

Intelligent Investor Australian Equity Income Fund

ARSN 620 031 414

Interim report

For the half-year ended 31 December 2023

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made in respect of Intelligent Investor Australian Equity Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Intelligent Investor Australian Equity Income Fund as an individual entity.

The Responsible Entity of Intelligent Investor Australian Equity Income Fund is InvestSMART Funds Management Ltd (ABN 62 067 751 759) (AFSL 246441).

The Responsible Entity's registered office is:
Suite 2, Level 2, 66 Clarence Street
Sydney, NSW 2000

Directors' report

The directors of InvestSMART Funds Management Limited, the Responsible Entity of Intelligent Investor Australian Equity Income Fund (the "Fund"), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2023.

Principal activities

The Fund is an Australian registered managed investment scheme which was constituted on 6 July 2017, registered on 11 July 2017, commenced operations on 15 June 2018 and its units commenced trading on the Australian Securities Exchange (ASX: INIF) on 19 June 2018. The Fund is domiciled in Australia.

The Fund invests in a portfolio of between 10 and 35 Australian listed companies with market prices at material discounts to their estimated value in accordance with the Product Disclosure Statement ("PDS") and the Fund's Constitution.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	InvestSMART Funds Management Ltd
Investment Manager	Intelligent Investor Holdings Pty Limited
Custodian and Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)
Statutory Auditor	BDO Audit Pty Limited
Unit Registry	Link Market Services Ltd

Directors

The following persons held office as directors of InvestSMART Funds Management Ltd during or since the end of the period and up to the date of this report:

Alastair Davidson	Director
Peter Ron Hodge	Director
Andrew Ward	Director

Review and results of operations

During the half-year, the Fund invested its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended 31 December 2023	Half-year ended 31 December 2022
Operating profit for the half-year (\$'000)	3,873	10,360
Distributions paid and payable (\$'000)	5,909	9,485
Distributions (cents per unit)	20.26	37.60

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the half-year ended 31 December 2023.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial reporting years, or
- (ii) the results of those operations in future financial reporting years, or
- (iii) the state of affairs of the Fund in future financial reporting years.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of InvestSMART Funds Management Limited.



Andrew Ward
Director

Sydney
4 March 2024

**DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF INTELLIGENT INVESTOR
AUSTRALIAN EQUITY INCOME FUND**

As lead auditor for the review of Intelligent Investor Australian Equity Income Fund for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Tim Aman
Director

BDO Audit Pty Ltd
Sydney, 4 March 2024

Intelligent Investor Australian Equity Income Fund
Condensed statement of comprehensive income
For the half-year ended 31 December 2023

Condensed statement of comprehensive income

	Note	Half-year ended 31 December 2023 \$'000	Half-year ended 31 December 2022 \$'000
Investment income			
Interest revenue		74	-
Other income		-	19
Dividend and distribution income		1,295	2,257
Net gains/(losses) on financial instruments at fair value through profit or loss	4	2,953	8,540
Total investment income		4,322	10,816
Expenses			
Management fees		386	400
Transaction costs		53	56
Withholding tax on dividends		10	-
Total expenses		449	456
Operating profit for the half-year		3,873	10,360
Profit for the half-year		3,873	10,360
Other comprehensive income		-	-
Total comprehensive income for the half-year		3,873	10,360
Earnings per unit for profit attributable to unit holders of the Fund			
Basic and diluted gain per unit (cents)	8	12.83	36.63

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Intelligent Investor Australian Equity Income Fund
Condensed statement of financial position
As at 31 December 2023

Condensed statement of financial position

	Note	As at 31 December 2023 \$'000	As at 30 June 2023 \$'000
Assets			
Cash and cash equivalents		2,355	11,376
Receivables		57	148
Financial assets at fair value through profit or loss	5	82,644	70,415
Total assets		85,056	81,939
Liabilities			
Payables		68	199
Distribution payable	7	920	4,989
Total liabilities		988	5,188
Net assets attributable to unit holders - equity	6	84,068	76,751

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Intelligent Investor Australian Equity Income Fund
Condensed statement of changes in equity
For the half-year ended 31 December 2023

Condensed statement of changes in equity

		Half-year ended 31 December 2023 \$'000	Half-year ended 31 December 2022 \$'000
	Note		
Total equity at the beginning of the half-year		76,751	63,829
Profit for the half-year		<u>3,873</u>	10,360
Total comprehensive income		<u>3,873</u>	10,360
Transactions with unitholders			
Applications	6	6,958	13,205
Redemptions	6	(3,730)	(2,156)
Reinvestment of distributions	6	1,136	2,043
Distributions to unitholders	6	(920)	(1,749)
Total transactions with unitholders		<u>3,444</u>	11,343
Total equity at the end of the half-year		<u>84,068</u>	85,532

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Intelligent Investor Australian Equity Income Fund
Condensed statement of cash flows
For the half-year ended 31 December 2023

