



INTELLIGENT INVESTOR

Nathan Bell • Portfolio Manager
May 2024

Finding value in founder-led small & midcap stocks

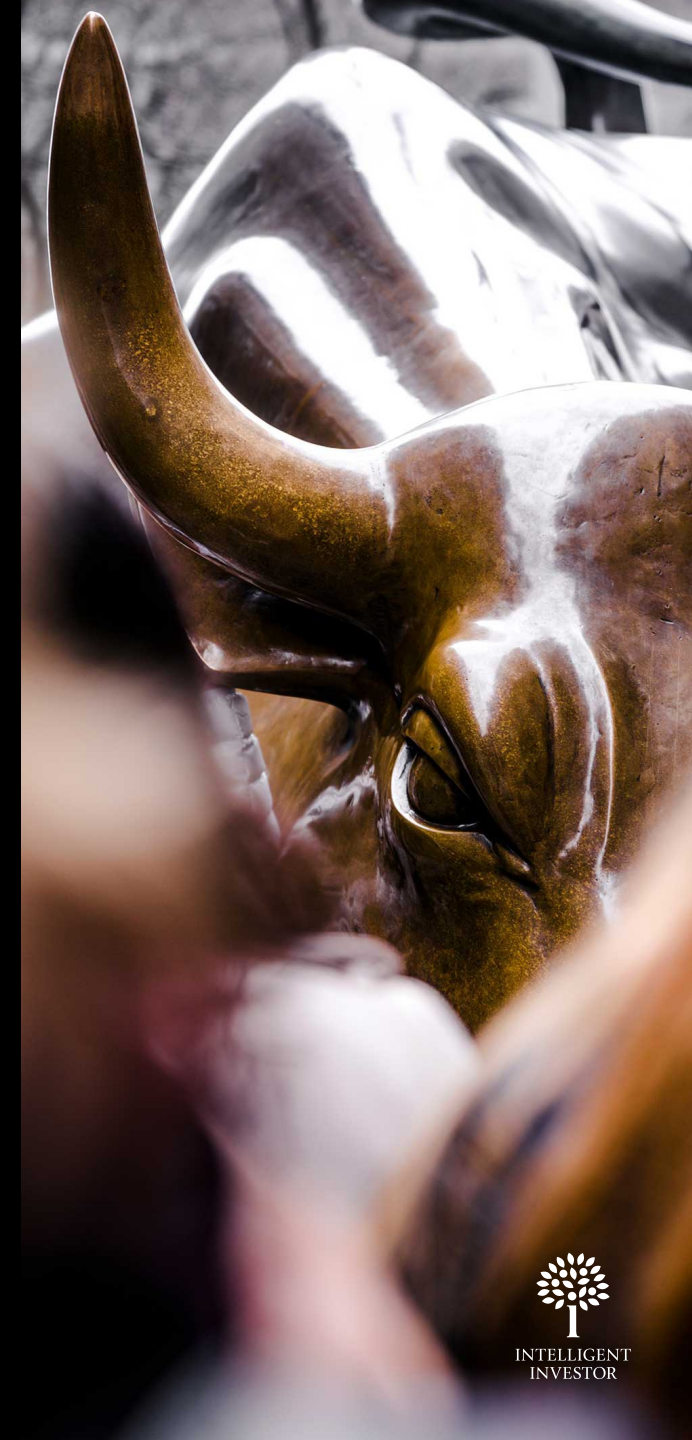
II Australian Equity Growth Fund (IIGF)

Important information

This publication is general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether a particular recommendation is appropriate for your needs before acting on it, seeking advice from a financial adviser or stockbroker if necessary.

This publication has been prepared from a wide variety of sources, which InvestSMART Financial Services Pty Ltd, to the best of its knowledge and belief, considers accurate. You should make your own enquiries about the investments and we strongly suggest you seek advice before acting upon any recommendation.

Past performance is not a reliable indicator of future results. Our performance figures are hypothetical and based on recommendations from Intelligent Investor using stock prices at date of publication. Brokerage costs have not been included. As stocks rise and fall, returns may be negative. We encourage you to think of investing as a long-term pursuit.





