

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

“Men who can both be right and sit tight are uncommon. I found it one of the hardest things to learn.”

— Jesse Livermore

Returns in November were essentially the opposite of October. The Fund increased 6.7% compared to the market’s 5.0% return, with lower inflation and the possibility of interest rate cuts energising the bulls.

There weren’t any major changes to the Fund, nor material news from our holdings during AGM season. Growth stocks, iron ore miners and large companies are still in, while small caps are slowly regaining interest and value and lithium stocks remain the preserve of contrarians.

On some measures, the valuation gap between so called growth and value stocks has rarely been wider. Sometimes the market changes its attitude within weeks. Note how quickly the incredible optimism across the lithium sector soured, prompting an increase in our Mineral Resources position and a starting position in Pilbara Minerals.

Performance (after fees)					
	1 mth	1 yr	2 yrs	3 yrs	S.I. (p.a)
II Ethical Share Fund	6.7%	-1.6%	-5.5%	3.6%	8.1%
S&P ASX 200 Accumulation Index	5.0%	1.5%	3.2%	7.1%	5.8%
Excess to Benchmark	1.7%	-3.1%	-8.7%	-3.5%	2.3%

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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Other times, it can take decades. In 2014 we were ridiculed at an investor seminar for suggesting the salad days for banks were over. In recent years that's become common knowledge as it's been almost two decades (or more in some cases) since banks have provided capital gains despite a monumental mortgage boom fuelled by zero interest rates and high immigration.

While many believe high yields and franking credits are the magic behind the market, we believe it's companies that can increase their return on equity (ROE) for much longer than the market anticipates.

ROE measures the return on each dollar invested in the business. The rare companies that can increase ROE over decades without succumbing to competition or the limits of size are the market's true fairy tales.

The ROE of mining software company RPM Global is growing rapidly after a long period of investment as it transitioned to a Software as a Service business model. We expect further success from infiltrating the businesses of major miners searching for ways to save money and comply with increasing ESG expectations.

We've recently discussed Mineral Resources' numerous expansion plans that we expect to create a far more profitable business. The upfront cost is substantial, again depressing ROE, but unlike many resources projects that can take 5-10 years to develop we expect to see the payoff over the next couple of years.

And lastly, ResMed's profit margins have been falling recently as CEO and major shareholder Michael Farrell aims to treat as many people as possible even if they're not initially the most profitable customers.

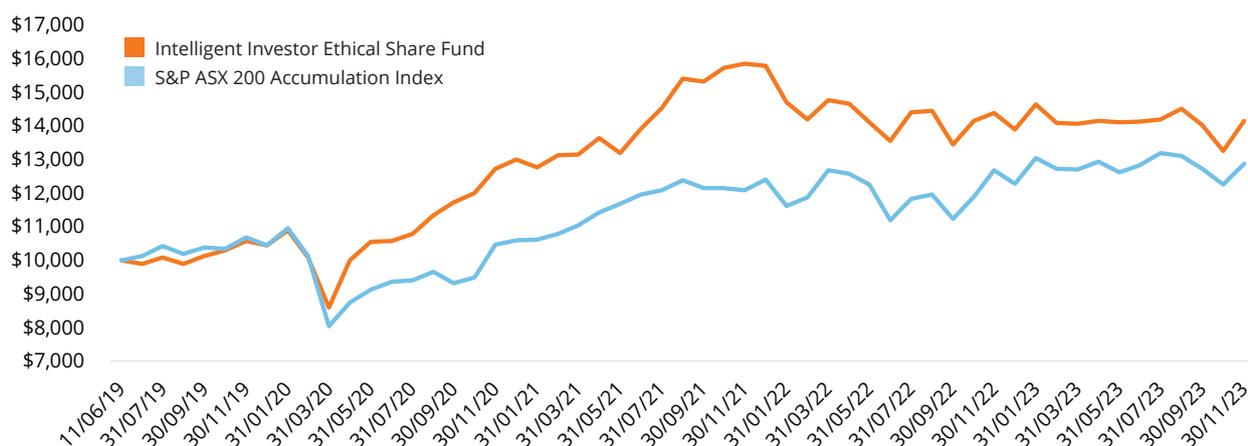
This depresses ROE, but these types of short-term pain for long term gain investments are what keep customers around for decades as the business grows by introducing new and better treatment alternatives than its competitors.

Jesse Livermore said all the money is made in the holding, and at current prices it's easy to hold these companies with large insider-ownerships and clear and sensible growth plans designed to increase the value of their businesses, which we can easily measure by understanding the importance of ROE.

Value investing isn't the easiest way to boost short term performance, but it's the only way we know how to beat the market over the long term. Thanks for your support and have a safe and happy Christmas and New Year.

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

Information Technology	20.8%
Communication Services	17.2%
Health Care	15.3%
Financials	10.9%
Cash	10.3%
Materials	10.0%
Industrials	7.2%
Consumer Discretionary	6.6%
Real Estate	1.7%

Top 5 holdings

Audinate (AD8)	7.3%
Auckland Internationaal Airport (AIA)	7.2%
CSL (CSL)	6.1%
RPMGlobal Holdings (RUL)	5.8%
Mineral Resources (MIN)	5.7%

Fund Stats

Distribution yield	0.91%
Net asset value	\$3.04

Important information

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