

**Intelligent Investor
Funds Management**

FY2024

Stewardship Report

April 2025

About Us

With over 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.

Important information

Intelligent Investor and associated websites and publications are published by InvestSMART Financial Services Pty Ltd ACN 089 038 531 AFSL #226435 (Publisher).

This report provides general financial advice only and you should consider the relevant Product Disclosure Statement (PDS), [Financial Services Guide](#) (FSG), [Target Market Determination](#) (TMD) or seek professional advice before making any investment decision. InvestSMART Funds Management Limited (RE) is the responsible entity of various managed investment schemes and funds and is a related party of the Publisher. The RE may own, buy or sell the shares suggested in this article simultaneous with, or following the release of an article published by the Publisher. Any such transaction could affect the price of the share. All indications of performance returns are historical and cannot be relied upon as an indicator for future performance. COPYRIGHT© InvestSMART Financial Services Pty Limited.

Intelligent Investor

info@intelligentinvestor.com.au

www.intelligentinvestor.com.au

PO Box 744, QVB NSW 1230

1300 880 160

Contents

About Intelligent Investor	3
What is stewardship?	6
Engagement strategy	7
Engagement case studies.....	8
Mineral Resources (MIN)	8
Karoo Energy Ltd (KAR)	9
Proxy voting record.....	10
Our commitment to ESG	11

About Intelligent Investor

Intelligent Investor is an Australian investment manager and research provider that provides long-term investment solutions. With a greater than 20-year track record of beating the market, clear and straightforward research language, and an 'open book' approach to stock research and analysis, Intelligent Investor has provided actionable, reliable recommendations on listed stocks.

Since 2018, Intelligent Investor has managed exchange traded active ETFs. There are now 4 listed funds with 4 separate portfolios:

- Intelligent Investor Australian Equity Income Fund
- Intelligent Investor Australian Equity Growth Fund
- Intelligent Investor Ethical Share Fund
- Intelligent Investor Select Value Share Fund from 31 March 2023)

This report covers the engagement and voting processes that have been applied at the Intelligent Investor management level.

Our investment philosophy

The Intelligent Investor approach is buying and holding shares with market prices at material discounts to their estimated value. Value is defined as the net present value of future cash flows and confirmed with other valuation measures such as price-earnings ratio and free cash flow yield. The underlying business quality is assessed according to the value added by a company's products or services and the competitive environment in which they are offered.

Typically, we do not incorporate ESG factors into our investment decision making, other than for the Intelligent Investor Ethical Share Fund.

For the Intelligent Investor Ethical Share Fund, we have incorporated ESG factors into our investment

decision-making for our underlying investment strategy. We have implemented an investment style and process that systematically considers environmental, social, governance and ethical considerations, using screening tools supplied by a reputable third party.

Below is a summary of the ESG Scores methodology provided by Refinitiv (a major data vendor) and used by Intelligent Investor to screen out companies that are "unethical" from the investment process.

ESG Score

The ESG scoring methodology has several key calculation principles as set out below:

- Unique ESG magnitude (materiality) weightings have been included – as the importance of ESG factors differs across industries, Refinitiv has mapped each metric's materiality for each industry on a scale of 1 to 10.
- Transparency stimulation – company disclosure is at the core of the methodology. With applied weighting, not reporting "immaterial" data points doesn't greatly affect a company's score, whereas not reporting on "highly material" data points will negatively affect a company's score.
- ESG controversies overlay – Refinitiv verify companies' actions against commitments and to magnify the impact of significant controversies on the overall ESG scoring. The scoring methodology aims to address the market cap bias from which large companies suffer, introducing severity weights which ensure controversy scores are adjusted based on a company's size.
- Industry and country benchmarks at the data point scoring level, to facilitate comparable analysis within peer groups.
- Percentile rank scoring methodology – to eliminate hidden layers of calculations. This methodology enables Refinitiv to produce a score between 0 and 100 as well as easy-to-understand letter grades when utilising the methodology.

Data Process

There are over 630 ESG measures, which are processed manually for each company within the ESG universe, with each measure undergoing a careful process to standardize the information and guarantee it is comparable across the entire range of companies. The database is updated on a continuous basis – aligned with corporate reporting patterns – and data is refreshed on products every week, including the recalculation of the ESG Scores. Updates could include a brand-new company being added to the database, the latest fiscal year update or the inclusion of new controversy events. The database covers over 85% of the global market cap of listed companies.

In most cases, reported ESG data is updated once a year in line with companies' own ESG disclosure. Refinitiv refresh data more frequently in exceptional cases, usually when there is a significant change in the reporting or corporate structure during the year.