Proven Intelligent Investor approach

High quality businesses

- High insider-ownership
- Long growth runways
- A large discount to intrinsic value

Special situations

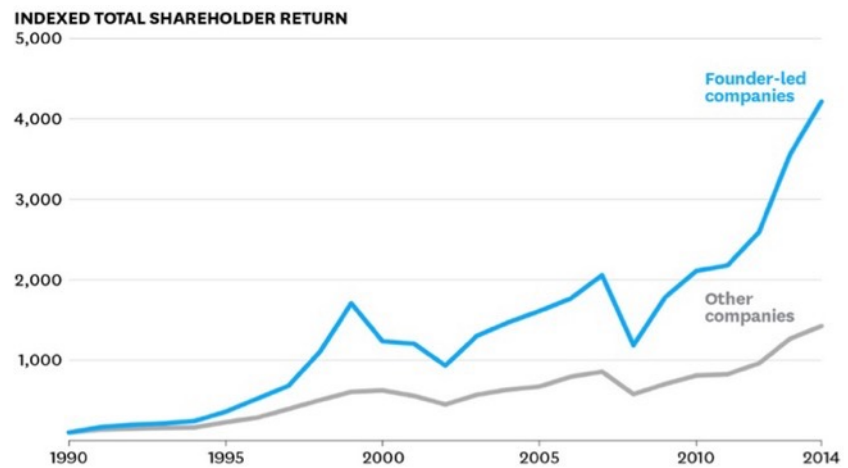
- New CEO
- Busted IPOs
- Re-capitalisations
- Spin-offs
- Hidden assets
- Index changes

Best corporate governance:

Skin in the game

Founder-led companies vs S&P 500

Founder-led companies outperform the rest
Based on an analysis of S&P 500 firms in 2014

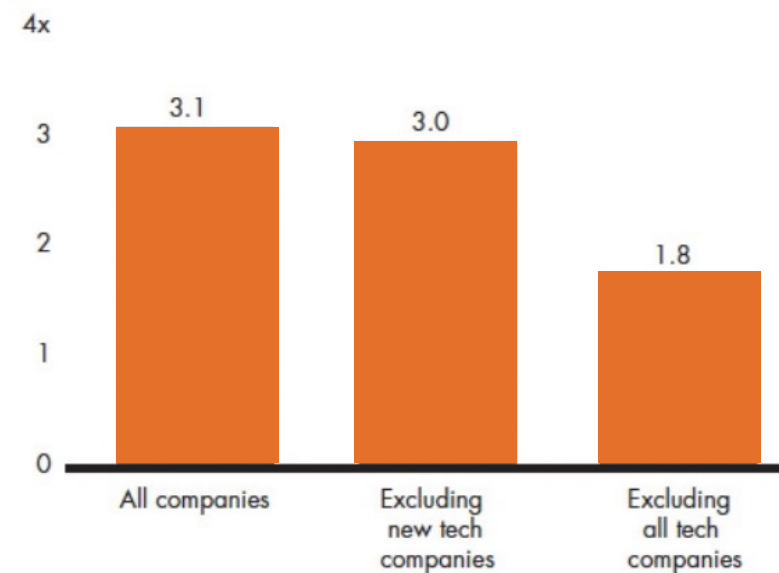


SOURCE BAIN & COMPANY

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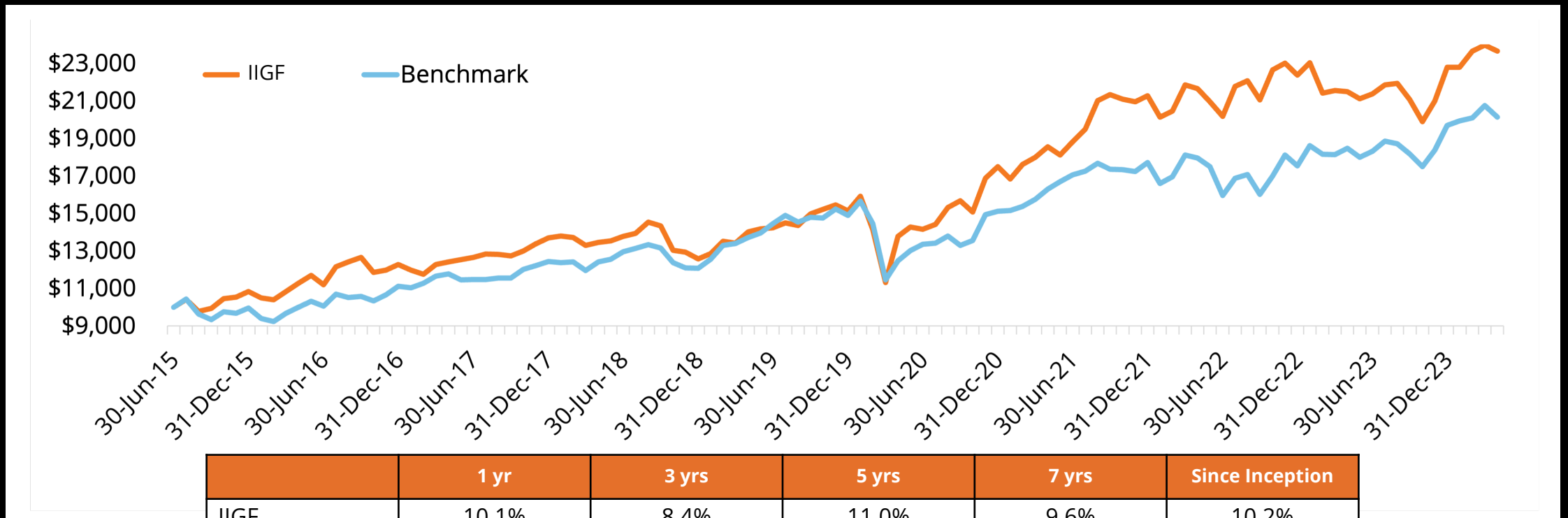
True even with tech companies excluded

