

Intelligent Investor Equity Growth Fund

Active ETF (ASX:IIGF)

“One of the hardest things to do in the investment business is to fully appreciate how long it takes for things to happen. It takes forever for the changes to show up.” — Jeffrey Gundlach

“If Ben Graham thought Mr. Market was irrational in his day, he would try to have him committed today.” — David Barr

Alec Cutler on being contrarian: “The pain and the elation involved - mostly the pain - and how to have the backbone to stick with it, to be willing to be alone and wrong, not just wrong. Everyone’s fine being wrong in a crowd. No one wants to be alone and wrong and poked at; Why did you do that? You’re an idiot”.

It’s said that the market climbs a wall of worry, but this quarter it bounded over a mountain of bizarre. Within just eight weeks fears switched from America’s solvency to the threat of World War three.

Commonwealth Bank’s valuation eclipsed five standard deviations above average. That’s a probability of 0.000000576%. Perhaps John Lennon captured the moment best in his song *Nobody Told Me*, ‘Always something happening and nothing going on. Most peculiar, mama’.

The market seems emboldened since ‘Liberation Day’ with investment flows going into the same market behemoths that have driven the market for

Performance (after fees)


	1 mth	3 mth	1 yr	2 yrs	3 yrs	S.I. p.a
II Equity Growth Fund	-3.2%	-5.5%	-7.7%	1.5%	0.3%	8.0%
S&P ASX 200 Accumulation Index	-3.4%	-2.8%	2.8%	8.5%	5.6%	10.6%
Excess to Benchmark	0.2%	-2.7%	-10.6%	-7.0%	-5.3%	-2.6%


Inception (S.I.): 5 October 2020





Fund overview


The Intelligent Investor Equity Growth Fund is a concentrated portfolio of 10 - 35 Australian-listed and International 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

the past few years. Valuations for Australia's stalwarts suggest a lost decade lies ahead, so that wave of money will eventually look for higher returns elsewhere.

Perhaps given the rising prices of many small cap stocks and resources stocks since 1 July, that's already happening. Lower interest rates should also help broaden the bull market.

Portfolio

There were several changes to the fund during the quarter to make room for our overseas stocks after 1 July. We crystallised the losses on subscale positions in **Pilbara Minerals** and **HMC Capital** and sold **BHP** and **Auckland Airport**.

Brick manufacturing and land development is about as boring as it gets, yet **Brickworks'** share price jumped over 50% after sibling Soul Pattinson launched a bid to finally join the two companies. Housing markets are struggling due to a combination of high costs and higher interest rates, but the combination could ignite a wave of buying as it becomes a major index constituent.

Lovisa's share price rebounded 50% after we increased our position in the wake of Liberation Day after opening its 1,000th store and no change in its prospects. Management is turning its attention to other retail formats and competition is increasing, so our position sizing will likely be lower in the future.

The share price of oil minor **Karooon Energy** increased over 50% as oil prices climbed following Israel's and America's bombing of Iran. As the global economy is less sensitive to oil prices these days, the impact of higher oil prices on global growth and oil stocks is also more muted. So, while oil prices could easily fall again, we're focused on the operational improvements at Karoon and its ability to pay high dividends and potentially buy back shares at four times earnings.

Outlook

Confession season hasn't produced any surprises, and corporate activity is increasing with **Xero** and **Wisetec** acquiring expensive loss-making US businesses.

There are myriad ways the fund could benefit from acquisitions, either facilitating them in the case of **MA Financial**, becoming a target potentially like **RPM Global** and **Aussie Broadband** or by companies picking off cheap targets left behind by the huge momentum flows targeting the market's biggest companies.

The index is currently priced like 2007, where investors over the next decade banked a dividend yield of around 5% without any capital gains. The difference now is that the index is currently barely yielding 3%, valuations are higher and the prospects for the index's major constituents including the three major iron ore majors, four large banks, many A-REITs, **Wesfarmers** and **CSL**, are worse.

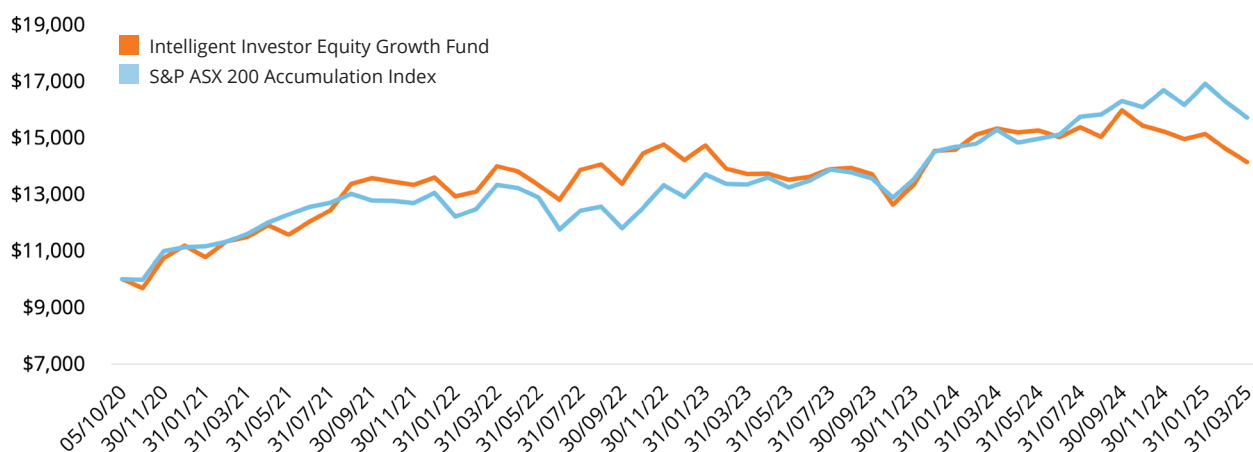
Lower interest rates and a momentum-driven market may blow their bubbly valuations up even further, but eventually markets will look for higher returns from cheaper, faster growing stocks like ours.

Please get in touch if you have any questions

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Performance since inception



Asset allocation

Cash	24.5%
Health Care	14.9%
Consumer Discretionary	14.6%
Materials	12.6%
Communication Services	11.3%
Information Technology	8.2%
Energy	5.6%
Financials	5.5%
Utilities	2.8%

Top 5 holdings

ResMed (RMD)	7.0%
Lovisa (LOV)	5.6%
MA Financial (MAF)	5.5%
New Hope Corporation (NHC)	5.0%
RPMGlobal (RUL)	4.9%

Fund Stats

Distribution yield	1.94%
Net asset value	\$2.91

Important information

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All tables and chart data is correct as at 30 June 2025