

# Quarterly Update

31 December 2023

# 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

**“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 9.5% in the December quarter slightly ahead of 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.

## Performance (after fees)

	3 mth	1 yr	2 yrs p.a	3 yrs p.a	S.I. p.a
II Ethical Share Fund	9.5%	10.6%	-1.4%	5.7%	9.9%
S&P ASX 200 Accumulation Index	8.4%	12.4%	5.5%	9.2%	7.3%
Excess to Benchmark	1.1%	-1.8%	-6.8%	-3.5%	2.6%

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.responsiblereturns.com.au](http://www.responsiblereturns.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



CERTIFIED BY RIAA

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.

## 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.

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.

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.

**Altium's** share price wasn't far behind **James Hardie's** as its earnings continue to grow rapidly. While **Dicker Data's** volatile share price this year shows how irrational the market can get when short term issues overwhelm a company's long-term prospects, though we failed to take full toll.

**MA Financial** was buoyed by strong inflows but a favourable decision on Special Investment Visas could materially boost its fortunes. 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.

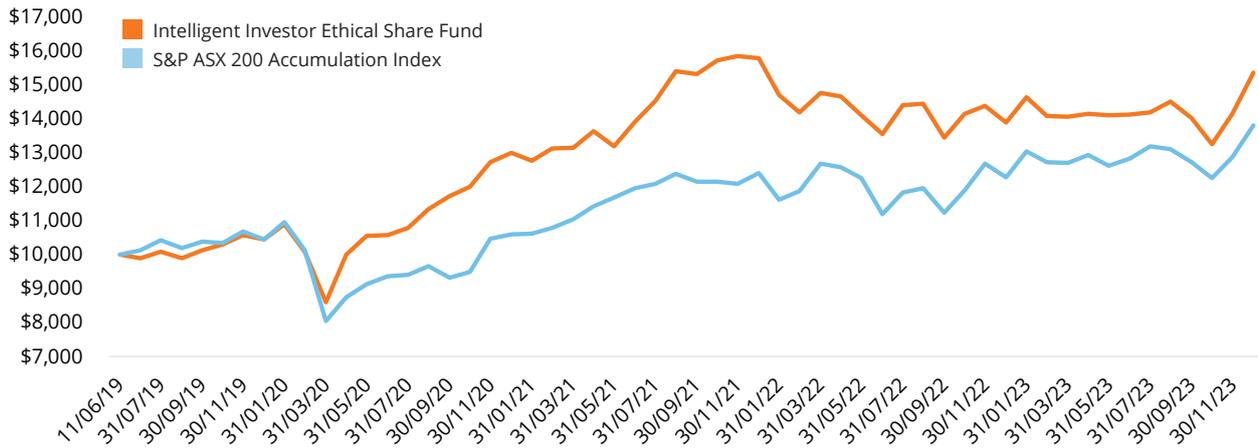
We've no idea what to expect in 2024. Does the longer we go without a major financial incident reduce the chances of one? Do higher interest rates matter as much as they used to, or are they low enough not to cause any problems? Are high asset values enough to stall a rising market? Or does the bifurcated 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](mailto:info@intelligentinvestor.com.au)**

## Performance since inception



Inception (S.I.): 11 Jun 2019

### Asset allocation

Information Technology	21.1%
Communication Services	17.8%
Health Care	15.4%
Financials	12.4%
Materials	10.7%
Cash	8.6%
Industrials	7.3%
Consumer Discretionary	6.7%

### Top 5 holdings

Audinate (AD8)	7.4%
Auckland International Airport (AIA)	7.3%
CSL (CSL)	6.3%
RPMGlobal Holdings (RUL)	6.1%
Mineral Resources (MIN)	5.0%

### Fund Stats

Distribution yield	1.24%
Net asset value	\$3.29

### Important information

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the Fund and issuer of units in the Fund. While every care has been taken in the preparation of this document, InvestSMART makes no representations or warranties as to the accuracy or completeness of any statement in it. To the maximum extent permitted by law, neither InvestSMART, its directors, employees or agents accept any liability for any loss arising in relation to this document. This document is not an endorsement that this portfolio is appropriate for you and should not be relied upon in making a decision to invest in this product. You should always consider the relevant disclosure document (including Product Disclosure Statement, Investment Menu, Target Market Determination and Financial Services Guide along with any accompanying materials) and/or seek professional advice before making any investment decision. Disclosure documents for financial products offered by InvestSMART can be downloaded from the InvestSMART website or obtained by contacting 1300 880 160. The document provides general financial information only. InvestSMART has NOT considered your personal objectives, financial situation and needs when preparing this document. You should consider your individual objectives, financial situation and needs and seek professional advice where necessary before making any investment decision. Past performance is not a reliable indicator of future performance. InvestSMART does not assure nor guarantee the performance of any financial products offered. InvestSMART, its associates and their respective directors and other staff each declare that they may, from time to time, hold interests in securities that are contained in this investment product.

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