Founder's Index vs other S&P 500



Performance

As at 30 April 2024



	1 yr	3 yrs	5 yrs	7 yrs	Since Inception
IIGF	10.1%	8.4%	11.0%	9.6%	10.2%
Benchmark	9.1%	7.3%	8.0%	8.0%	8.2%
Difference	1.0%	1.1%	3.0%	1.6%	2.0%

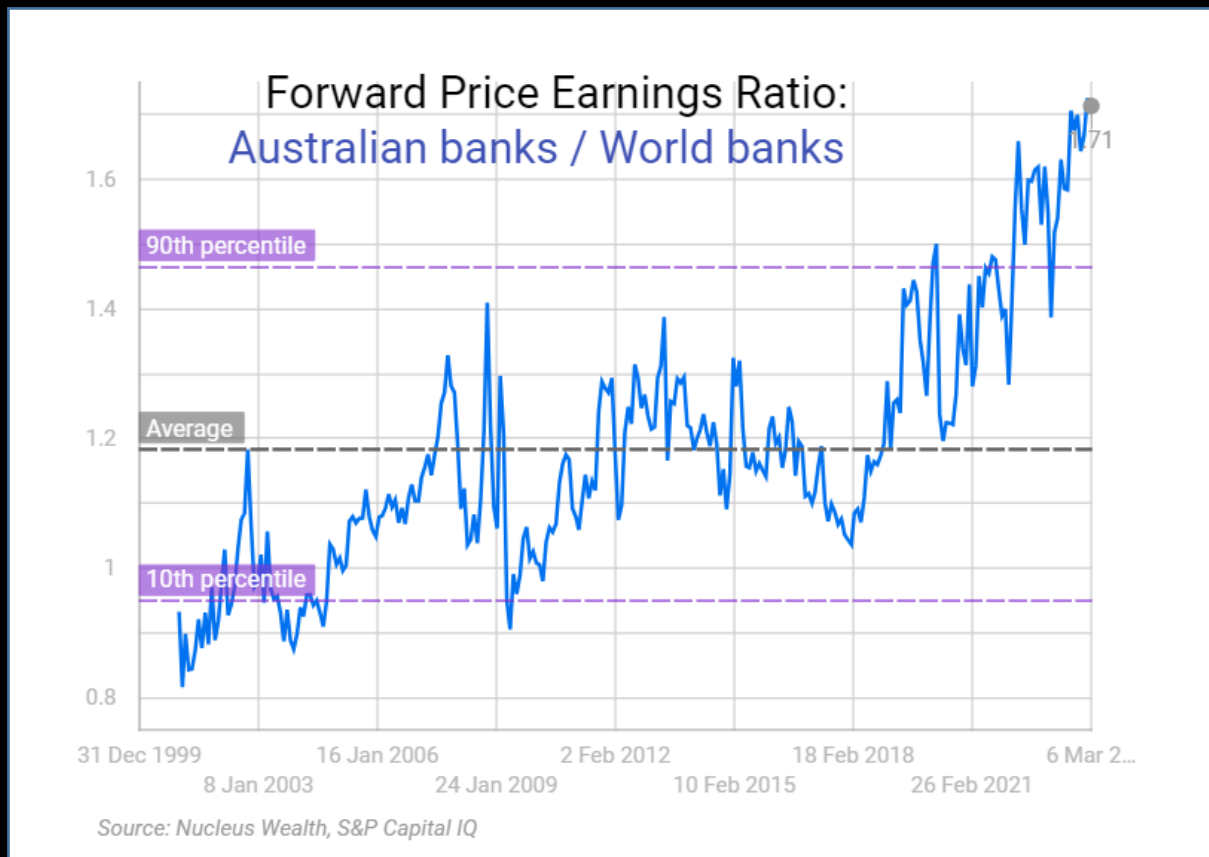
Recent performance

- Performance has been improving since November as the bull market is very slowly spreading to smaller companies and value stocks.
- The process is still in its infancy and may play out over years.
- Market paying ridiculous prices for popular stocks led by passive funds. CBA at same valuation as Google. Reece is a plumbing company, not an AI stock.

Market priced for lousy returns. Maybe worst of my

- career. Right time to be a contrarian, active manager, as the value in the market is obvious.

When did the banks become AI stocks?

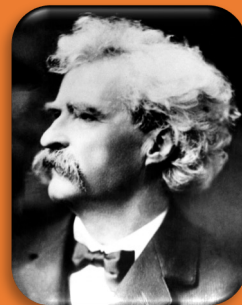


How does AI improve your plumbing?



