

Intelligent Investor Ethical Share Fund

Active ETF (ASX:INES)

‘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.

Performance (after fees)

	1 mth	1 yr	2 yrs	3 yrs	S.I. (p.a)
II Ethical Share Fund	1.2%	4.2%	10.2%	6.4%	9.8%
S&P ASX 200 Accumulation Index	-3.8%	9.9%	10.3%	9.2%	7.9%
Excess to Benchmark	5.0%	-5.8%	-0.1%	-2.8%	1.9%

Inception (S.I.): 11 Jun 2019

RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Intelligent Investor Australian Ethical Share Fund (ASX: INES) adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Intelligent Investor Australian Ethical Share Fund (ASX: INES) methodology, performance and stock holdings can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA.



Fund overview

The Intelligent Investor Australian Ethical Share Fund is an Active ETF designed for investors seeking a diversified selection of Australian companies that produce growing, sustainable profits at low risk of interruption from the increasing threats associated with Environmental, Social and Governance (ESG) factors.

 **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



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NextDC, for example, has fallen 27%, and **Goodman Group** has fallen 18% after announcing a \$4bn capital raising to 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.

Thanks to the falls and good results discussed below, the portfolio had its best month of relative performance in years, showing how quickly things can change when valuations supersede animal spirits and momentum.

Performance

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.

Eagers Automotive also beat expectations due to the popularity of electric BYD vehicles, triggering a 20% share price rise. The share price has increased ~50% since last year's purchase and it was an excellent result in a tough market that has hammered its smaller rivals, yet it remains heavily shorted.

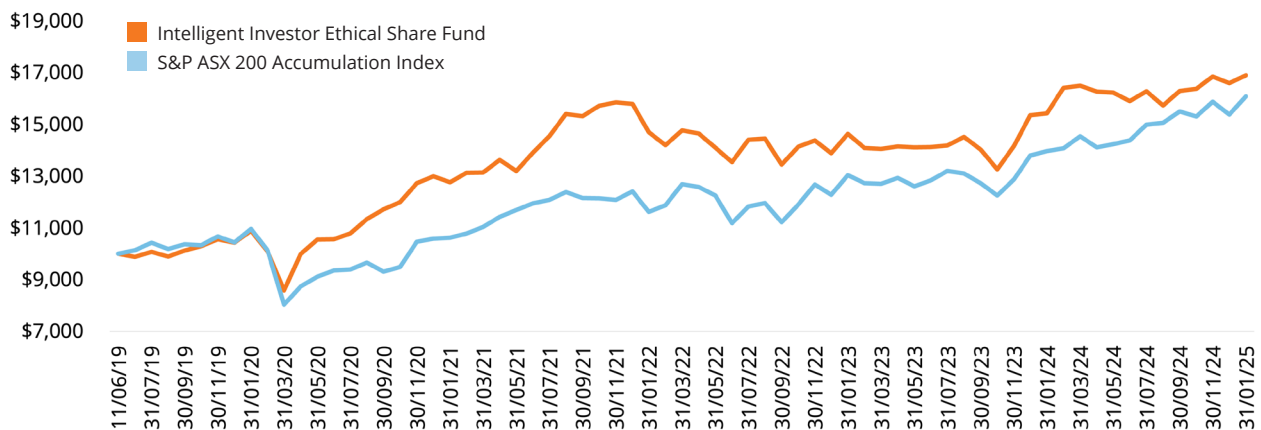
Total profits for the market have been flat for three years, which means the bull market is solely based on increasing price to earnings ratios. That trend may be reversing, finally ushering in better times for value investors.

Please get in touch if you have any questions

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Performance since inception



Asset allocation

Financials	30.0%
Communication Services	20.3%
Information Technology	17.4%
Health Care	15.8%
Consumer Discretionary	7.7%
Cash	7.7%
Materials	1.2%

Top 5 holdings

VISA (V.NYS)	6.7%
CME Group (CME.NAS)	6.4%
Fairfax Financial (FFH.TSX)	6.1%
MA Financial (MAF)	5.8%
CSL (CSL)	5.7%

Fund Stats

Distribution yield	4.1%
Net asset value	\$3.50

Important information

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