Monthly Update

28 February 2025

Intelligent Investor Select Value Share Fund

Active ETF (ASX:IISV)

Issued by
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'When you want to brag about a stock, you ought to sell it.'
— John Neff

'You are more likely to learn something by finding surprises in your own behavior than by hearing surprising facts about people in general.' — Daniel Kahneman

The pillars supporting the bull market cracked suddenly in late February when **Microsoft** boss Satya Nadella warned about overbuilding data centres for AI.

'[T]here will be an overbuild. It's not just companies deploying, countries are going to deploy capital'. Referring to data centre usage, 'I am thrilled that I'm going to be leasing a lot of capacity in '27, '28. Because I look at the builds, and I'm saying, "This is fantastic." The only thing that's going to happen with all the compute build is the prices are going to come down.'

Nadella's warning is a reminder that trees don't grow to the sky. Although the banks remained stubbornly resilient after initially falling on lousy results, the share prices of many growth darlings have fallen more than 20% from their highs.

Overseas **Tesla** fell by a third, while at home **NextDC**, for example, has fallen 27%, and **Goodman Group** has fallen 18% after announcing a $4bn capital raising to

Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	S.I. p.a
II Select Value Share Fund	-2.1%	-0.8%	10.7%	12.7%	19.2%
S&P ASX 200 Accumulation Index	-3.8%	-2.6%	2.8%	9.9%	10.8%
Excess to Benchmark	1.7%	1.8%	7.9%	2.8%	8.4%

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.

fund its massive data centre expansion. **Wisetec**'s share price has fallen 33% after founder Richard White seized control of the board and announced a profit downgrade, while plumbing company Reece has almost been cut in half and still looks expensive after a poor result reflecting higher interest rates and intense competition in the US. This is just the start.

Performance

The shorts increased their bets that **Mineral Resources** will raise capital after announcing its key haul road needs a $230m upgrade after cyclone damage. We'd much prefer asset sales.

Stakes in Wodgina and Mt Marion would likely fetch between $1-2bn each, and infrastructure such as transhippers and road trains could also be sold to raise hundreds of millions of dollars, although these would add lease expenses to operating costs.

The rest of MinRes' gas portfolio might be sold for $200-300m and the rest of the haul road could be sold for over $1bn although this, too would add a few dollars a tonne to operating costs. In a fire sale, a combination of lithium sales, gas sales and infrastructure could raise between $3-4bn in desperation with $800m owing from loans to Onslow development partners. Not to mention a stake in Onslow could be sold.

If management takes advantage of its $10bn in assets while markets are accommodating, the stock could have a meaningful impact on our returns despite its small position size.

MA Financial has almost doubled over the past year with profits potentially poised to double over the next three years. **RPM Global** announced a solid result and the sale of its consulting business for a good price making it a more attractive takeover target. The proceeds will be returned to shareholders.

We also added New Zealand's virtual monopoly provider of fibre broadband **Chorus**, which subsequently announced a dividend increase. It should provide a highly reliable return mostly from dividends that can handily beat the index after recently receiving its regulatory approved returns for the next three years.

Private Equity giant **KKR** fell 19% despite reporting an excellent annual result and outlook. It's currently fundraising for 30 products and launching new funds targeting retail investors. KKR could earn US$8-9 of earnings per share, including performance fees, in 2026, for a forward price-to-earnings ratio of 14 with years of double-digit growth ahead.

Alphabet fell 17% after reporting a decent full-year result, as concerns grow that Google might cannibalise its search business to compete with AI upstarts like ChatGPT.

Google has introduced new products like Circle to Search and AI overviews that are profiting at similar rates to traditional searches. Market share is stable with query volumes growing. Mr Market might be underestimating the stickiness of two decades of user habits, particularly if Google integrates more AI products into its existing interface.

YouTube and Google Cloud are also growing quickly and complement early leadership positions in autonomous vehicles and quantum computing. If it's search dominance holds, it's cheap at 19 times earnings.

Please get in touch if you have any questions

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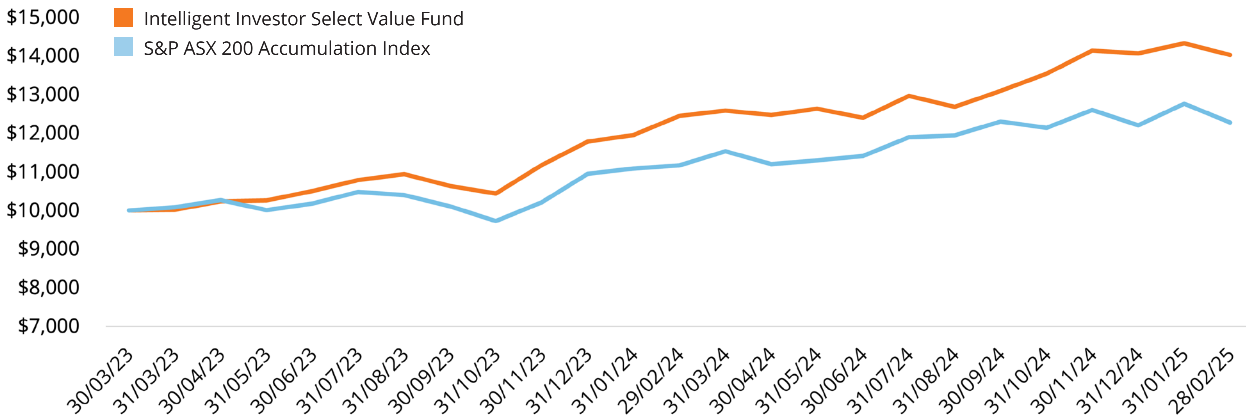
Performance since inception



Inception (S.I.): 28 Mar 2023

Asset allocation

Financials	39.1%
Information Technology	19.0%
Communication Services	14.0%
Consumer Discretionary	10.7%
Cash	5.3%
Real Estate	4.3%
Materials	3.2%
Health Care	2.8%
Industrials	1.5%

Top 5 holdings

Fairfax Financial Holdings (FFH.TSX)	8.0%
Rightmove (RMV.LSE)	6.2%
VISA (V.NYS)	5.9%
CME Group (CME.NAS)	5.9%
MA Financial Group (MAF.ASX)	5.7%

Fund Stats

Distribution yield	0.3%
Net asset value	$3.49

All tables and chart data is correct as at 28 February 2025