**“History doesn’t repeat
itself, but it often rhymes.”**

– Mark Twain

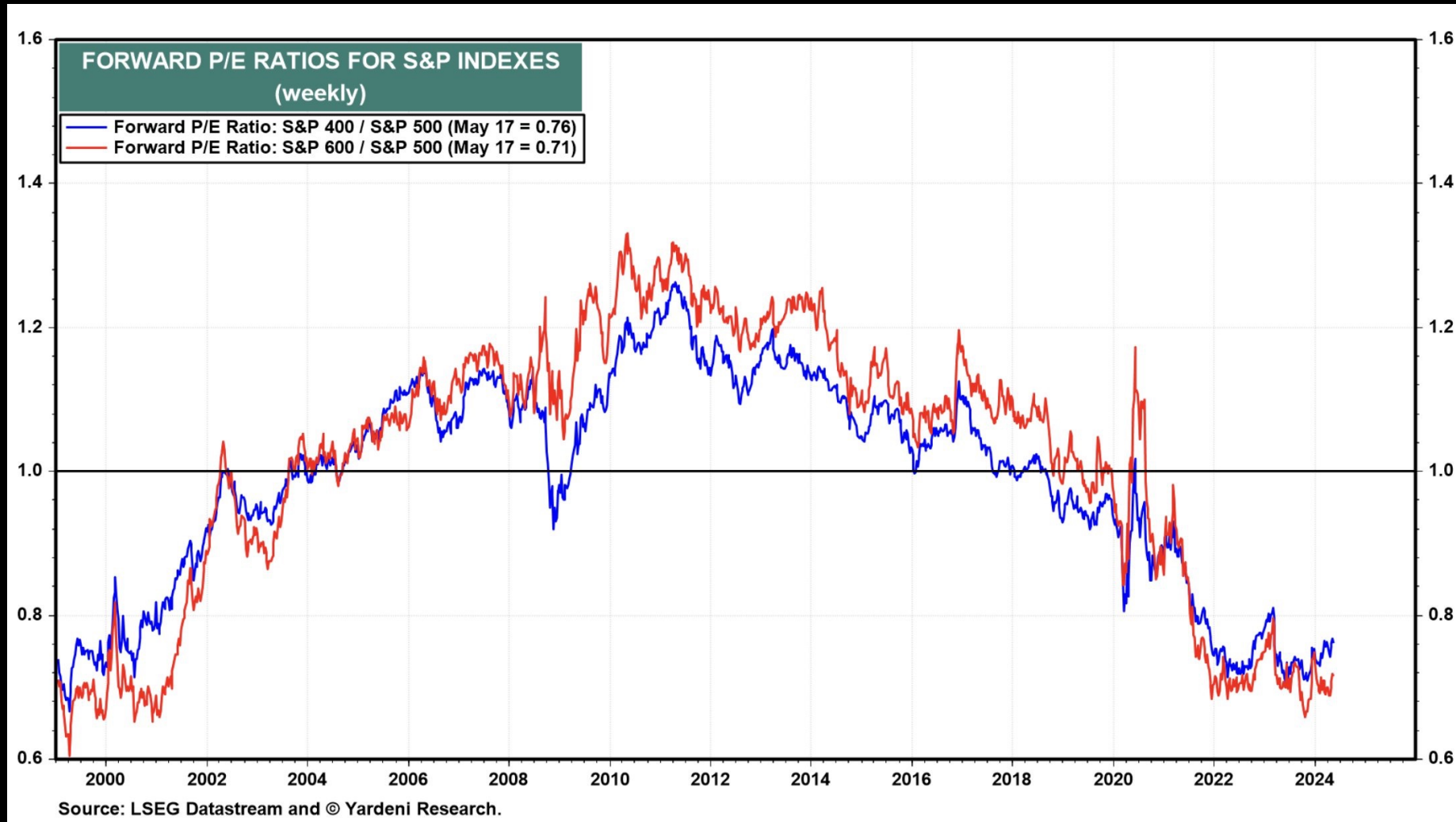




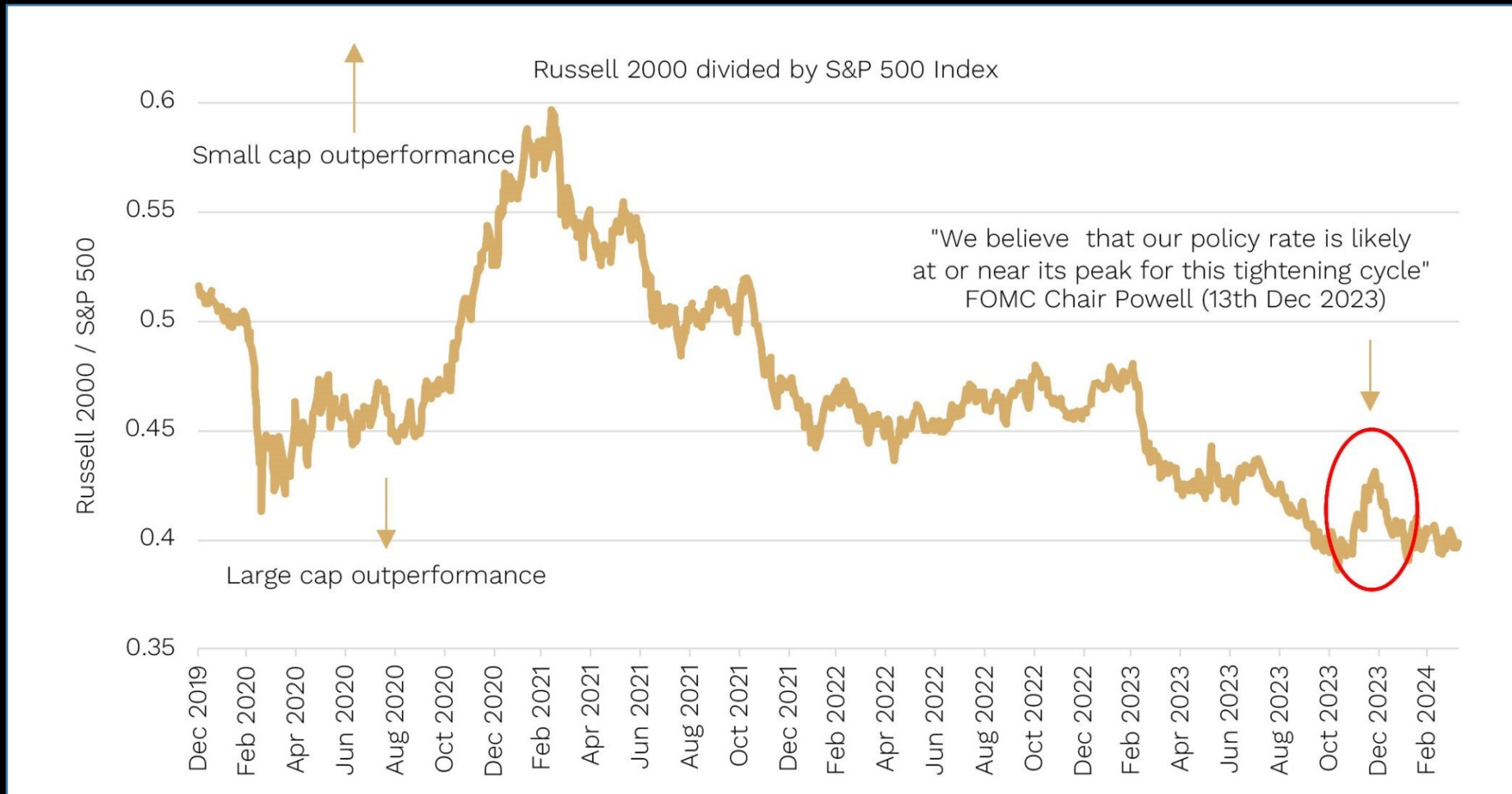
Market trends

- The top five's combined market cap is now **3.3x** the size of the entire Russell 2000 Index. That is more than **two times** the level in the **1999-2000** time period!
- From **2000 to 2006**, Small-Cap Value had annualised returns of **+16%**, while the S&P 500 was closer to **1%**, and longer-duration equities generated **negative annualised returns**.

Large cap dominance



Recent market performance





Dividends

