Quarterly Update

31 December 2023

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Intelligent Investor Australian Equity Growth Fund (Managed Fund) (ASX:IIGF)

"Poor quality is remembered long after low prices are forgotten."

— Charles Rolls

"Understanding requires mastery of four ways of looking at things: as they were, as they are, as they might become, and as they ought to be."

— Dee Hock

"Contrary to popular belief, my experience has shown me that the people who are exceptionally good in business aren't so because of what they know, but because of their insatiable need to know more vs. defending what they think they know."

— Matthew Gerber

The Fund increased 7.8% in the December quarter largely in line with the market, which increased 8.4%. After falling 4% in October, the market reversed the losses in November and took off in December after Jerome Powell put a rocket under share prices by indicating rates could fall in 2024.

In response, the market rally broadened to some badly beaten small cap and value stocks as emboldened investors chased higher returns. Although we've been positioned for this for some time, we're cognisant that higher interest rates haven't fully permeated the economy and valuations generally remain very high.

Performance (after fees)

	3 mths	1 yr p.a	2 yrs p.a	3 yrs p.a	S.I. p.a
II Australian Equity Growth Fund	7.8%	2.3%	3.4%	9.1%	12.3%
S&P ASX 200 Accumulation Index	8.4%	12.4%	5.5%	9.2%	12.2%
Excess to Benchmark	−0.6%	−10.1%	−2.1%	−0.1%	0.1%

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

Portfolio

Late in the quarter we sold our remaining shares in **360 Capital**. Although the shares are extremely cheap, the share buyback and shrinking liquidity means the company will likely be taken private at a discount. Like love, sometimes value isn't enough.

We've quietly nearly doubled our money on infrastructure owner **Infratil** and only wished we'd initially made it a larger position after announcing a nearly $500m increase in the value of its data centres. We're delighted with the performance of the business and the stock, particularly given higher interest rates have punished the share prices of many other infrastructure businesses.

Management has taken advantage of the more than doubling in **Audinate**'s share price and raised $20m to increase investment, while early in November **Aussie Broadband** announced it will acquire cloud-based telco Symbio for $262m. Aussie Broadband is now Australia's fourth largest telecommunications company and will eventually become a target itself.

Investors recently brushed off concerns about a lithium glut, boosting the share prices of **Mineral Resources** and **Pilbara Minerals**. Mineral Resources has multiple ways to materially increase earnings in the years ahead regardless of how long it takes for lithium prices to recover and remains a key position.

Alumina's share price jumped nearly 30% after receiving a favourable ruling from the Western Australian government, but low prices and meagre profitability might trigger a capital raising. Regardless, the potential returns remain high assuming alumina prices recover as industry supply falls.

The share prices of our healthcare trio of industry leaders **CSL**, **ResMed** and **Sonic Healthcare** have been recovering from initial fears surrounding the new generation of weight loss drugs. ResMed still has the furthest to go as it has the most to lose from ongoing research into their impact on sleep apnoea. Initial results from a key study are expected in 2024.

James Hardie Industries ended up being a star of 2023, as the share price recovered from profit downgrades and fear that the new CEO wasn't in control. The company is probably the highest quality cyclical business on the ASX, but with Mr Market regaining his senses the returns will be muted despite riding huge tailwinds in the US that should last decades, including favourable demographics and a shortage of new homes.

Lovisa's share price also bounced as investors discarded any fears about a retail slowdown, and **MA Financial** was buoyed by strong inflows. If markets and economies remain strong, few would benefit as much as this pair.

Lovisa's share price already reflects high expectations, but a favourable decision on Special Investment Visas could materially boost MA Financial. An unfavourable decision wouldn't ruin its long-term prospects, but it would put a severe dent in its current earnings and slow future earnings growth at best.

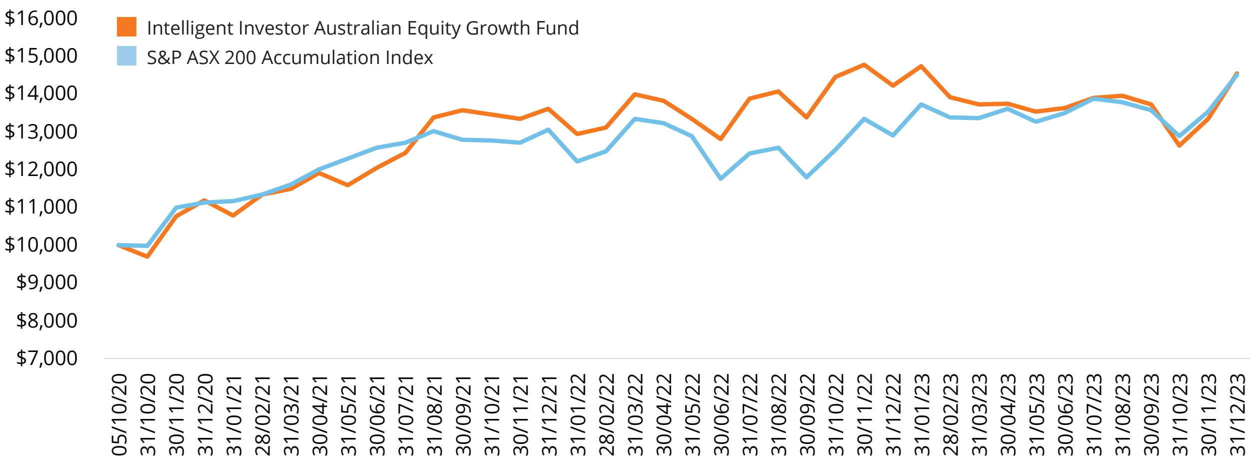
Lastly, **RPM Global**'s share price benefitted from the broadening enthusiasm for small cap stocks, though we felt its earlier profit upgrades were a more deserving reason for a higher share price. And **Frontier Digital Venture**'s share price has almost doubled from its lows after its latest quarterly results suggest the worst might be behind the company's major markets, but it remains a small position despite having the most potential in the Fund.

We've no idea what to expect in 2024. Does the longer we go without a major financial incident reduce the chances of one? Do higher interest rates matter as much as they used to, or are they low enough not to cause any problems? Are high asset values enough to stall a rising market? Or does the bifurcated market mean there's plenty of value in the least popular stocks to drive the market higher for years?

Fortunately, the answers don't matter. Buy quality, pay an appropriate price, back great management, find great companies as early in their lifecycle as possible and back your analysis. Do that, and eventually you get the returns you deserve.

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	22.4%
Health Care	14.8%
Information Technology	13.9%
Consumer Discretionary	12.5%
Financials	10.7%
Cash	6.8%
Industrials	6.2%
Communication Services	3.8%
Energy	3.8%
Real Estate	3.0%
Utilities	2.2%

Top 5 holdings

CSL (CSL)	6.5%
Auckland International Airport (AIA)	6.2%
RPMGlobal Holdings (RUL)	6.1%
Audinate (AD8)	5.3%
James Hardie Industries (JHX)	5.2%

Fund Stats

Distribution yield	5.26%
Net asset value	$2.89

All tables and chart data is correct as at 31 December 2023