

# Intelligent Investor Select Value Share Fund (Managed Fund) (ASX:IISV)

Issued by  
InvestSMART Funds  
Management Limited  
ACN 067 751 759  
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Intelligent Investor  
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ACN 109 360 983  
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ARSN 661 805 509  
ASX Code: IISV

**“Courage is knowing it might hurt and doing it anyway. Stupidity is the same. And that’s why life is hard.”**

— Jeremy Goldberg

**“Before you marry a person, you should first make them use a computer with slow internet to see who they really are.”**

— Will Ferrell

The most pleasing aspect of the fund’s performance since launching is that the returns have been broadly spread across stocks like our largest position **Fairfax Financial**. It increased a further 16% in January to all-time highs as the share price begrudgingly acknowledges a slew of excellent decisions over the past five years that are bearing fruit.

Mr Market still believes it’s only due to higher interest rates, which is why its trading at six times forecast earnings and almost one times book value despite return on equity approaching 17%. We believe Mr Market will pay much more when he finally gives management its due.

Performance (after fees)					
	1 mth	3 mths	6 mths	1 yr	S.I. p.a
II Select Value Share Fund	1.5%	14.6%	10.9%	N/A	19.4%
S&P ASX 200 Accumulation Index	1.2%	14.0%	5.8%	N/A	9.9%
Excess to Benchmark	0.3%	0.6%	5.1%	N/A	9.5%

Note: The benchmark is the ASX200 Accumulation Index. It’s one of the world’s highest performing indexes, which sets the bar high for the performance fee, and we need to beat our home index to justify investing abroad.

Inception (S.I.): 28 Mar 2023



## Fund overview

The Intelligent Investor Select Value Share Fund is an Active ETF designed for investors seeking a diversified selection of International and Australian companies with superior financial metrics and competitive advantages to outperform the S&P/ASX 200 Accumulation Index over five year rolling periods.

### 5+ yrs

Suggested investment timeframe

### 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

15% p.a.

**Microsoft's** share price increased 6% after the tech giant announced a 26% increase in earnings per share. A remarkable feat for a US\$3tn business. With cloud computing and artificial intelligence in their infancy, it remains a key holding.

## New addition

Adding drinks company **Diageo** to an international fund is like adding **Woolworths** or **Wesfarmers** to an Australian portfolio. But what it lacks in imagination, it makes up for in value.

Ten years ago, globally dominant owners of household consumer brands were lauded for their high profitability, growth and predictability. The combination of private investors 3G and **Berkshire Hathaway** that believed margins could be fattened even further added to their sky-high valuations.

Since then, slower growth, higher costs and increased competition as consumption trends change has reduced valuations so that Diageo potentially offers double digit returns.

Diageo is the world's largest spirits distiller housing iconic brands like Johnnie Walker, Smirnoff, Guinness and hundreds of others enjoying leadership positions in scotch, vodka, rum, tequila and gin. Nearly 40 brands sell more than 1m nine-litre cases annually.

High barriers to entry continue to protect Diageo's dominance. Over half of Diageo's portfolio requires ageing for at least a year, with bottles like Johnnie Walker Blue Label rumoured to mature for a minimum of 28 years. Very few companies can afford the wait.

Over the past two decades, spirit consumption has grown at the expense of beer and wine as wealth increases and alcohol consumption falls. Drinkers increasingly prefer indulging in one or two expensive cocktails instead of a six-pack.

We expect this premiumisation to increase and with the stock price falling recently due to post-pandemic sales normalising and some stock overhangs in Latin America we've got what looks like a golden opportunity to purchase a wonderful business at a fair price.

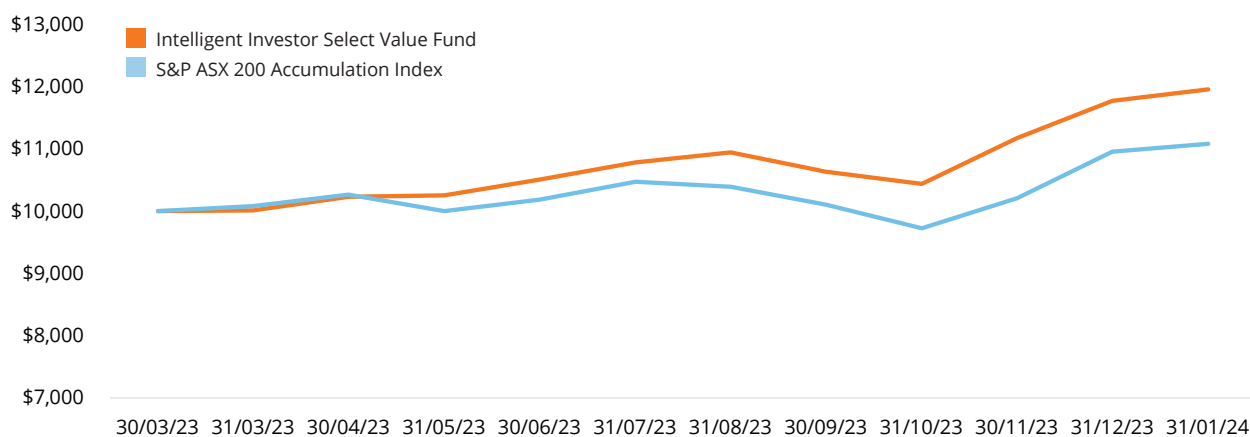
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*Please get in touch if you have any questions*

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## Performance since inception



Inception (S.I.): 28 Mar 2023

### Asset allocation

Financials	34.6%
Information Technology	17.9%
Consumer Discretionary	14.7%
Cash	9.8%
Communication Services	7.9%
Health Care	6.3%
Real Estate	3.7%
Materials	3.2%
Industrials	2.0%

### Top 5 holdings

Fairfax Financial Holdings (FFH.TSX)	6.1%
KKR & Co (KKR.NYS)	4.7%
Mastercard (MA.NYS)	4.4%
Visa (V.NYS)	4.4%
Amazon.com (AMZN.NAS)	4.0%

### Fund Stats

Net asset value	\$2.99
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### Important information

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All tables and chart data is correct as at 31 January 2024