- Not the mainstay of a growth fund, but particularly valuable in a highly inflationary environment that's reducing asset values
- Dividends for numerous stocks in the portfolio still haven't recovered from Covid
- Dividend growth should be faster over time than the major index components and theoretically more valuable



**Is MinRes's
mining services
division the best,
least well
understood
business on the
ASX?**



Mineral Resources

(ASX:MIN)

- \$15bn business with incredible track record.
- Founder and CEO Chris Ellison's 12% stake = ~\$2bn.
- Mining services business to increase 3x over next five years. Misunderstood infrastructure business.
- The lithium and iron ore businesses are expected to increase 5x.
- Large oil and gas discovery could add \$30 per share of value if approved by the WA government.
- Stock's gone nowhere for two years because of the collapse in lithium prices.
- Potential for Top 20 ASX stock index inclusion.



Mineral Resources

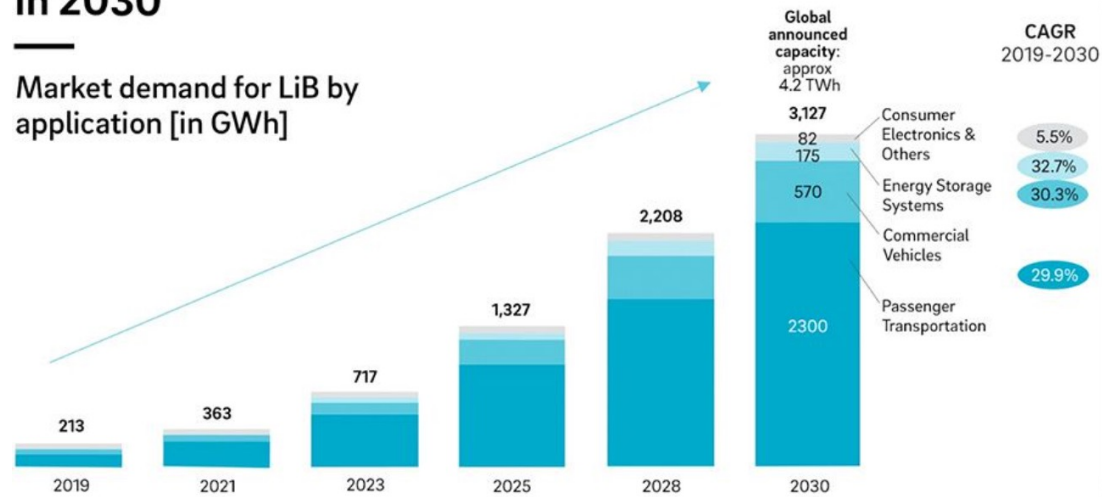
(ASX:MIN)

- Lots of catalysts coming up.
- Decision on exporting gas from WA government.
- Sale of 49% of Onslow Iron Ore Haul Road should remove balance sheet concerns.
- Onslow Iron Ore production just started early.
- Lithium prices expected to improve.