ESG news and controversies are updated on a continuous basis, as and when such events occur and get picked up by global media.

Frequency of Updates

All Refinitiv ESG scores, including controversies scores, are updated on a weekly basis.

Definitive scores

Scores will be marked as definitive for all historical years excluding the five most recent. For instance, if the most recent fiscal year is FY2020, then all historical scores prior to FY2016 will be considered definitive – but not those between FY2016 and FY2020. Definitive scores remain unchanged even if there are changes to the underlying data due to company restatements or data corrections.

The model comprises two overall ESG scores:

1. **ESG score** – measures the company's ESG

performance based on verifiable reported data in the public domain

2. **ESG Combined (ESGC) score** – overlays the ESG score with ESG controversies to provide a comprehensive evaluation of the company's sustainability impact and conduct over time

The availability of the two overall scores and underlying category assessments allows users to adopt and apply the scoring that meets their requirements, mandates or investment criteria.

ESG score

From the 630 company-level ESG measures captured by Refinitiv, a subset of 186 of the most comparable and material per industry are used in the overall company assessment and scoring process. The underlying measures are based on considerations around comparability, impact, data availability and industry relevance that varies across each industry group.

These are grouped into 10 categories that reformulate the three pillar scores and the final ESG score, which is a reflection of the company's ESG performance, commitment and effectiveness based on publicly reported information.

The category scores are rolled up into three pillar scores – environmental, social and corporate governance. The ESG pillar score is a relative sum of the category weights which vary per industry for the Environmental and Social categories. For Governance, the weights remain the same across all industries.

ESG Combined (ESGC) score

ESGC scores provide a rounded and comprehensive scoring of a company's ESG performance, based on the reported information pertaining to the ESG pillars, with the ESG controversies overlay captured from global media sources. The main objective of this score is to discount the ESG performance score based on negative media stories. It does this by incorporating the impact of significant, material ESG controversies in the overall ESGC score.

When companies are involved in ESG controversies, the ESGC score is calculated as the weighted average of the ESG scores and ESG controversies score per fiscal period, with recent controversies reflected in the latest completed period. When companies are not involved in ESG controversies, the ESGC score is equal to the ESG Score

ESG controversies category

The ESG controversies score is calculated based on 23 ESG controversy topics. During the year, if a scandal occurs, the company involved is penalized and this affects their overall ESGC score and grading. The impact of the event may still be seen in the following year if there are new developments related to the negative event; e.g., lawsuits, ongoing

legislation disputes or fines. All new media materials are captured as the controversy progresses. The controversies score also addresses the market cap bias from which large cap companies suffer, as they attract more media attention than smaller cap companies.

A copy of the full Refinitiv ESG scoring methodology is available on request.

What is stewardship?

Intelligent Investor is responsible for acting in the best interests of our fund investors, the underlying asset owners. As corporate stewards, we are interested in the long-term viability of the companies we invest in, which may be enacted through company meetings and proxy voting. Intelligent Investor considers it best practice to have investment stewardship policies and systems in place, which may include:

- monitoring of company performance on financial and non-financial matters;
- engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;
- approach to considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement;
- voting on significant matters;
- collaborative engagement with other investors including involvement with industry groups and associations;
- principles used for policy advocacy including participation with industry groups and associations; and
- the approach to client engagement, education and communication regarding asset stewardship.

Why is it important?

We believe that engagement between companies and investors will enhance the understanding of ESG issues in investee companies, where relevant, and can also be used to assess the quality of a company, promoting improved shareholder returns.

Engagement strategy

Engagement can take a number of forms and will depend upon resourcing and availability of skills. It may be outsourced to third party service providers and can be in writing or in person. As part of our engagement with investee companies we may:

- Meet with the board/senior management (including both formal meetings forming part of their annual reporting or more informal, one-one meetings) and question them on their strategic priorities and any areas of contention.
- Monitor each company's financial and non-financial performance through the main drivers and risk factors (both internal and external as well as financial and non-financial (including Environmental, Social and Corporate Governance (ESG) factors)) which can impact in the future.
- Ensure, on an ongoing basis, that the leadership of each investee company and its corporate governance structures adhere to best practice

Given the small size of our investments in each investee company, our engagement is typically executed through informal discussions with board members and senior management on issues that might have a material impact on shareholder returns.

Engagement case studies

Mineral Resources (MIN)

Description

Mineral Resources (MIN) is a resources company, with operations in lithium, iron ore, energy and mining services across Western Australia. It is involved in mining activities and the integrated supply of goods and services to the resources sector.

