Quarterly Update

31 December 2024

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

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"Some things you cannot explain because they are too simple." — Bernard Moitessier

"When momentum is on your side, people focus on your strengths and forgive your weaknesses. When the momentum stops, they scrutinize the whole thing." — Packy McCormick

"We are built with an almost infinite capacity to believe things because the beliefs are advantageous for us to hold, rather than because they are even remotely related to the truth." — Dee Hock

Alphabet, **Cairn Homes**, **Fairfax Financial**, **KKR**, **MA Financial** and **Visa** increased 10% or more after delivering excellent results. Fairfax remains our largest position after the Canadian insurer's share price increased 65% in 2024. Yet it trades at just nine times earnings and 1.3x book value. Nearly half of slower growing peers.

The share price of alternative asset manager **Petershill Partners** increased 25% after a partial sale of its stake in Accel-KKR. The premium validated our view that the large discount to net tangible assets is unjustified. Consistently producing double-digit earnings growth should eventually eliminate the stock's 30% discount to book value.

Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	S.I. p.a
II Select Value Share Fund	-0.5%	7.4%	13.4%	19.4%	21.3%
S&P ASX 200 Accumulation Index	-3.2%	-0.8%	6.9%	11.4%	11.5%
Excess to Benchmark	2.6%	8.2%	6.5%	8.0%	9.8%

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.

Ecommerce platform **Coupang** fell 10% after the South Korean President was impeached for declaring martial law without cause. Coupang is replicating Amazon's strategy by expanding into higher-margin services such as advertising and third-party fulfilment. This should boost profit margins and sustain 15% revenue growth for many years.

Mineral Resources remains the fund's main laggard, but having likely avoided a dilutionary capital raising with asset sales the stock is likely worth between two and three times its current price once Mt Onslow reaches nameplate capacity in June and depending on future lithium prices.

The formidable Mining Services business is worth more than the company's current market value in our view, which suggests you're getting the lithium and oil and gas assets for free.

Amazon looks to the stars

Amazon increased 18% during the quarter as its low prices and rapid delivery attract customers fostering even lower prices which squeezes competitors. This finances higher margin ventures like advertising, while shipping and IT challenges that would cripple most companies are solved with in-house solutions that can be sold to others.

Amazon is a US$2.3tn colossus with half of US households subscribed to Prime and millions more globally. Interactive ads on Prime Video are imminent so people can shop with their remote or by scanning a QR code during a show or while they're watching an increasing array of exclusive live sport including the NBA, NFL, NASCAR and Premier League.

Beyond terra firma is Project Kuiper, a low-orbit satellite network for 400 to 500m households without access to high-speed internet. From launch in 2025, satellites could number 3,200 by 2029. 50m customers paying US$80 a month is nearly US$50bn in annual revenue. Double that to 100m and you own a business the size of AWS. Either scenario would easily justify the rumoured US$10bn investment, plus Amazon will likely be the first and largest user.

The potential is enormous, but Amazon isn't alone. Elon Musk's Starlink has quickly amassed over 3m customers and is reportedly on track to generate nearly US$7bn in revenue, up from nothing five years ago. Its recent assault on the NBN shows how disruptive new satellite technology could be.

How Kuiper will distinguish itself remains unclear. Amazon could potentially bundle the broadband service with Prime subscriptions, for example. For corporate and government clients, Kuiper will offer private connectivity to AWS and ensure top-notch security and data control from anywhere that Starlink can't currently match. But even if Amazon can't overcome Starlink's head start, the losses are manageable.

Elsewhere, the company is bringing staff back to the office five days a week to foster innovation. Management layers will be flattened to drive quicker decision-making and *Bureaucracy Mailbox*, where staff can recommend excessive processes or rules to eliminate, will be established.

It's all part of Amazon's goal to operate the world's largest startup and why we continue to hold shares at a smaller weight until the next buying opportunity.

Look out for our annual webinar in February when we'll provide a fund update and answer your questions.

Please get in touch if you have any questions

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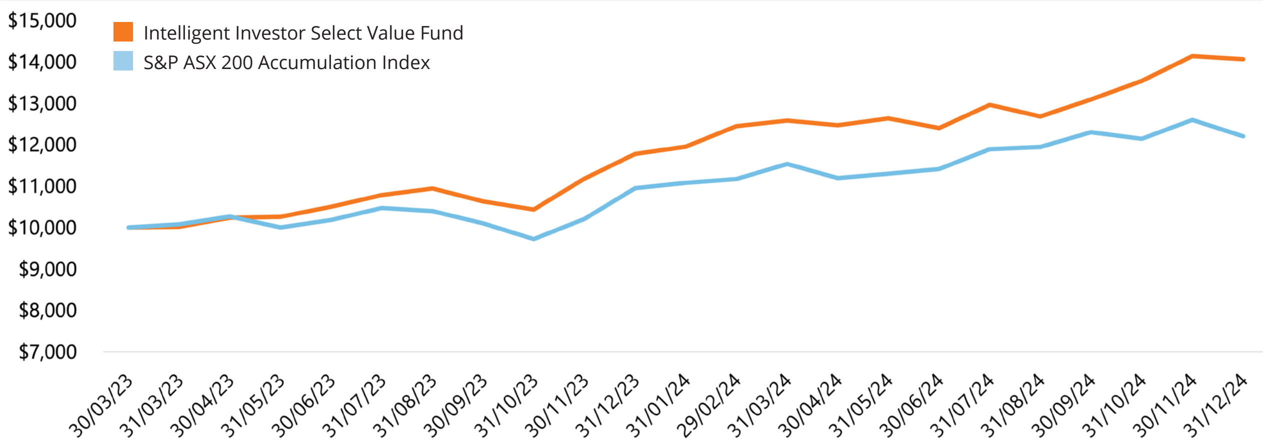
Performance since inception



Inception (S.I.): 28 Mar 2023

Asset allocation

Financials	39.8%
Information Technology	20.0%
Consumer Discretionary	13.3%
Cash	7.3%
Communication Services	5.3%
Real Estate	4.4%
Materials	4.1%
Health Care	3.1%
Industrials	2.8%

Top 5 holdings

Fairfax Financial Holdings (FFH.TSX)	7.8%
RPMGlobal Holdings (RUL.ASX)	7.2%
CME Group (CME.NAS)	5.4%
Visa (V.NYS)	5.2%
MA Financial (MAF.ASX)	4.8%

Fund Stats

Distribution yield	0.32%
Net asset value	$3.50