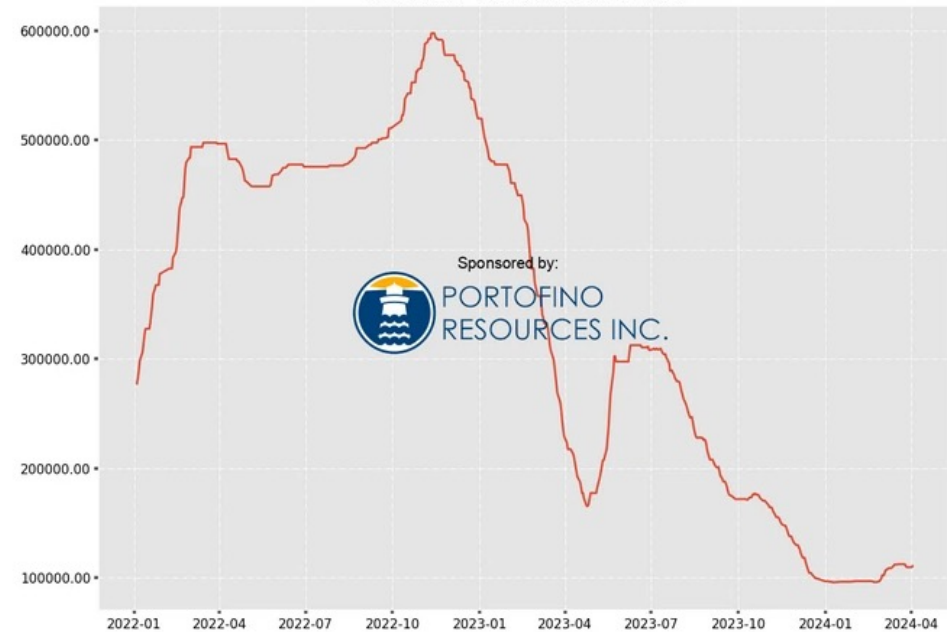
Lithium charts

Global demand for lithium-ion batteries will be over 3,100 GWh in 2030

Market demand for LiB by application [in GWh]



Lithium Carbonate Price





Is this the cheapest software stock on the ASX?



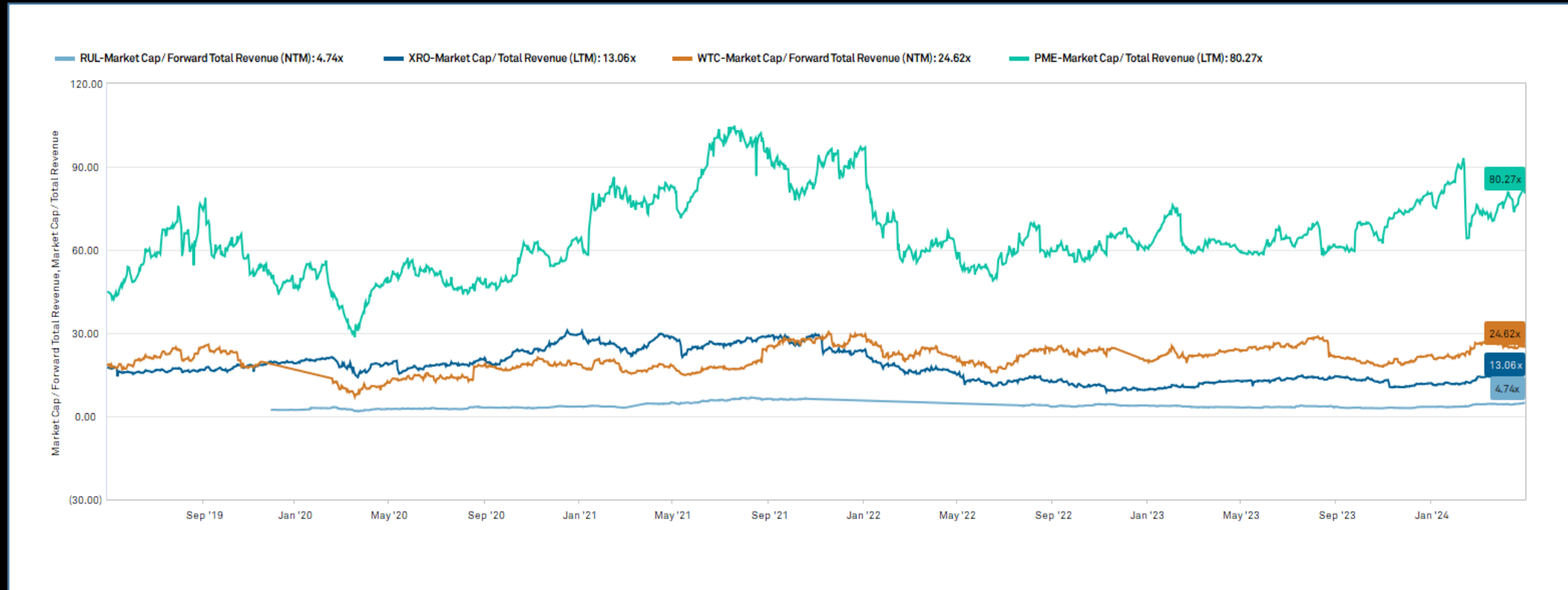
RPM Global Mining

(ASX:RUL)

- SaaS Mining software
- Insider ownership 11%
- CEO Richard Mathews has done this before
- XECUTE shaping as another industry standard piece of software to support the flagship AMT software.
- Likely takeover candidate & Index inclusion
- Comparable companies acquired at nearly 30x EV/EBITDA. RPM trades at 12. ASX software companies currently average 40x.

