

28 February 2021

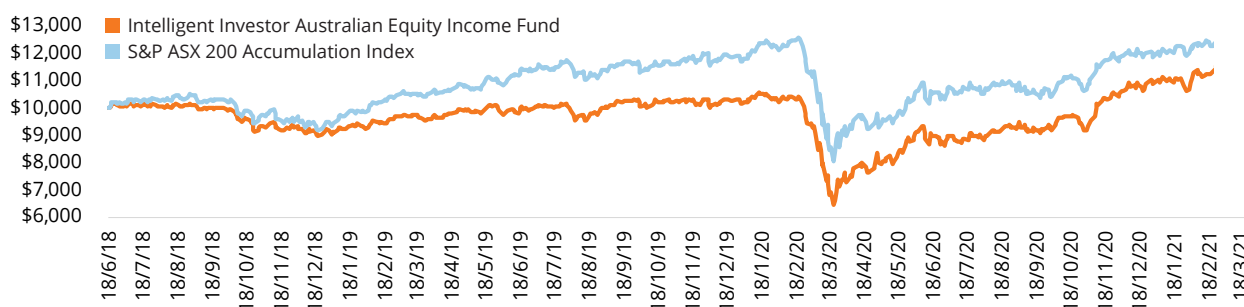
Monthly Update

Intelligent Investor Australian Equity Income Fund

(Managed Fund) (ASX: INIF)

As at 28 February 2021

Performance of \$10,000 since inception



Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	S. I. (p.a.)
Intelligent Investor Australian Equity Income Fund	6.5%	8.5%	21.8%	20.2%	4.7%
S&P ASX 200 Accumulation Index	1.5%	3.0%	11.5%	6.5%	7.2%
Excess to Benchmark	5.0%	5.5%	10.3%	13.7%	-2.5%

Asset allocation

Financials	25.8%
Consumer Discretionary	19.1%
Industrials	13.5%
Materials	13.3%
Real Estate	8.7%
Cash	4.9%
Information Technology	3.0%
Health Care	2.6%
Communication Services	2.4%
Consumer Staples	1.8%
Energy	0.9%

Top 5 holdings

Pinnacle Investment Mgmt Group (PNI)	7.6%
BHP Group (BHP)	7.0%
Sydney Airport (SYD)	6.1%
Star Entertainment Group (SGR)	5.5%
Woodside Petroleum (WPL)	4.8%

About Us

With a 20-year track record of beating the market, clear and straightforward language, and an 'open book' approach to stock research and analysis, *Intelligent Investor* offers actionable, reliable recommendations on ASX-listed stocks.

In 2014, *Intelligent Investor* became a part of the InvestSMART family, extending our expertise to even more Australian investors seeking quality analysis and advice.

Fund overview

Listed on 12 June 2018, this Fund mirrors the Intelligent Investor Equity Income Portfolio.

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.

As contrarian value investors, producing safe and attractive returns in the stock market means sticking to a disciplined and repeatable process. We do this by patiently waiting for overreactions in share prices, so we can buy at a large discount to our estimated intrinsic value.

Investment objective

To produce a sustainable income yield above that of the S&P/ASX 200 Accumulation Index.

Who manages the investment?

Nathan Bell, has over 20 years of experience in portfolio management and research and is supported by our Investment Committee, chaired by Paul Clitheroe. Nathan returned to *Intelligent Investor* in 2018 as Portfolio Manager, having previously been with *Intelligent Investor* for nine years, spending five of those as Research Director. Nathan has a Bachelor of Economics and subsequently completed a Graduate Diploma of Applied Investment and Management. Nathan is a CFA Charterholder.

Key Fund Details

INVESTMENT CATEGORY

A portfolio of individually-selected Australian Equities

INVESTMENT STYLE

Active Stock Selection, Value Investing Approach

BENCHMARK

S&P/ASX 200 Accumulation Index

INCEPTION DATE

12 June 2018

SUGGESTED INVESTMENT TIMEFRAME

5+ years

NUMBER OF STOCKS

10 - 35

INVESTMENT FEE

0.97% p.a.

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

N/A

SUITABILITY

A portfolio focused on generating income without forsaking capital growth by investing in cash rich businesses with the ability to pay growing dividends

Intelligent Investor Australian Equity Income Fund

Monthly update

'I bought \$6bn worth of tech stocks, and in six weeks I had lost \$3bn in that one play. You asked me what I learned. I didn't learn anything. I already knew that I wasn't supposed to do that. I was just an emotional basket case and couldn't help myself.'

— Stanley Druckenmiller on buying at the peak of the dotcom boom

The fund increased 6.5% during February compared to the index's 1.5% gain. February is reporting season and it was overwhelmingly positive. A couple of standout results came from **Pinnacle Investment Management** and **Lovisa**, whose share prices increased 29% and almost 40%, respectively, during the month.

It's hard to imagine that just twelve months ago, Pinnacle's stable of fund managers would've been thinking it would be years before they enjoyed performance fees again. Yet, the company could report earnings per share of over 40c for the full year in August, which means it was trading on a price-to-earnings ratio of just 6.5 during the COVID-induced panic last year.

The company's funds under management (FUM) has reached \$70bn. But with its growing stable of high performing fund

managers offering 18 investment strategies, the company trying to tap overseas investors, and more Australians searching for funds where the owners have skin in the game and aren't being flogged to them by a large financial institution biased towards its own funds, FUM could continue to grow for a long time yet.

The fact that Lovisa produced a profit and paid a dividend is remarkable given it couldn't keep stores open last year due to COVID shutdowns. Having another company pay Lovisa to assume a portfolio of European leases also exemplifies the sort of entrepreneurial flair that you either don't get at much larger companies or such deals are too small to move the needle on profits.

With Lovisa's share price now pricing in a strong recovery, making big gains from here depends on its success abroad, particularly in the US. We like its odds of success, though we have been trimming the position to reflect the lower potential gains with the stock increasing sixfold since the panic almost exactly a year ago.

In contrast, the results from smash repair company **AMA Group** showed the severe impact that shutdowns in Victoria have had on the number of vehicle accidents. While that's good news for all of us, unfortunately as traffic is rebounding the number of car accidents will get back to normal, as will the number of repairs managed by AMA.

New CEO Carl Bizon is also focusing on improving the company's governance by

tightening controls. While this is good news, the key question will be whether he has the ability to deliver on a bigger vision like former CEO Andy Hopkins once revenue recovers from the COVID induced slowdown. Either way, we believe the company is worth much more than it's trading at today.

*If you have any questions, as always, please call us on **1300 880 160** or email us at **info@intelligentinvestor.com.au**.*



Important information

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