

31 July 2021

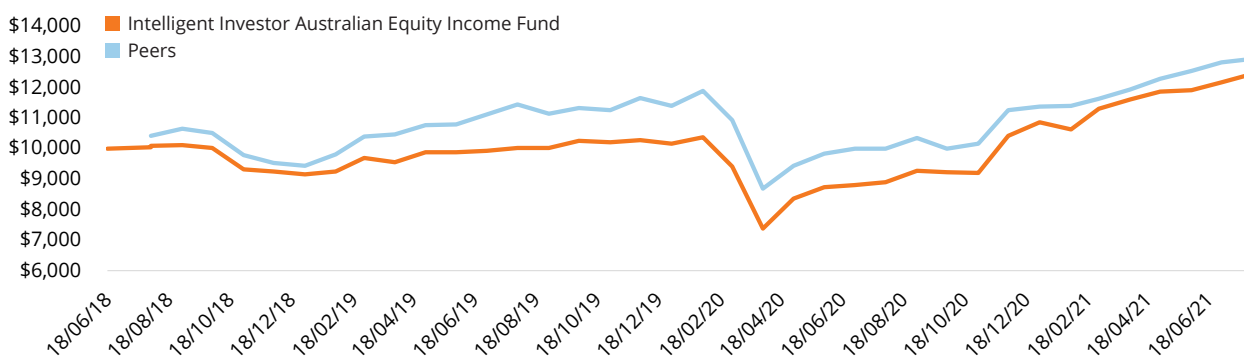
Monthly Update

Intelligent Investor Australian Equity Income Fund

(Managed Fund) (ASX: INIF)

As at 31 Jul 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	2.2%	4.9%	17.2%	39.9%	7.3%
S&P ASX 200 Accumulation Index	1.1%	5.8%	13.8%	28.6%	10.2%
Excess to Benchmark	1.1%	-0.9%	3.4%	11.3%	-2.9%

Asset allocation

Financials	24.5%
Consumer Discretionary	15.6%
Materials	14.9%
Real Estate	10.3%
Industrials	10.1%
Information Technology	7.8%
Utilities	3.5%
Cash	3.3%
Health Care	2.9%
Communication Services	2.7%
Energy	2.1%
Consumer Staples	2.1%

Top 5 holdings

Pinnacle Investment Mgmt Group (PNI)	8.0%
RPMGlobal Holdings (RUL)	7.5%
Sydney Airport (SYD)	7.4%
BHP Group (BHP)	6.9%
Star Entertainment Group (SGR)	4.7%

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

'To be an investor you must be a believer in a better tomorrow.'

— Benjamin Graham

The fund increased 2.2% during July, compared to the market's 1.1% return. The stars this month were Pinnacle Investment Management and RPM Global, which we discussed in detail in our June quarterly report.

Crown Resorts was the main disappointment, as more sordid details of management's and the board's despicable behaviour were exposed by the Victorian regulatory Inquiry that denounced Crown is unfit to hold its gaming license.

Why anyone thought outgoing chairman Helen Coonan was the right person to turn Crown's fortunes around is beyond us, given Crown's institutionalised culture of deceit and recklessness grew on her watch.

Were Crown to lose its license(s) the impact on the portfolio would be minimal. But it's more likely the license will be sold (or at least suspended), or Crown will be acquired so that staff keep their jobs, and the flow of government taxes isn't interrupted.

With a bit of luck, **Star Entertainment** will be a beneficiary of Crown's problems, though it smartly rescinded its acquisition offer if only to pay a lower price.

Can a leopard change its spots?

The only addition to the portfolio during July was **Lendlease**. The global property developer has been a serial underperformer after former CEO Steve McCann acquired the engineering business a decade ago.

Bidding for huge, complex projects is fraught with peril. Until you start digging you never know how much these projects are going to cost and the surprises can be fatal and litigious.

Lendlease's size has saved it from an industry big on bravado, intense price competition and unsavoury headlines, but it's made the stock way riskier than it should be and condemned it to the bin of serial underperformers.

The company has a huge, global property development business that's building a large and growing funds management business. With new internally appointed CEO Tony Lombardo recently selling the company's engineering business (though he's stuck with the troublesome Melbourne Metro project) and its small services business to **Service Stream**, Lendlease is far less risky.

It also means the company can finally focus on property development that Lombardo expects can produce a 10-14% return on equity. Cheap and easy money means there is no shortage of money looking for a home, and Lendlease offers the sort of long-term assets with predictable returns that many large investors covet.

Should the business become more predictable and grow its funds management

division without any major setbacks from the Melbourne Metro project, previously wary investors could push the share price back towards \$20.

As you read this, we'll be deep into reporting season. As most companies report their bad news before August, any surprises are likely to be around corporate activity rather than with operating performances.

*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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