Valuation keeps falling with results

Valuation is a fraction of similar businesses.



**“There is always
something to buy.”**

– Chris Cuffe



Intelligent Investor Australian **Equity** **Growth Fund**

(ASX:IIGF)

- Buy and sell at net asset value (NAV) just like a regular stock
- Ready-made portfolio
- Highly liquid; subject to ASX liquidity rules
- Same Intelligent Investor long-term approach
- Focus on high quality businesses
- Long-term holdings help minimise tax
- Semi-annual distributions
- Regular reporting and candid communication
- Management fee of 0.97% p.a.

Secondary issue offer FAQ

(ASX:IIGF)

APPLY ONLINE



CLOSES **31 MAY**

Q When does the offer close?

Closes 5 pm AEST Friday, 31st May 2024.

Q What will the units be issued at?

Units will be issued at the Net Asset Value price per unit as calculated at close on 31 May 2024.

Q When is the allotment?

Allotment date 6 June, Listing date 7 June

Q What's the minimum investment amount?

\$2,000

Q What are the benefits of participating in a secondary offer?

Going through this offer process, you avoid paying brokerage and the buy/sell spread.

Secondary issue offer FAQ

(ASX:IIGF)

APPLY ONLINE



CLOSES 31 MAY

Q Does the fund pay dividends, and will they be franked?

Q Yes. The Fund aims to pay half-yearly distributions. All applicable franking credits are passed onto the investor. The distribution comprises all realised capital gains and the Fund's income minus expenses and capital losses.

Q Can I provide a HIN?

Q For first-time investors, we will allot to an SRN. If you are already invested in any of our funds with a HIN, provide that, and we can allot directly to your sharebroker.

You must provide the **identical HIN number, account designation, and address.** Please contact us via email (you can send a CHESS statement for clarity) or call us.

If allotted to an SRN, this makes transferring to a HIN simple.

Q How do I apply?

Q Online at intelligentinvestor.com.au/iigf-offer

A close-up photograph of a person's hands typing on a silver laptop. The person is wearing a mustard-colored, textured knit sweater and several gold and black bangles on their left wrist. The laptop is on a dark wooden desk. The background is slightly blurred, showing a dark green wall and a stack of books.

**Questions?
Comments?
Please get in touch.**

Email invest@intelligentinvestor.com.au **Phone** 1300 880 160





Audinate

(ASX:AD8)

- Created at the CSIRO
- Market size \$1bn
- 13x the volume of next largest competitor
- 6% insider ownership
- Brokerage coverage increasing
- COVID recovery appearing in higher sales



MA Financial

(ASX:MAF)

- Used to be Moelis. Like a mini-Macquarie.
- Founded by executive vice-chairman and 23% shareholder Andrew Pridham
- Internal succession with co-CEOs Julian Biggins and Chris Wyke – 4% shareholders
- Morphing from boutique investment bank to asset manager
- Much more scalable business that reduces risk as it grows



Pinnacle Investment Management

(ASX:PNI)

- Founder/CEO Ian Macoun doing a terrific job
- Insider ownership over 20%
- FUM ~\$105bn across 20 strategies
- One stop shop for managers with skin in the game
- Investors want independent managers
- Plenty of ways FUM can grow
- Stock was a gift at \$2.50 during the downturn



Frontier Digital Ventures

(ASX:FDV)

- Owns (stakes in) 18 online property classifieds businesses
- Increasingly attaining 100% ownership
- Market Cap = \$200m; Potentially worth billions.
- Insider ownership 20%; Founder/CEO is ex REA and iProperty
- Internet giant Naspers (via OLX) likely acquirer
- Property transactional market dwarfs advertising
- Battle for market share over; time to pull the price levers;
- Reputable fund managers own shares

Looking back 17 years

- Too focused on esoteric ideas
- Too focused on statistical cheapness - very stressful; difficult way to invest; not tax effective;
- Haven't capitalised on huge winners
- Very painful given early identification
- Poor at letting winners run
- Too quick to dismiss and too slow to change our mind