



INTELLIGENT INVESTOR

Nathan Bell • Portfolio Manager
May 2023

Unpopular value: It's time to zag

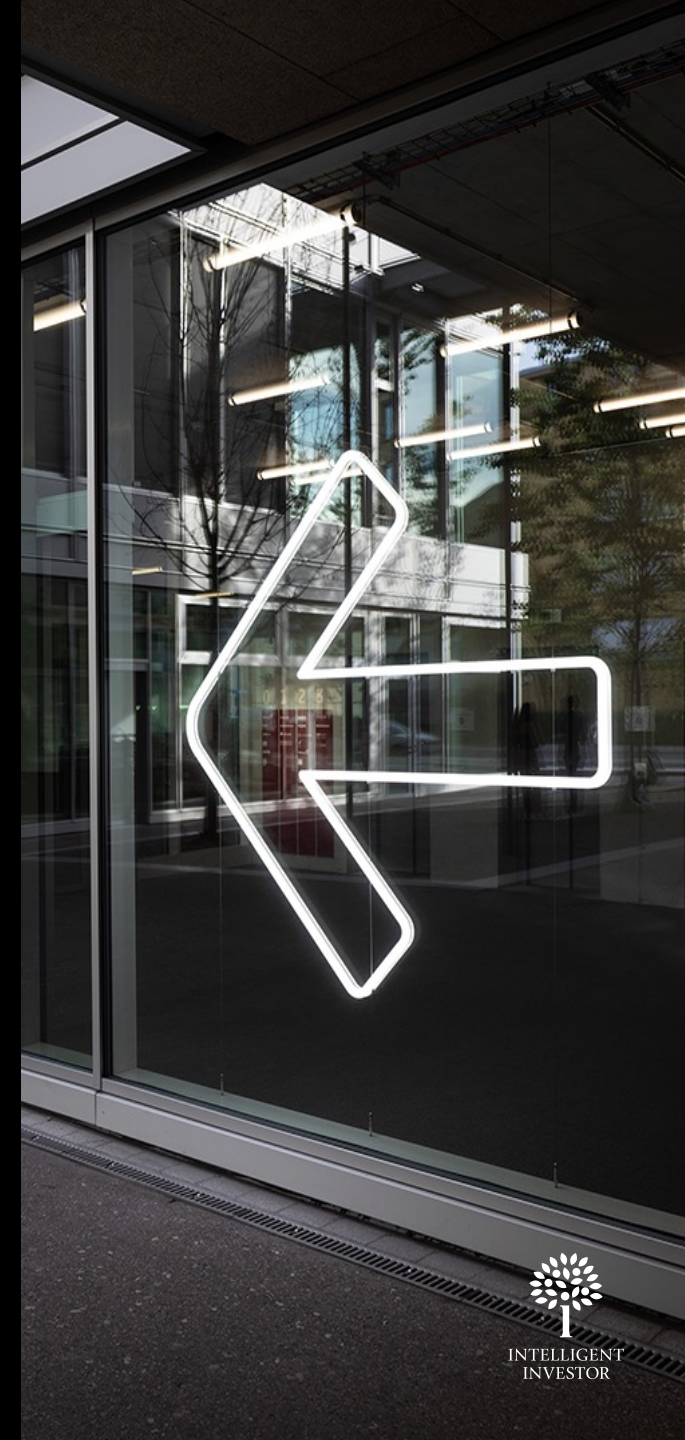
II Australian Equity Growth Fund (IIGF)

Important information

The information presented in this webinar is general in nature only and does not take your personal situation into consideration.

Please ensure that all relevant disclosure documents including the PDS and TMD have been read. If unsure about making an investment or if the investment is suitable for your circumstances please speak to a financial professional.

