



Where is the best chance for outperformance?

# Intelligent Investor **Select Value** Share Fund (ASX:IISV)



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# Important information

InvestSMART Funds Management Limited (InvestSMART), in its capacity as Responsible Entity has applied for trading on ASX Trade under AQUA Rules for the Intelligent Investor Select Value Share fund (managed fund) under the ASX code: IISV.

InvestSMART cannot guarantee that the ASX will proceed with the listing of this fund. If ASX approval is granted, InvestSMART in its discretion may choose not to proceed with the listing of IISV during the initial offer.

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

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# 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

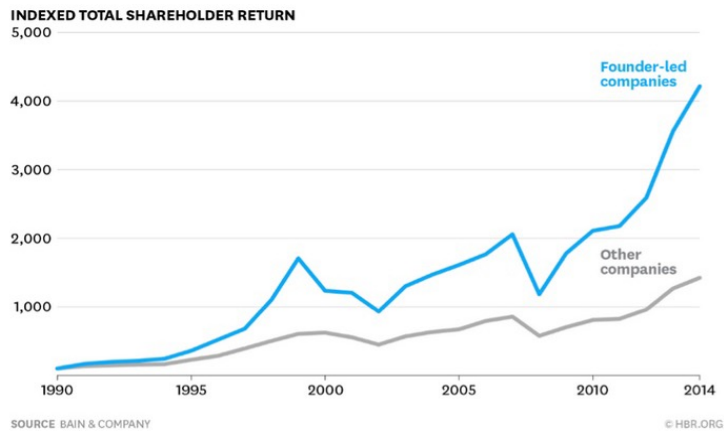


Best corporate governance:

# Skin in the game

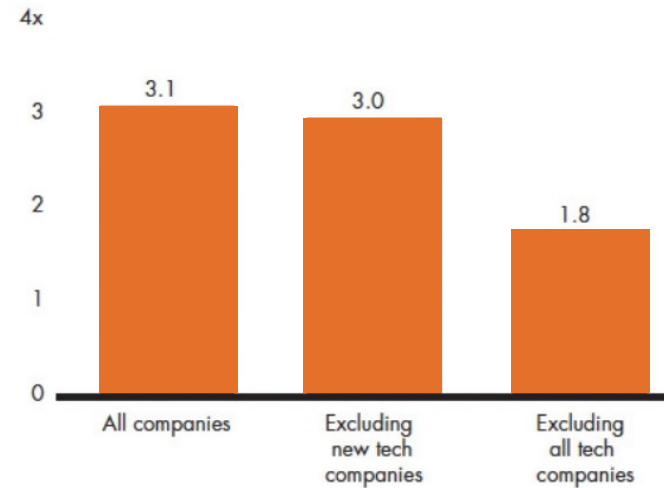
## Founder-led companies vs S&P 500

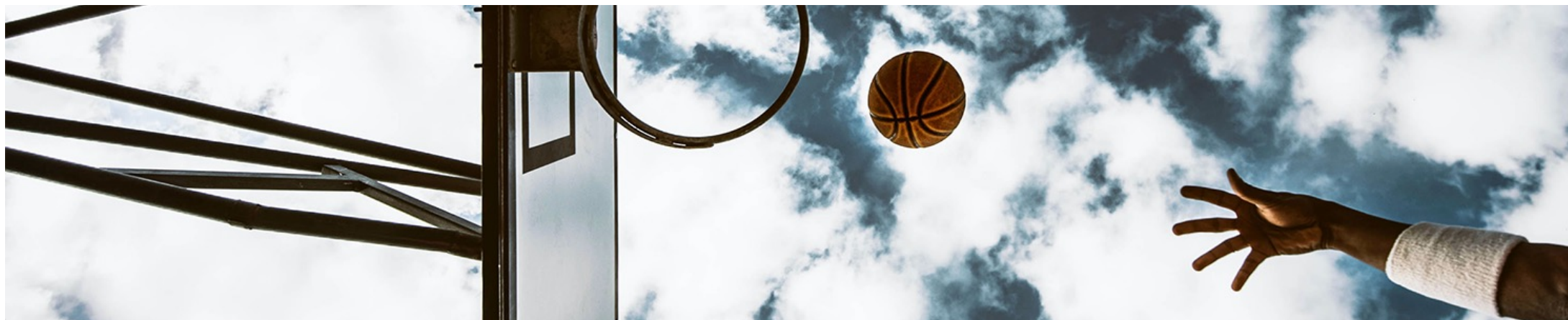
Founder-led companies outperform the rest  
Based on an analysis of S&P 500 firms in 2014



## True even with tech companies excluded

Founder's Index vs other S&P 500





# ‘Best of the best’ fund

- International fund with ability to own our best local ideas
- Core group of compounders that aren't available in Australia – chiefly in the US
- Local ideas will be mostly our favourite small caps – same liquidity restrictions as our other funds
- Best ‘value stocks’ from abroad
- Most overseas stocks will be listed in the US, as NYSE and NASDAQ offer global opportunities

! Don't expect much exposure to Asia. We want to sleep easy at night with a portfolio of predictable businesses that can compound your money at high rates for decades.

