

# Intelligent Investor Australian Equity Income Fund (Managed Fund) (ASX:INIF)

Issued by  
InvestSMART Funds  
Management Limited  
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ARSN 620 031 414  
ASX Code: INIF

**“The greater the ignorance, the greater the dogmatism.”**

— William Osler

The Fund increased 7.0% during October compared to the market’s 6.0% return. Most market commentary currently surrounds the timing of a ‘Fed Pivot’, as though rapidly cutting interest rates will rekindle the crazy boom times of last year instead of unleashing large share price falls as history suggests. Be careful what you wish for.

Anything is possible, but we’re focused on valuations – which still assume high profit growth expectations – and the eventual impact of higher interest rates, which are yet to materially impact consumers, employment or profit margins.

Weaker than expected results recently from the massive US tech companies are the tip of the iceberg with Powell determined to keep increasing interest rates.

Bear markets typically end with panic or disinterest. We’re prepared for anything and everything, as there’s never been so many issues facing investors simultaneously.

Our solution is always the same. Be patient, keep it simple, and buy stocks with a margin of safety forged by a mix of entrepreneurial management, business predictability and a sensible valuation.

## Performance (after fees)


|                                  | 1 mth | 1 yr  | 2 yrs<br>(p.a) | 3 yrs<br>(p.a) | 4 yrs<br>(p.a) | S.I. (p.a) |
|----------------------------------|-------|-------|----------------|----------------|----------------|------------|
| II Australian Equity Income Fund | 7.0%  | 10.1% | 25.3%          | 12.2%          | 11.5%          | 8.7%       |
| S&P ASX 200 Accumulation Index   | 6.0%  | -2.0% | 12.0%          | 4.8%           | 8.3%           | 6.8%       |
| Excess to Benchmark              | 1.0%  | 12.1% | 13.3%          | 7.4%           | 3.2%           | 1.9%       |


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

## Portfolio

We reduced our energy exposure from over 20% to 15%, which was timely given **New Hope's** share price fell 20% after initially breaching \$7 after confirming the expansion of its New Acland mine.

Labor has scrapped franking benefits attached to share buybacks, which may have cost New Hope shareholders \$400m given its massive franking balance. Hence the large share price reaction.

**Frontier Digital Ventures's** quarterly result showed its Pakistan businesses continue to go from strength to strength, though progress is being offset by the falling currency. The potential IPO of Zameen's major shareholder EMPG may soon shine a spotlight on its value.

Infocasas's founder along with other senior staff have been promoted and incentivised to increase the Latin American division's revenue from US\$30m to \$100m to list it on the NASDAQ. Success would create a division worth multiples of Frontier's current value, but the risk of an emerging market sovereign debt crisis is increasing with US interest rates.

Frontier Digital is well prepared, but the next couple of years will be the making or breaking of the company and our investment case.

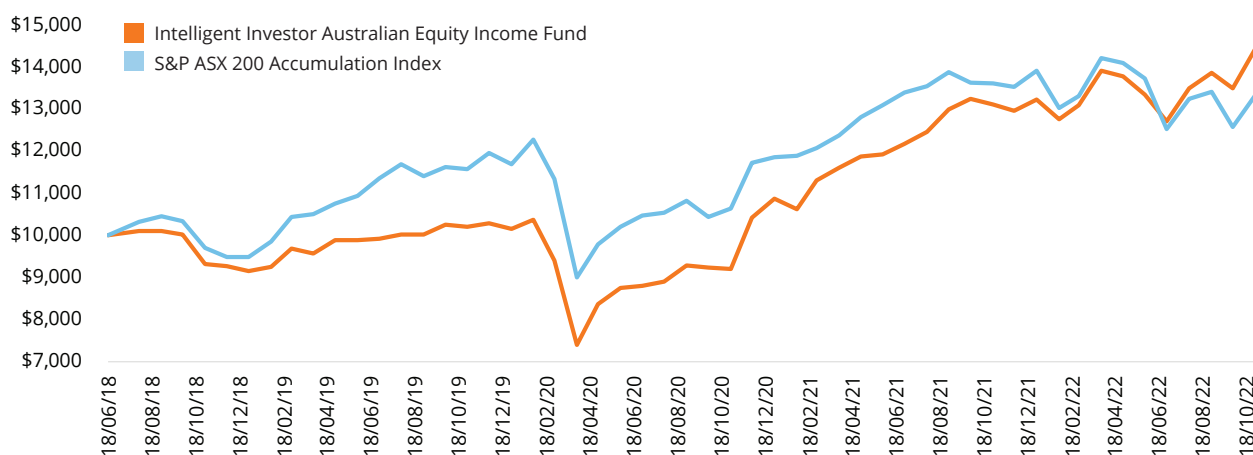
**Mineral Resources's** remarkable track record under Chris Ellison is gaining wide attention, as he considers listing the company's Lithium business overseas.

Green energy is a hot investment theme currently, but the company has a clear and sensible growth strategy for all four divisions. Falling iron ore and lithium prices are the biggest risk currently, but we'd welcome a large share price fall to increase our position.

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Please get in touch if you have any questions on **1300 880 160** or at **[info@intelligentinvestor.com.au](mailto:info@intelligentinvestor.com.au)**

## Performance since inception



Inception (S.I.): 18 Jun 2018

### Asset allocation

|                        |       |
|------------------------|-------|
| Materials              | 22.5% |
| Cash                   | 17.3% |
| Consumer Discretionary | 16.3% |
| Financials             | 10.6% |
| Energy                 | 9.2%  |
| Information Technology | 7.2%  |
| Industrials            | 5.6%  |
| Real Estate            | 4.4%  |
| Communication Services | 2.7%  |
| Utilities              | 2.3%  |
| Health Care            | 2.0%  |

### Top 5 holdings

|                                      |      |
|--------------------------------------|------|
| BHP Group (BHP)                      | 9.0% |
| Star Entertainment Group (SGR)       | 5.7% |
| Auckland International Airport (AIA) | 5.6% |
| RPMGlobal Holdings (RUL)             | 5.4% |
| Woodside Energy Group (WDS)          | 5.1% |

### Fund Stats

|                 |        |
|-----------------|--------|
| Income yield    | 11.44% |
| Net asset value | \$2.97 |

### Important information

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All tables and chart data is correct as at 31 October 2022.