals of investment success.”

— Phil Fisher

The Fund increased 0.6% in April compared to the market's 1.8% return, as fear of missing out on the next bull market has replaced recession fears.

If the economy was expected to improve, you'd expect a rally led by the statistically cheapest stocks, yet it's the opposite. The expensive are just getting more expensive.

In the US, for example, the gains have mostly accrued to the giant technology stocks, like **Microsoft** and **Alphabet**, following good results. A relief rally if you will. But scratch beneath the surface and the story is not as rosy.

Performance (after fees)

	1 mth	1 yr	2 yrs	3 yrs	S.I. (p.a)
II Ethical Share Fund	0.6%	-3.5%	1.9%	12.3%	9.4%
S&P ASX 200 Accumulation Index	1.8%	2.8%	6.4%	14.0%	6.9%
Excess to Benchmark	-1.2%	-6.3%	-4.5%	-1.7%	2.5%

Inception (S.I.): 11 Jun 2019

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 Australian Ethical Share Fund (ASX: INES) 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 Australian Ethical Share Fund (ASX: INES) methodology, performance and stock holdings can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA.



Fund overview


The Intelligent Investor Australian 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.

 **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



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Portfolio

Telstra's share price has reached levels not seen since 2017. It's been a solid performer for the fund but is no longer cheap. Instead, it reflects the 'expensive defensive' theme running through the market and we look forward to replacing it with a new opportunity.

REA Group's share price has increased 14% in our very short period of ownership after announcing large price increases. Strong demand for property as prices stabilise is also helping sentiment.

ResMed announced one of the best quarterly results we've ever seen, with around 30% growth at each line of the income statement. Temporary factors such as market share gains at the expense of troubled rival Philips Respironics will fade, but few businesses have grown their profits as consistently and as rapidly as ResMed over such a long period.

Sonic Healthcare is increasing its scale in Germany after with another tuck-in acquisition. This is the company's bread and butter and we expect more as its earnings grow.

Frontier Digital Ventures raised \$13m from investors to pay earn-outs related to past acquisitions. The 20% discount was disappointing, as the company has historically been able to raise money without a material discount.

The small raising minimises dilution for existing shareholders but was \$10m-\$20m short in our view of removing the focus from Frontier's balance sheet, which is what founder and CEO Shaun Di Gregorio wanted.

Zameen's performance has weakened rapidly with the almost bankrupt Pakistan economy, which is why we've given it zero value. But the rest of the business is doing ok, for now.

The next 18 months will be the making or breaking of the company, but a bad outcome won't materially hurt the fund while a good one could meaningfully increase our returns.

MA Financial's share price bounced this month on improving market sentiment and after announcing the \$225m acquisition of a group of marinas that will seed a new fund.

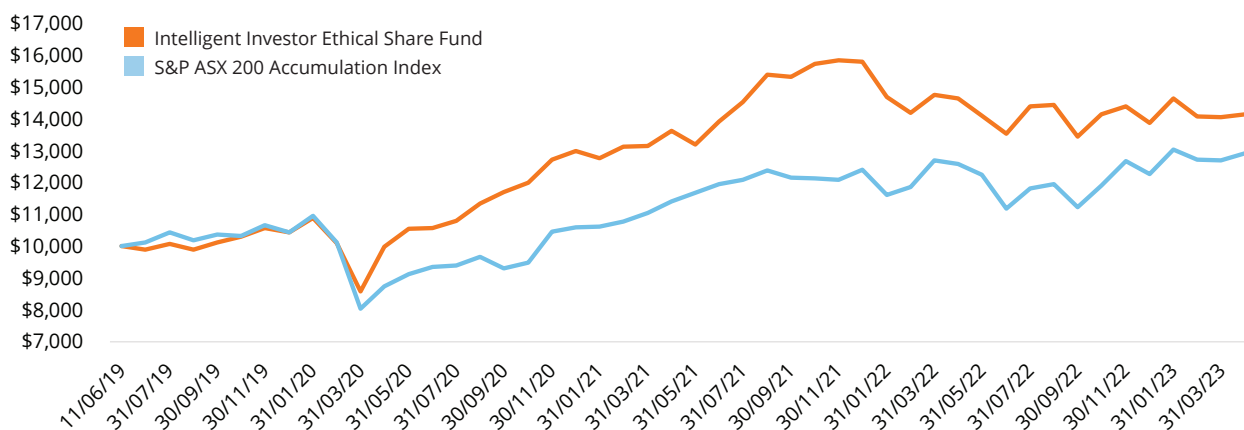
This is exactly the sort of niche deal we expect from the company but over time the deals will need to get bigger to move the needle on profits.

Lastly, **Mineral Resources'** share price fell 10% after announcing lower production estimates from its mining services division as contracts expire, and production expansion delays and higher costs at its key Mount Marion lithium project.

In such a complicated business with numerous divisions, earnings will jump around in the short-term. But, most importantly, we remain comfortable with the company's long-term plans.

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.): 11 Jun 2019

Asset allocation

Cash	22.3%
Health Care	16.9%
Communication Services	16.3%
Information Technology	15.2%
Industrials	7.7%
Financials	7.1%
Consumer Discretionary	6.2%
Materials	5.2%
Real Estate	3.0%

Top 5 holdings

Auckland International Airport (AIA)	7.7%
RPMGlobal Holdings (RUL)	5.3%
Telstra Corporation (TLS)	4.8%
Wesfarmers (WES)	4.2%
Audinate (AD8)	4.1%

Fund Stats

Distribution yield	12.17%
Net asset value	\$3.07

Important information

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All tables and chart data is correct as at 30 April 2023