# Why now?



- Stocks have fallen much farther outside Australia
- Higher quality businesses
- We have the right team and resources
- We're spending more time on overseas businesses as more Australian businesses compete with them or are clients
- Investors must have global industry insights as markets and businesses become more integrated i.e. the world is getting smaller, and the US is still home to the most innovation
- More Australian investors are open to international investing and are concerned about low capital gains from a traditional stock portfolio



# Why invest abroad?

- This is the key – Best performing funds combine overseas and local stocks
- Easier and cheaper than ever but it's time consuming understanding a big world of opportunities
- Many people turned off by poor returns, particularly large funds managing too much money, unfamiliar stocks, perceived complexity, global asset bubbles and currency risk
- Valuations for superior compounders outside Australia much lower
- Get more of what we want; great businesses; trustworthy, intelligent and entrepreneurial managers; cheaper valuations = more buying power



# Key Fund Features

- More stocks than our other funds
- Theoretically, it should be our lowest risk fund
- We can hedge the currency – chief exposure is AUD v USD
- No BS performance fee – must recover all losses AND return above RBA cash rate
- Why use ASX200 as the benchmark?
- Small cap liquidity bucket will be saved for our favourite Australian minnows
- Guiding principle: Buy once, buy right, and sit on our hands
- Still need to make the downturns count
- Find the winners of the next decade early





# Talking Points

- Fund is designed for people taking their first step overseas
- Focus on stocks, not exchange rates
- Easier to find huge winners in the US than Australia – Mastercard v Xero
- Most staff support for an Intelligent Investor fund, but outperformance is all that matters
- Great track records are usually built on a few good calls – much higher probability in US than Australia
- Want a portfolio choc-full of CSL's that aren't held back by banks without capital gains, low-growth A-REITs without franking credits and highly cyclical iron ore miners at the mercy of China
- A US small cap stock can be up to AUD\$8bn; that's what Mastercard's value was in 2006
- What do we bring to overseas markets?





# Mastercard

(NYSE:MA)

- CEO: Michael Miebach (formerly Ajay Banga)
- Shares a duopoly on the world's financial rails with VISA
- Has increased revenue seven-fold and profits 10-fold since listing in 2006
- Perfectly placed to ride international digital payments wave
- PER in low to mid 20s a couple of years out with earnings growth in the teens for years to come



# Floor & Decor

(NYSE:FND)

- Founded in 2000 by George West; Tom Taylor CEO since 2012 (Home Depot veteran)
- 170 stores across 36 states; 20 times larger than rival stores stocked with over 2,300 hard flooring products
- Only 30% of stores have been open for five years (double the profitability of a new store)
- Massive demographic, housing and fashion tailwinds
- Taylor aiming to triple stores by 2030
- Current PER of low 30s should fall quickly with new store rollout and increasing maturity of existing network





# Ferguson

(NYSE:FERG)

- Ferguson founded in 1954 and acquired by Wolseley in '82
- Frank Roach became CEO in 2009 and retired after 41 years in 2017 after increasing ROE from 9% to 25%. Kevin Murphy became CEO after joining in 1999; ROE currently 44%.
- Ferguson links 34k plumbing and building suppliers with over 1m customers with its 1,600 stores
- <10% market share in a market ten times the size of Australia's
- Can deliver 3.5m products to 95% of pop. within 48 hours
- PER just 15 vs 27 for Reece



# Universal Music

(ENXTAM:UMG)

- CEO Lucian Grange appointed in 2010 (joined Universal in 1986)
- Owns a third of world's recorded music catalogue including The Beatles, Taylor Swift & Elton John
- Has doubled revenues and tripled operating earnings in the past decade; we expect higher margins
- Only 20% of smartphone users currently pay for a music streaming service like Spotify
- Current PER of 27 with double-digit earnings growth



# Mainfreight

(NZE:MFT)

- Founded in 1978 by CEO Bruce Plested with just one truck – his 15% shareholding is worth over NZ\$1bn
- Now has 310 branches spanning 26 countries
- Revenue has increased three-fold and profits four-fold over the past decade by focusing on complex loads less than a container's worth where service trumps price
- US: Profits have increased five-fold since 2017 to over US\$100m, yet market share is <1%
- Aiming to double revenue to NZ\$10bn by 2027, yet current PER only 18



# Intelligent Investor **Select** **Value Share Fund**

(ASX:IISV)

- Buy and sell at net asset value (NAV) like a regular stock
- Ready-made portfolio (can hedge currency)
- Highly liquid (ASX liquidity rules/Market Maker)
- 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%; 15% performance fee with high water mark



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

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# RPM Global Mining

- Mining software
- Trades at 7x revenue (Xero trades at ~19x)
- 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





# Audinate

(ASX:AD8)

- Created at the CSIRO
- Market size \$1bn
- 19x the volume of next largest competitor
- 6% insider ownership
- Brokerage coverage increasing
- COVID recovery appearing in higher sales



# Frontier Digital Ventures

(ASX:FDV)

- Owns (stakes in) 18 online property classifieds businesses
- Increasingly attaining 100% ownership
- Market Cap = \$300m; 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