Monthly Update

30 November 2023

Issued by
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ARSN 630 396 691
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Intelligent Investor Australian Equity Growth Fund (Managed Fund) (ASX:IIGF)

"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 5.6% 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 starting position in **Pilbara Minerals**.

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

Performance (after fees)

	1 mth	1 yr	2 yrs	3 yrs	S.I. p.a
II Australian Equity Growth Fund	5.6%	–9.7%	0.0%	7.5%	9.6%
S&P ASX 200 Accumulation Index	5.0%	1.5%	3.2%	7.1%	10.1%
Excess to Benchmark	0.6%	–11.2%	–3.2%	0.3%	–0.5%

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

(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.

Lovisa's store economics are some of the best we've ever seen, but the company's return on equity is depressed by the infancy of its global store rollout. Time should eventually reveal a far more profitable business than the market expects, with most eyes currently preoccupied with short-term factors such as same-store-sales.

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.

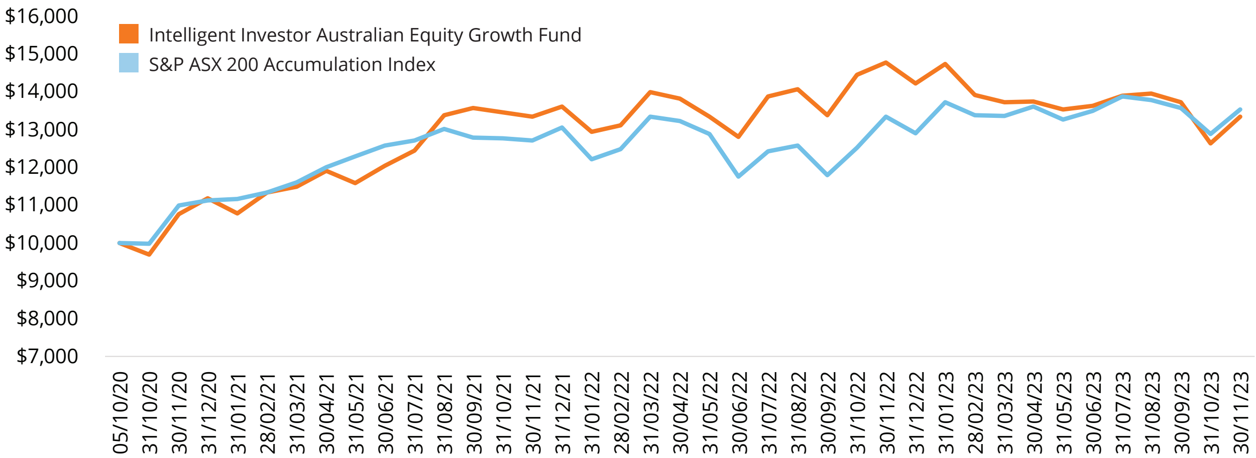
This depresses ROE, but these types of short-term pain for long term gain investments are what keep customers around for decades as the business grows by introducing new and better treatment alternatives than its competitors.

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.): 5 Oct 2020

Asset allocation

Materials	21.6%
Health Care	14.7%
Information Technology	13.7%
Financials	12.0%
Consumer Discretionary	11.8%
Cash	6.9%
Industrials	6.0%
Communication Services	4.0%
Energy	3.9%
Real Estate	3.1%
Utilities	2.3%

Top 5 holdings

CSL (CSL)	6.4%
RPMGlobal (RUL)	6.3%
Auckland International Airport (AIA)	6.0%
Audinate (AD8)	5.2%
New Hope Corporation (NHC)	5.1%

Fund Stats

Distribution yield	6.43%
Net asset value	$2.67