Monthly Update
28 February 2025

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Intelligent Investor Australian Equity Growth Fund Active ETF (ASX:IIGF)

'When you want to brag about a stock, you ought to sell it.'
— John Neff

'You are more likely to learn something by finding surprises in your own behavior than by hearing surprising facts about people in general.' — Daniel Kahneman

The pillars supporting the bull market cracked suddenly in late February when **Microsoft** boss Satya Nadella warned about overbuilding data centres for AI.

'[T]here will be an overbuild. It's not just companies deploying, countries are going to deploy capital'. Referring to data centre usage, 'I am thrilled that I'm going to be leasing a lot of capacity in '27, '28. Because I look at the builds, and I'm saying, "This is fantastic." The only thing that's going to happen with all the compute build is the prices are going to come down.'

Nadella's warning is a reminder that trees don't grow to the sky. Although the banks remained stubbornly resilient after initially falling on lousy results, the share prices of many growth darlings have fallen more than 20% from their highs.

NextDC, for example, has fallen 27%, and **Goodman Group** has fallen 18% after announcing a $4bn capital raising to fund its massive data centre expansion. **Wisetec**'s share price has fallen 33% after founder Richard White seized control of the board and announced a profit downgrade, while plumbing company **Reece** has almost been cut in half and still looks expensive after a poor result reflecting higher interest rates and intense competition in the US. This is just the start.

Performance (after fees)

	1 mth	1 yr	2 yrs	3 yrs	S.I. p.a
II Australian Equity Growth Fund	-3.6%	-3.4%	2.5%	3.7%	9.0%
S&P ASX 200 Accumulation Index	-3.8%	9.9%	10.3%	9.2%	11.7%
Excess to Benchmark	0.2%	-13.3%	-7.8%	-5.5%	-2.7%

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

Thanks to the falls and good results discussed below, the fund had its two best days in two years showing how quickly things can turn when valuations supersede animal spirits and momentum.

Performance

Our resources stocks weighed again despite **Karoon Energy** announcing several shareholder friendly moves including large dividends, an increased share buy back and a major vessel purchase without raising capital. Yet it still trades at four times underlying earnings.

The shorts increased their bets that **Mineral Resources** will raise capital after announcing its key haul road needs a $230m upgrade after cyclone damage. We'd much prefer asset sales.

Stakes in Wodgina and Mt Marion would likely fetch between $1-2bn each, and infrastructure such as transhippers and road trains could also be sold to raise hundreds of millions of dollars, although these would add lease expenses to operating costs.

The rest of MinRes' gas portfolio might be sold for $200-300m and the rest of the haul road could be sold for over $1bn although this, too would add a few dollars a tonne to operating costs. In a fire sale, a combination of lithium sales, gas sales and infrastructure could raise between $3-4bn in desperation with $800m owing from loans to Onslow development partners. Not to mention a stake in Onslow could be sold.

If management takes advantage of its $10bn in assets while markets are accommodating, the stock could have a meaningful impact on our returns despite its small position size.

The rest of reporting season was pretty good. Despite soft results from **Woolworths** and **Endeavour** who aren't living up to their defensive reputations, **MA Financial** has almost doubled over the past year with profits potentially poised to double over the next three years.

RPM Global announced a solid result and the sale of its consulting business for a good price making it a more attractive takeover target. The proceeds will be returned to shareholders.

Eagers Automotive also beat expectations due to the popularity of electric BYD vehicles, triggering a 20% share price rise. The share price has increased ~50% since last year's purchase and it was an excellent result in a tough market that has hammered its smaller rivals, yet it remains heavily shorted.

Total profits for the market have been flat for three years, which means the bull market is solely based on increasing price to earnings ratios. That trend may be reversing, finally ushering in better times for value investors.

Please get in touch if you have any questions

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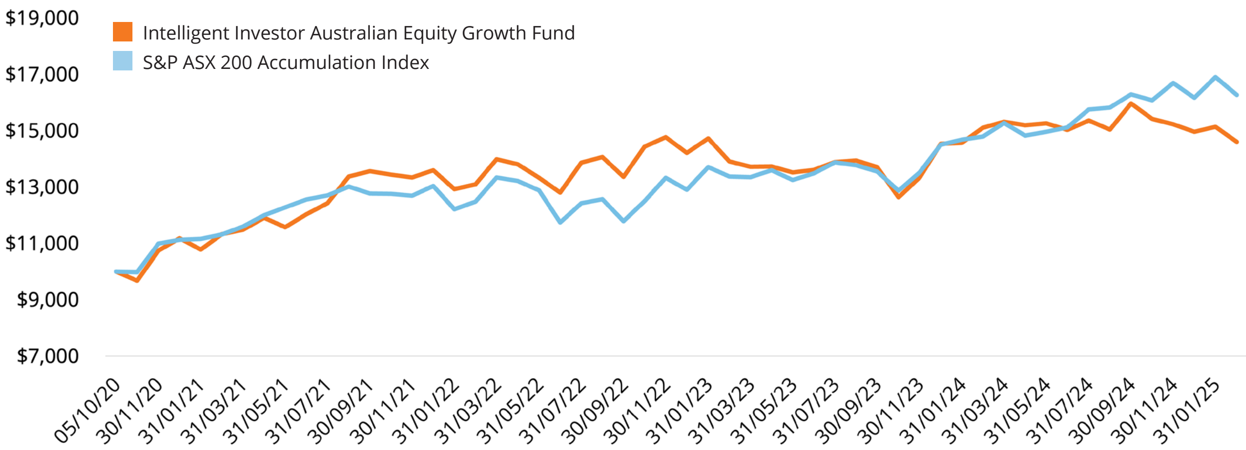
Performance since inception



Inception (S.I.): 5 Oct 2020

Asset allocation

Materials	20.8%
Health Care	17.3%
Consumer Discretionary	14.1%
Cash	7.6%
Financials	7.5%
Information Technology	7.2%
Communication Services	6.5%
Consumer Staples	6.1%
Energy	4.7%
Industrials	4.4%
Utilities	2.8%
Real Estate	0.9%

Top 5 holdings

BHP Group (BHP)	7.5%
CSL (CSL)	6.8%
ResMed (RMD)	6.5%
MA Financial (MAF)	5.9%
New Hope Corporation (NHC)	5.4%

Fund Stats

Distribution yield	1.39%
Net asset value	$2.86

Important information

All tables and chart data is correct as at 28 February 2025