

# Intelligent Investor Australian Equity Growth Fund

(Managed Fund) (ASX:IIGF)

**“You tend to get sceptics as analysts because they can find the flaws, and every business has flaws. But they get hyper-fixated and stop looking at the trade-offs.”**

— Richard Pzena on why good analysts aren't necessarily good investors.

The Fund and the market were up slightly during May. **Sonic Healthcare** announced that respectable revenue growth is being offset by higher costs. It was a similar story for many other companies, such as **James Hardie Industries**, which we'd sold before announcing a lacklustre outlook that knocked its share price down by a quarter.

Sonic's fall was modest by comparison, partly because its share price has been slowly deflating for a while following its enormous, temporary Covid profits, which we believe have been intelligently invested. The stock offers the best value in years for such a steady business where tuck-in acquisitions reinforce its network and increase margins.

We increased **Mineral Resources**, which we much prefer to the iron ore majors such as **BHP** trading higher dividends for much higher potential growth. At current prices we also prefer Mineral Resources exposure to iron volumes rather than BHP's exposure to iron ore prices, particularly as BHP's failed bid for Anglo American's copper assets suggests the salad days of milking its world class assets with minimal risk following decades of lousy acquisitions that destroyed enormous amounts of shareholder capital is now behind us.


Performance (after fees)					
	1 mth	1 yr	2 yrs	3 yrs	S.I. p.a
II Australian Equity Growth Fund	0.4%	12.9%	7.0%	9.6%	12.3%
S&P ASX 200 Accumulation Index	0.9%	12.9%	7.8%	6.8%	11.7%
Excess to Benchmark	-0.5%	0.0%	-0.8%	2.8%	0.6%


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

**Dicker Data**'s share price fell 10% after announcing a regrettably timed profit downgrade at 3:30pm on a Friday. Management blamed the weak economic environment for a 10% fall in revenue for the March quarter but admirably largely held profits flat.

Management expects AI products to be a major source of growth and it's continued to sign-up high-profile vendors such as Adobe while remaining a chief supplier for household names like Microsoft.

We were pleased that **Karoon Energy**'s board was put under pressure by shareholders at its AGM to return capital to shareholders through share buybacks and dividends rather than wasteful acquisitions that reward management simply for doing a deal.

Lastly, we sold **PSC Insurance** after it finally accepted a takeover offer and **Woolworths** has returned to the portfolio after a long absence. The company should bounce back after a turbulent period including mediocre results, bad publicity and executive turnover, which included the CEO. The share price is almost back to where it was when I joined Intelligent Investor in 2006, showing how easy it is to overpay for quality businesses, no matter how safe they seem.

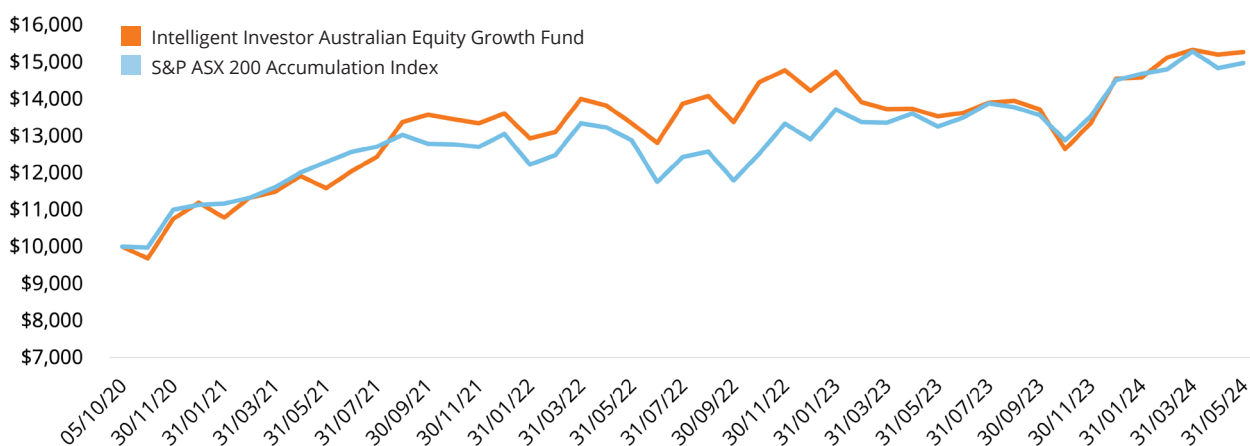
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*Please get in touch if you have any questions*

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## Performance since inception



Inception (S.I.): 5 Oct 2020

### Asset allocation

Materials	18.1%
Information Technology	16.4%
Health Care	15.0%
Consumer Discretionary	11.6%
Cash	10.3%
Financials	9.4%
Industrials	3.8%
Energy	3.8%
Communication Services	3.5%
Consumer Staples	3.0%
Real Estate	2.9%
Utilities	2.4%

### Top 5 holdings

RPMGlobal (RUL)	9.8%
CSL (CSL)	6.6%
Mineral Resources (MIN)	6.6%
New Hope Corporation (NHC)	5.9%
ResMed (RMD)	5.3%

### Fund Stats

Distribution yield	5.01%
Net asset value	\$3.03

### Important information

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