

Intelligent Investor Australian Equity Income Fund

(Managed Fund) (ASX:INIF)

‘Conventional wisdom rarely stands the test of time. When tested against empirical data extending over decades, the popular wisdom of any era tends to fall apart. This is especially true in financial markets.’ — Maggie Mahar

While facing ex Australian opening batsman and coach Justin Langer from the front row at the **Mineral Resources** annual meeting I couldn’t help thinking how much I wished we’d sold MinRes above \$90 when we discussed it and bought **Commonwealth Bank**, **REA Group** or **CAR Group** instead. It’s amazing the difference one decision can make.

While most people fear bear markets, bubbles are a value investor’s kryptonite. Markets have become increasingly divorced from reality since Trump’s election victory, as we’ll explain next month, so we’ve taken more defensive positions in stocks like **Woolworths**, **Endeavour** and **The Lottery Corp**.

Woolworths’ share price is back to where it was in 2007, which shows how painful overpaying for quality businesses is as many people will learn in the years ahead. Just ask **Microsoft** shareholders from 1999 to 2016.

If Woolworths CEO Amanda Bardwell can grow earnings, the stock should at least produce a high single digit return given the stock is yielding 3.5% excluding the recent 40c special dividend.

Performance (after fees)					
	1 mth	1 yr	3 yrs p.a	5 yrs p.a	S.I. p.a
II Australian Equity Income Fund	-0.8%	11.7%	5.2%	7.9%	6.6%
S&P ASX 200 Accumulation Index	3.8%	23.4%	9.6%	8.3%	9.3%
Excess to Benchmark	-4.6%	-11.7%	-4.4%	-0.3%	-2.8%


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

Endeavour's share price reached a new low as customers trading down from higher margin wines in particular crunch margins. Like Woolworths, the 5% fully franked dividend yield is attractive if a new CEO can revive earnings.

Despite a truck crashing on **Mineral Resources'** multi-billion-dollar haul road now partly owned by Morgan Stanley, the Mt Onslow iron ore mine has reached cashflow breakeven. We'll likely know whether the stock is worth at least twice its current price within six months when Mt Onslow is expected to reach capacity of 35m tonnes allowing the company to rapidly reduce debt and resume paying dividends.

Lovisa's share price has fallen 20% since its recent high as rapid store openings haven't kept up with market expectations, while others worry about opening stores in countries including the Ivory Coast, Republic of Congo and Panama, which used to headline 60 Minutes. Despite respected CEO Victor Herrero having one foot out the door, we'll likely increase our small position if the share price falls much further.

While smaller, midcap holdings such as **RPM Global, MA Financial** and **Eagers Automotive** are attracting more investors, **Aussie Broadband** has been relatively weak. Losing a recent court case is irrelevant and it's growing patiently and sensibly.

We also added a starting position in **HMC Capital** which has big ambitions with a similar business model to **Macquarie Group** before it delisted its satellite entities after the GFC.

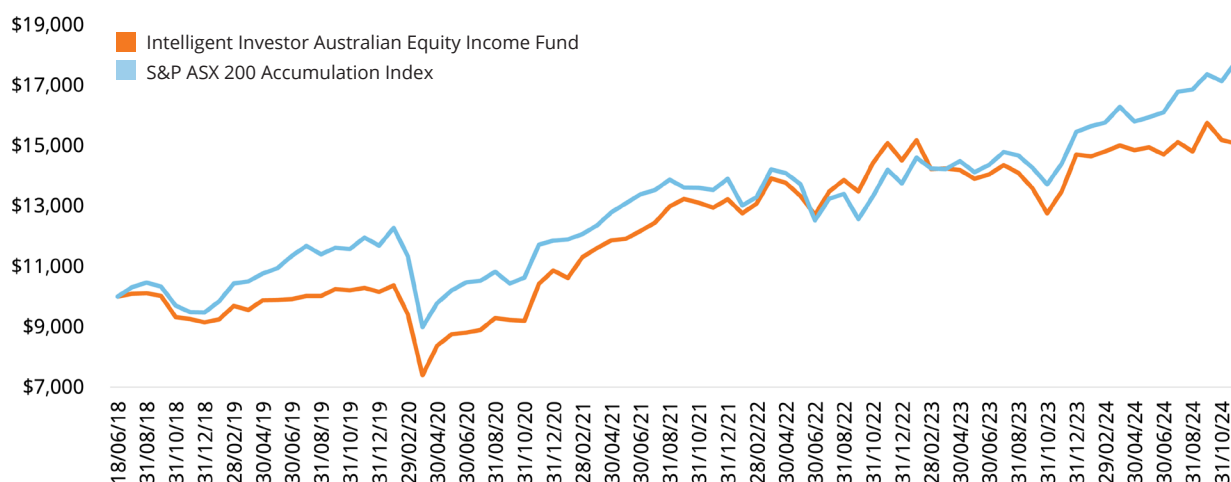
Next month we'll explain the measly returns expected from the market over the next decade and why our top 10 holdings can reverse our recent underperformance when fundamentals replace the current speculative fervour for everything from Bitcoin to bananas duct taped to a wall.

Please get in touch if you have any questions

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Performance since inception



Inception (S.I.): 18 Jun 2018

Asset allocation

Materials	19.6%
Health Care	15.1%
Information Technology	13.8%
Consumer Discretionary	10.6%
Energy	9.0%
Communication Services	8.0%
Financials	7.8%
Consumer Staples	6.5%
Cash	5.7%
Utilities	3.1%
Real Estate	0.8%

Top 5 holdings

BHP Group (BHP)	7.3%
New Hope Corporation (NHC)	6.3%
CSL (CSL)	6.0%
RPMGlobal Holdings (RUL)	5.8%
MA Financial (MAF)	5.8%

Fund Stats

Distribution Yield	1.96%
Net asset value	\$2.80

Important information

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All tables and chart data is correct as at 30 November 2024