Issue of concern

In October 2024, the Managing Director of Mineral Resources announced his retirement from the company following allegations of tax evasion, relating to machinery and other services he allegedly sold to the Company at inflated prices. These allegations were initially raised in the press. After some time, the Board admitted that they had been investigating payments made to offshore entities related to Mr Ellison for the prior 2 years.

Our actions

Our lead portfolio manager attended the AGM on Tuesday 19 November 2024, after lodging our proxies with our custodian, with the intention of exercising votes on personal holding in the Company.

The grant of equity options was withdrawn prior to the meeting following the receipt by the company of overwhelming negative comments from shareholders, including Intelligent Investor. This was based on the revelations made in the press about Mr Ellison's behaviour as noted above.

We lodged the following votes:

Item 1 Adoption of Remuneration Report	AGAINST
Item 2 Election of Ms Denise McComish as a Director	FOR
Item 3 Election of Ms Jacqueline McGill AO as a Director	FOR
Item 4 Grant of equity options to Managing Director	WITHDRAWN
Item 5 Re-insertion of proportional takeover provisions	ABSTAIN

We voted against the adoption of the remuneration report as it provided increased remuneration in pay and options to the non-executive directors who we believed had failed in their governance of the managing directors actions.

We voted for the new directors as we believe they will bring additional scrutiny to the actions of management.

Outcome

After the AGM, an Ethics and Governance committee was established, led by credible members of the board, and the Chairman agreed to resign. As of the date of this report, Mineral Resources is still awaiting a new Chairperson, with one of the non-executive directors acting as interim.

Karooon Energy Ltd (KAR)

Description

Karooon Energy Ltd is an ASX listed international oil and gas exploration and production company with assets in Brazil, the United States of America and Australia.

Issue of concern

For the past three years prior to the AGM in May 2024, Karoon had promised dividends from its growing free cash flow. It has not paid any and has bought another producing field and promised to buy more.

This has raised concerns about the incentives for management decisions, as evidenced by the high share incentives awarded to management. Buying an asset was one of the largest performance hurdles for the prior period. There appears to be little discretion on the type of asset, or the value paid for that asset.

The most recent acquisition of Who Dat gas field in the United States has performed poorly which suggests a lack of rigor by management in the due diligence process.

Our actions

In conjunction with other shareholders who had similar opinions, we agreed to register a protest vote at the AGM on 23 May 2024, through our custodian. We lodged the following votes:

Item 1 Election of Ms Melissa Holzberger as a Director	ABSTAIN
Item 2 Election of Ms Joanne Palmer as a Director	ABSTAIN
Item 3 Re-election of Mr Peter Turnbull as a Director	AGAINST
Item 4 Re-election of Mr Carlos Tadeu da Costa as a Director	FOR
Item 6 Adoption of Remuneration Report	AGAINST
Item 7 Increase to Aggregate Fee Pool for Non-Executive Directors	AGAINST
Item 8 Issue of Performance Rights to Dr Julian Fowles	AGAINST
Item 9 Refresh of Placement Capacity	AGAINST

Outcome

The resolutions were all carried at the AGM, however the Board recognized the protest vote and has begun to distribute any excess capital or profits to shareholders. It has started paying 20-40% of net profits as dividends and has instituted an on-market share buyback.

Proxy voting record

Proxy voting is a tool for assessing and advocating for corporate governance best practice. Companies must be run for the benefit of shareholders, and proxy voting helps to hold boards and management teams accountable for their performance.

Intelligent Investor does not usually vote on resolutions, acknowledging that there are only certain occasions where it may be in our clients' best interest to express our concerns publicly to other shareholders and exercise our vote.

Intelligent Investor voting recommendations are made by the Head of Funds Management across all portfolios. Resolutions are assessed on a case-by-case basis, and votes are cast in the best interests of our invested clients. We do not disclose individual voting recommendations as these are confidential decisions and disclosure may influence subscribers to our Intelligent Investor research reports.

As all shares are held through a custodian, voting intentions are generally masked from other shareholders, the public and boards. As such, Intelligent Investor will usually only vote on issues that we perceive to have material financial harm to shareholders, which is evidenced by the high number of abstentions in the 2024 voting record.

Australian listed entities	Number	%
Total number of AGMs and EGMs	27	
Total number of resolutions	149	100%
For	21	14%
Against	xx	0.0%
Abstain	xxx	83.9%

Non-Australian listed entities	Number	%
Total number of AGMs and EGMs	26	
Total number of resolutions	216	100%
For	15	7%
Against	0	0.0%
Abstain	201	93%

Our commitment to ESG

Intelligent Investor has prepared this as its Stewardship Report, which provides a few examples of our stewardship initiatives during the 2024 calendar year.

Intelligent Investor is committed to continually evolving our ESG reporting capabilities