Condensed statement of cash flows

	Note	Half-year ended 31 December 2023 \$'000	Half-year ended 31 December 2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		13,039	13,119
Purchase of financial instruments at fair value through profit or loss		(22,315)	(17,752)
Interest income received		95	-
Other income received		-	19
Dividends and distributions received		1,318	2,245
Management fees paid		(383)	(384)
Transaction costs paid		(52)	(59)
Net cash inflow/(outflow) from operating activities		(8,298)	(2,812)
Cash flows from financing activities			
Proceeds from applications by unit holders		6,994	13,379
Payments for redemptions by unit holders		(3,864)	(2,168)
Distributions paid		(3,853)	(5,693)
Net cash inflow/(outflow) from financing activities		(723)	5,518
Net increase/(decrease) in cash and cash equivalents		(9,021)	2,706
Cash and cash equivalents at the beginning of the half-year		11,376	14,633
Cash and cash equivalents at the end of the half-year		2,355	17,339
Non-cash operating and financing activities	6	1,136	2,043

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

These interim financial statements cover Intelligent Investor Australian Equity Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 6 July 2017, registered on 11 July 2017 and its units commenced trading on the Australian Securities Exchange (ASX: INIF) on 19 June 2018. The Fund is domiciled in Australia.

The Responsible Entity of the Fund is InvestSMART Funds Management Ltd (ABN 62 067 751 759) (AFSL 246441) (the "Responsible Entity"). The Responsible Entity's registered office is Suite 2, Level 2, 66 Clarence Street, Sydney, NSW 2000. These interim financial statements are presented in Australian dollars.

The Fund aims to invest in a portfolio of Australian listed companies in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The interim financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

2 Summary of significant accounting policies

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *'Interim Financial Reporting'*.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of the fund for the year ended 30 June 2023.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the annual financial report for the year ended 30 June 2023.

3 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2023 and 30 June 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2023				
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equity securities	82,644	-	-	82,644
Total financial assets	82,644	-	-	82,644

3 Fair value measurement (continued)

(b) Recognised fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equity securities	70,415	-	-	70,415
Total financial assets	70,415	-	-	70,415

(c) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

4 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	Half-year ended 31 December 2023 \$'000	Half-year ended 31 December 2022 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	(4,699)	4,899
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	7,652	3,641
Net gains/(losses) on financial assets at fair value through profit or loss	2,953	8,540

5 Financial assets at fair value through profit or loss

	As at 31 December 2023 \$'000	As at 30 June 2023 \$'000
Fair value through profit or loss		
Listed equity securities	82,644	70,415
Total fair value through profit or loss	82,644	70,415
Total financial assets at fair value through profit or loss	82,644	70,415

6 Net assets attributable to unit holders

Movements in the number of units and net assets attributable to unit holders during the period were as follows:

	Half-year ended 31 December 2023		Half-year ended 31 December 2022	
	Units '000	\$'000	Units '000	\$'000
Opening balance	28,922	76,751	24,474	63,829
Applications	2,657	6,958	4,704	13,205
Redemptions	(1,477)	(3,730)	(745)	(2,156)
Reinvestment of distributions	426	1,136	780	2,043
Distributions paid and payable	-	(920)	-	(1,749)
Profit for the period	-	3,873	-	10,360
Closing balance	30,528	84,068	29,213	85,532

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such amounts expected to be settled within 12 months cannot be reliably determined.

7 Distributions to unit holders

The distributions declared and paid during the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December	31 December	31 December	31 December
	2023	2023	2022	2022
	\$'000	CPU	\$'000	CPU
June (paid)	4,989	17.25	7,736	31.61
December (payable)	920	3.01	1,749	5.99
Total distributions	5,909	20.26	9,485	37.60

8 Earnings per unit

Earnings per unit amounts are calculated by dividing net profit/(loss) attributable to unit holders before distributions by the weighted average number of units outstanding during the half-year.

	Half-year ended	Half-year ended
	31 December	31 December
	2023	2022
Operating profit (\$'000)	3,873	10,360
Weighted average number of units on issue ('000)	30,181	28,286
Basic and diluted earnings per unit (cents)	12.83	36.63

As the fund has no potential dilutive units, basic and diluted EPU are equal.

9 Events occurring after the reporting period

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2023 or on the results and cash flows of the Fund for the half-year ended on that date.

10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2023 (30 June 2023: Nil).

11 Related party transactions

InvestSMART Funds Management Limited is the Responsible Entity for the Fund.

All management fees paid and payable were paid to InvestSMART Funds Management Limited as Responsible Entity.

Andrew Ward, a director of the Responsible Entity, acquired 599 units during the half-year and held 9,868 related units in the Fund at 31 December 2023 (December 2022: 9,084 units).

Alastair Davidson, a director of the Responsible Entity, acquired 1,087 units during the half-year and held 17,888 units in the Fund at 31 December 2023 (December 2022: 16,465 units).

Ron Hodge, a director of the Responsible Entity, held Nil units in the Fund at 31 December 2023 (December 2022: Nil units).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The interim financial statements and notes set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the financial period ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of InvestSMART Funds Management Limited pursuant to s.303 (5) of the *Corporations Act 2001*.



Andrew Ward
Director

Sydney
4 March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the unitholders of Intelligent Investor Australian Equity Income Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Intelligent Investor Australian Equity Income Fund (the Fund), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Fund does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Fund, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman', is written over a horizontal line.

Tim Aman
Director

Sydney, 4 March 2024