

# Intelligent Investor Australian Equity Income Fund

(Managed Fund) (ASX:INIF)

**“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 increased nearly 1% in 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** at the expense of **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	3 yrs p.a	5 yrs p.a	S.I. p.a
II Australian Equity Income Fund	0.6%	7.5%	7.8%	8.6%	7.0%
S&P ASX 200 Accumulation Index	0.9%	12.9%	6.8%	7.8%	8.1%
Excess to Benchmark	-0.3%	-5.6%	1.0%	0.8%	-1.1%


Inception (S.I.): 18 Jun 2018





## Fund overview


The Intelligent Investor Australian Equity Income Fund (ASX:INIF) is a concentrated portfolio of 10-35 Australian listed stocks. The Fund focuses on large, mature businesses with entrenched competitive advantages, and dominant smaller companies we believe will produce strong cash flows to support dividends in the future.


 **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.

**Telstra** also announced a dull result, though we believe the value of its mobile business remains undervalued at current prices.

Lastly, New Zealand internet provider **Chorus** and **Woolworths** have returned to the portfolio. Chorus should pay large distributions in the years ahead as the huge amounts it has spent building and expanding its fibre network die down and higher interest rates allow it to charge higher prices via its regulated returns.

While Woolworths 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.

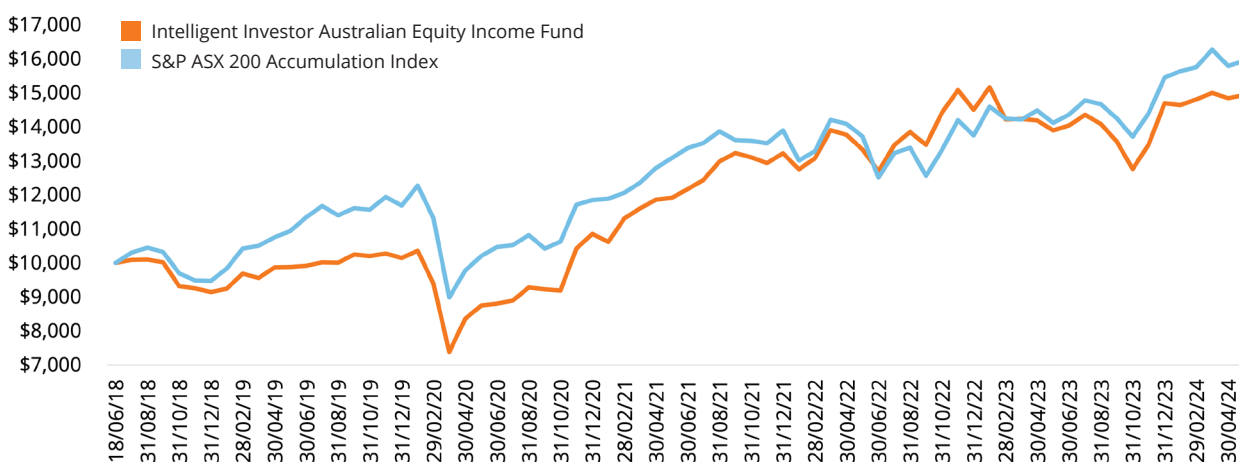
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*Please get in touch if you have any questions*

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## Performance since inception



Inception (S.I.): 18 Jun 2018

### Asset allocation

Materials	21.7%
Information Technology	16.0%
Health Care	15.1%
Consumer Discretionary	9.8%
Financials	8.9%
Communication Services	6.8%
Energy	5.9%
Cash	5.6%
Industrials	4.1%
Utilities	3.1%
Consumer Staples	3.0%

### Top 5 holdings

RPMGlobal Holdings (RUL)	8.4%
Mineral Resources (MIN)	7.6%
BHP Group (BHP)	7.4%
CSL (CSL)	6.6%
New Hope Corporation (NHC)	5.9%

### Fund Stats

Distribution Yield	7.13%
Net asset value	\$2.80

### Important information

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