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Proven Intelligent Investor approach

High quality businesses

- High insider-ownership – FDV, AD8, MAF, DMP, TGP, MIN, LOV, PNI, IFT
- Long growth runways – All of the above
- A large discount to intrinsic value – AWC, VGL, SGP

Special situations

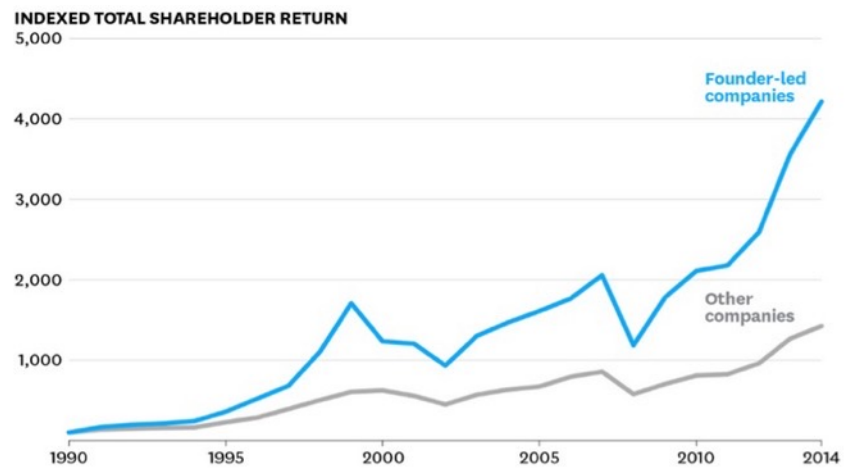
- New CEO – KAR, LOV
- Busted IPOs
- Re-capitalisations
- Spin-offs
- Hidden assets

