

# Intelligent Investor Australian Equity Growth Fund

(Managed Fund) (ASX:IIGF)

**“This matter of training oneself not to go with the crowd but to be able to zig when the crowd zags, in my opinion, is one of the most important fundamentals of investment success.”**

— Phil Fisher

The Fund was essentially flat in April compared to the market’s 1.8% return, as fear of missing out on the next bull market has replaced recession fears.

If the economy was expected to improve, you’d expect a rally led by the statistically cheapest stocks like some we own, yet it’s the opposite.

In the US, for example, the gains have mostly accrued to the giant technology stocks, like **Microsoft** and **Alphabet**, following good results. A relief rally if you will. But scratch beneath the surface and the story is not as rosy.

## Star supernova

We reduced our position in **Star Entertainment** after the company announced things are getting even worse. So bad, in fact, that CEO Robbie Cooke announced 500 job cuts and called in the bankers and everyone else with an interest in the company to pull together to save what’s left of the

### Performance (after fees)


	1 mth	3 mths	6 mths	1 yr	S.I. p.a
II Australian Equity Growth Fund	0.1%	-6.8%	-4.9%	-0.6%	13.2%
S&P ASX 200 Accumulation Index	1.8%	-0.8%	8.7%	2.8%	12.8%
Excess to Benchmark	-1.7%	-6.0%	-13.6%	-3.4%	0.4%


Inception (S.I.): 5 October 2020





### Fund overview


The Intelligent Investor Australian Equity Growth Fund is a concentrated portfolio of 10 - 35 Australian-listed stocks. The Portfolio invests in a mix of large, mid and small cap stocks, focusing on highly profitable industry leaders that have long-term opportunities to reinvest profits at high rates of return.


 **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

Star Sydney casino lest it be sold for its land and building value alone.

Management should've divulged more about Star's rapidly deteriorating operating performance when it recently raised money instead of offering feeble excuses a month later.

It can be a fine line between patiently backing your analysis, and stubbornly hanging on despite a fluid and deteriorating situation. But to borrow a line from Bud Fox in my favourite movie, *Wall Street*, 'the break-up value is higher'.

Though Star isn't at that point yet, we're managing any ownership bias on our part with a smaller position.

The current situation feels reminiscent of when I upgraded **Aristocrat Leisure** in 2009 at \$6.96. I castigated myself for years after it fell below \$2 before increasing seven-fold from my initial upgrade and 25 times from the bottom.

It was a similar story for **Fisher and Paykel Healthcare**. Both of which we foolishly sold so early in the recovery that it's comical.

The difference is that Star doesn't have that sort of potential and various government agencies will soon determine Star Sydney's value. Star's destiny isn't entirely in its own hands, which warrants a smaller position.

In contrast, **Frontier Digital Ventures** does have huge potential despite raising \$13m to pay earn-outs related to past acquisitions. The 20% discount was disappointing, as the company has historically been able to raise money without a material discount.

The prices of Frontier's and Star's capital raisings show investors are taking their pound of flesh when companies urgently need money.

The small raising minimises dilution for existing shareholders but was \$10m-\$20m short in our view of removing the focus from Frontier's balance sheet, which is what founder and CEO Shaun Di Gregorio wanted.

Zameen's performance has weakened rapidly with the almost bankrupt Pakistan economy, which is why we've given it zero value and Frontier is only a tiny position. But the rest of the business is doing ok, for now.

The next 18 months will be the making or breaking of the company, but a bad outcome won't materially hurt the fund while a good one could meaningfully increase our returns.

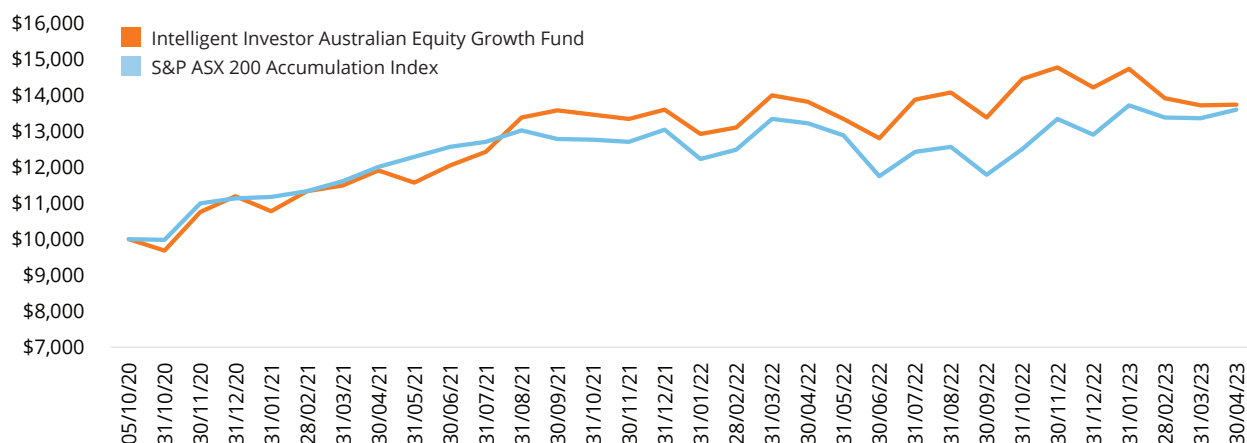
Lastly, **Mineral Resources'** share price fell 10% after announcing lower production estimates from its mining services division as contracts expire, and production expansion delays and higher costs at its key Mount Marion lithium project.

In such a complicated business with numerous divisions, earnings will jump around in the short-term. But, most importantly, we remain comfortable with the company's long-term plans.

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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.): 5 Oct 2020

### Asset allocation

Cash	21.7%
Consumer Discretionary	18.8%
Materials	14.6%
Information Technology	13.3%
Financials	10.9%
Energy	6.6%
Industrials	6.3%
Real Estate	3.2%
Health Care	2.4%
Utilities	2.1%

### Top 5 holdings

Auckland International Airport (AIA)	6.3%
RPMGlobal Holdings (RUL)	5.7%
New Hope Corporation (NHC)	4.9%
Audinate (AD8)	4.6%
Alumina (AWC)	4.5%

### Fund Stats

Distribution yield	15.88%
Net asset value	\$2.88

### Important information

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All tables and chart data is correct as at 30 April 2023