

Quarterly Update

31 March 2024

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

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ASX Code: INES

“I don’t need an analyst to tell me when a 10 PE stock is cheap. I need an analyst to tell me when a 40 PE stock is cheap.”

— Steve Mandel

“The real question is whether you dare to do the things that are necessary to be great. Are you willing to be different, and are you willing to be wrong? [T]o have a chance at great results, you have to be open to being both.”

— Howard Marks

The fund increased 7.4% for the quarter compared to the index’s 5.3%. We sold **REA Group** and **James Hardie Industries** on valuation grounds and added a small position in **John Lyng**, which organises repairs for insurers.

It’s very cheap if it can replicate its domestic success in the US, but we’re keeping the position small until we get more comfortable or the valuation offers a larger margin of safety.

Performance (after fees)

	1 mth	3 mth	1 yr	2 yrs	3 yrs	S.I. (p.a)
II Ethical Share Fund	0.5%	7.4%	17.4%	5.7%	7.9%	11.0%
S&P ASX 200 Accumulation Index	3.3%	5.3%	14.4%	7.0%	9.6%	8.1%
Excess to Benchmark	-2.8%	2.1%	3.0%	-1.3%	-1.7%	2.9%

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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Sentiment towards **Mineral Resources** flipped 180 degrees due to stable lithium prices despite iron ore prices falling just three months before Mt Onslow starts production. Somewhat surprisingly the company's lithium mines are profitable and we're now seeing production capacity across the industry being retrenched.

MA Financial's share price initially fell 20% as its profits fell further than most expected. Merger and acquisition activity hasn't recovered from record levels a year or two earlier and the company is investing heavily. Boasting record funds under management is great, but we like the company's culture of sacrificing profits today for bigger profits tomorrow.

The company has also seemingly dodged a bullet after the government quietly closed the Special Investment Visa program without retrospective changes that threatened a large part of the company's business.

Like clockwork, **ResMed** produced another good result and continues to benefit from the slow reintroduction of products from rival Phillips. Any fears from the new wave of obesity drugs have also worn off the share prices of **CSL** and **Sonic Healthcare**, so future returns will be more modest.

RPM Global is also finally joining the party, with its share price increasing ~25%. We're excited that management believes its software product XECUTE is beginning to join its asset management software as the industry standard.

The best results came from **Wesfarmers** and **Aussie Broadband**. We initially bought Wesfarmers as we believed its fledgling lithium business was being undervalued. Ironically, its losing money due to the collapse in prices but K-Mart is booming. The shares have performed better than we could've hoped.

Aussie Broadband's share price initially increased 20% after its results relieved concerns about slowing growth and lower profit margins. But after wasting no time with its acquisition-led strategy by making a bid for rival Superloop, Superloop announced it was selling a large stake in its business to new customer **Origin Energy** which cancelled its contract with Aussie Broadband.

The corporate shenanigans don't impact our view of Aussie as we believe management will find new opportunities as its scales to compete with Australia's telco giants.

Audinate's share price continues to shine after reporting its first net profit. It's a *classic Intelligent Investor* stock. Find it early, in this case before it was profitable, and hang on as the market gradually recognises the value of its competitive advantages.

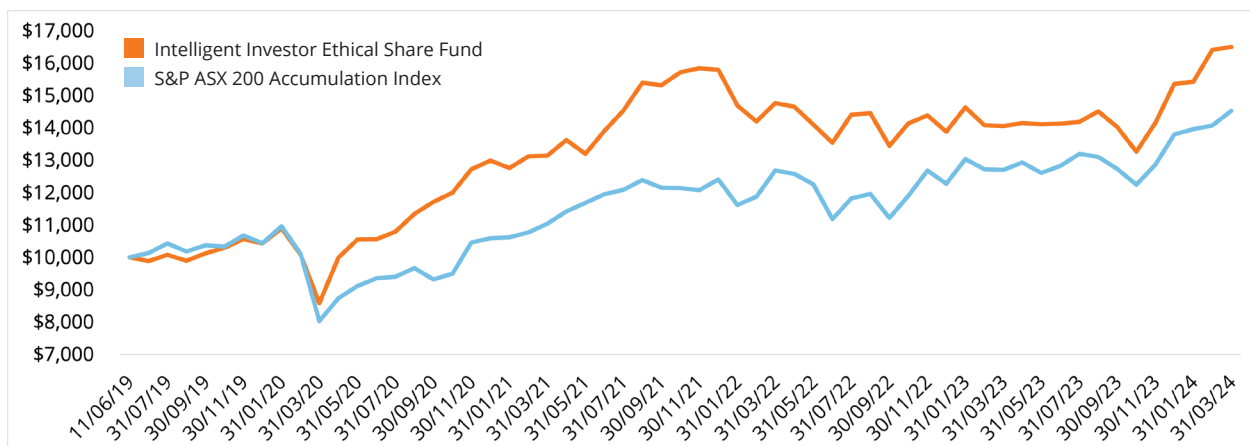
Lastly, after initially being met with tumbleweeds, **Frontier Digital Ventures'** share price has doubled from its lows. Latam 360 is showing strong growth in revenue and operating earnings and finally there's some optimism that the worst might be over for its tarnished Pakistan crown jewel *Zameen*.

Please get in touch if you have any questions

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Performance since inception



Inception (S.I.): 11 Jun 2019

Asset allocation

Health Care	16.4%
Communication Services	15.6%
Information Technology	15.5%
Financials	13.5%
Cash	12.5%
Consumer Discretionary	10.4%
Industrials	8.8%
Materials	7.3%

Top 5 holdings

RPMGlobal Holdings (RUL)	7.5%
Auckland International Airport (AIA)	6.7%
CSL (CSL)	6.1%
Mineral Resources (MIN)	5.8%
Wesfarmers (WES)	5.1%

Fund Stats

Distribution yield	1.15%
Net asset value	\$3.53

Important information

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All tables and chart data is correct as at 31 March 2024