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

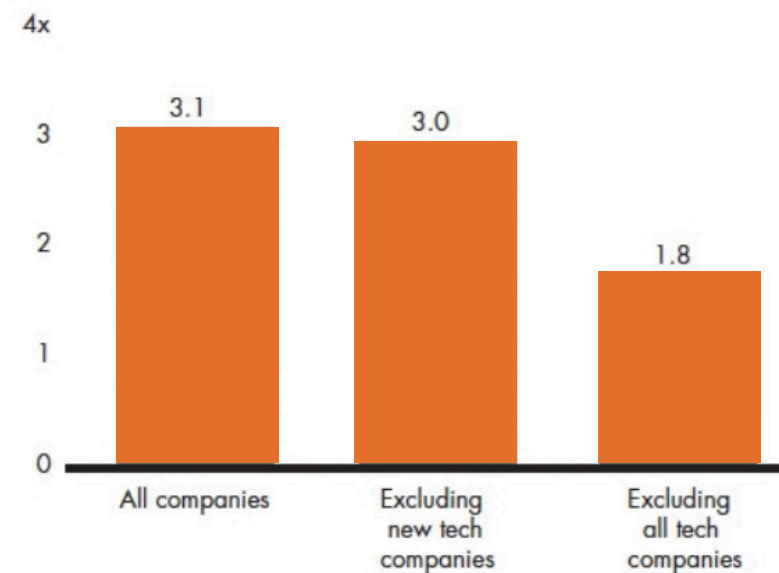


SOURCE BAIN & COMPANY

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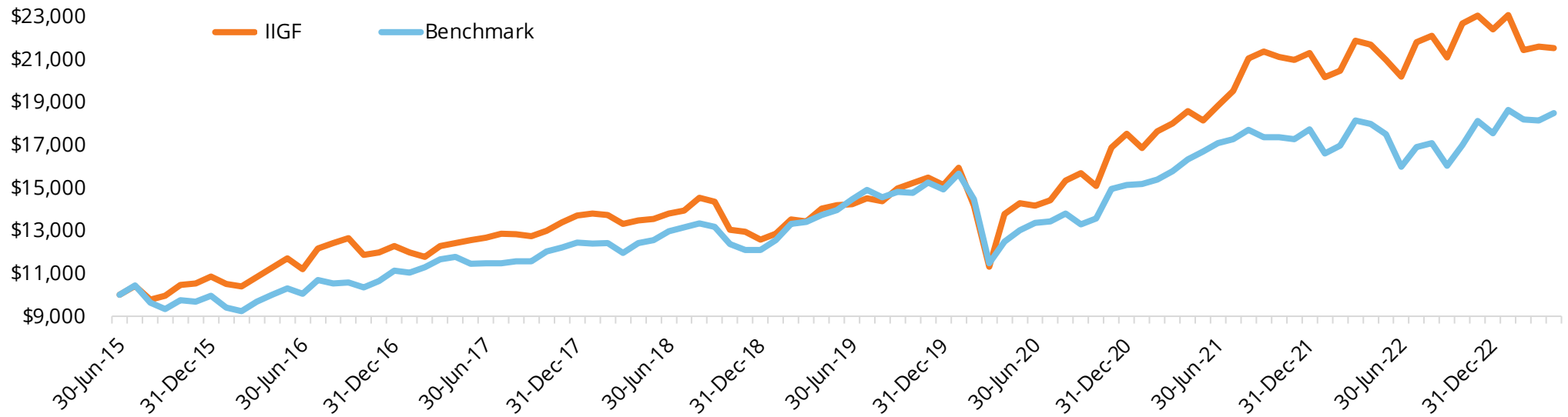
True even with tech companies excluded

Founder's Index vs other S&P 500



Performance

As at 30 April 2023



	1 yr	3 yrs	5 yrs	7 yrs	Since Inception
IIGF	-0.8%	16.0%	9.8%	9.7%	10.3%
Benchmark	2.8%	14.0%	8.3%	9.2%	8.1%
Difference	-3.6%	2.0%	1.5%	0.5%	2.1%

Recent performance



- Small caps, energy stocks and Star Entertainment have left us out of the market's recent rally
- Credit Corp, Pinnacle, MA Financial, RPM Global and Frontier Digital way down from highs
- Minimal changes – Added CSL, WES, DMP, RMD, LOV & MIN; Sold OBL, TLC; Reduced energy exposure;
- *Beware the investment activity that produces applause; the great moves are usually greeted by yawns.* – Warren Buffett
- Right time to be a contrarian, active manager

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

The herd and the competition



- Investors desperate to avoid the next profit downgrade are herding into largest and safest businesses; many barely offer a return above bonds
- 10 largest US stocks (incl. Apple, Microsoft, Amazon, NVIDIA, Berkshire Hathaway, Meta Platforms & Tesla) produced 86% of the S&P500's 8.2% gain this year
- Russell 2000 index flat year-to-date and has fallen 12% since February.
- Iron ore miners; Banks; A-REITs;



How we'll keep performing

- 10 stocks that could double or more
- What performs in increasing interest rate environments? Value; Cyclical; Hidden gems; Resources; Pricing Power; cash = optionality
- Market/Index offers lousy returns = Active management
- More M&A activity? RUL
- Invest aggressively when higher interest rates and profit downgrades create opportunities. But don't expect a GFC scenario.
- The biggest mistake = locking in mediocre returns



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

**“Software is eating
the world.”**

– Marc Andreessen





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



RPM Global Mining

(ASX:RUL)

- Mining software
- Trades at 4x revenue (Xero trades at ~12x)
- Switching to SaaS model
- Insider ownership 11%
- CEO Richard Mathews has done this before
- Lets results do the talking
- Likely takeover candidate
- Sales recovering post-COVID



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



Pinnacle Investment Management

(ASX:PNI)

- Founder/CEO Ian Macoun doing a terrific job
- Insider ownership 46%
- FUM ~\$90bn 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



Mineral Resources

(ASX:MIN)

- Now worth \$14bn with incredible track record in difficult industries
- Founder and CEO Chris Ellison has 12% stake
- The business has clear goals for its four businesses
- Very entrepreneurial CEO
- Lithium is a growth industry but...
- ... will be volatile as supply increases.



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

**“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

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 softly blurred, showing a dark green wall and a stack of books.

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

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