Quarterly Update

30 June 2026

Intelligent Investor Select Value Share Fund Active ETF (ASX:IISV)

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"It didn't make me unhappy to anticipate trouble all the time and be ready to perform adequately if trouble came. It didn't hurt me at all. In fact, it helped me." — Charlie Munger

"Only the rich can afford to be stupid; for others, ability is a necessity, not an option." — Diderot

"As bandwagon investors join any party, they create their own truth — for a while." — Warren Buffett

AI euphoria gripped the resources sector during the quarter with **BHP**'s share price almost doubling in a year. That's around $130bn of market value primarily from speculation on copper usage in an AI world.

It's a timely reminder that the market is not efficient and increasingly trades on themes, memes and, in the case of **Space X**, dreams. The London School of Economics estimates 60-70% of trades are automated driven by ETF rebalancing and other often highly leveraged trading strategies. The impact on individual stock volatility has been astounding, and we can't wait to see the opportunities that momentum-driven trading will provide in a bear market.

Performance (after fees)

	1 mth	3 mths	1 yr	2 yrs p.a	3 yrs p.a	S.I. p.a
II Select Value Share Fund	0.3%	3.4%	-4.6%	7.6%	11.0%	11.7%
S&P ASX 200 Accumulation Index	0.7%	4.0%	6.1%	9.9%	10.6%	10.1%
Excess to Benchmark	-0.3%	-0.7%	-10.7%	-2.2%	0.4%	1.6%

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

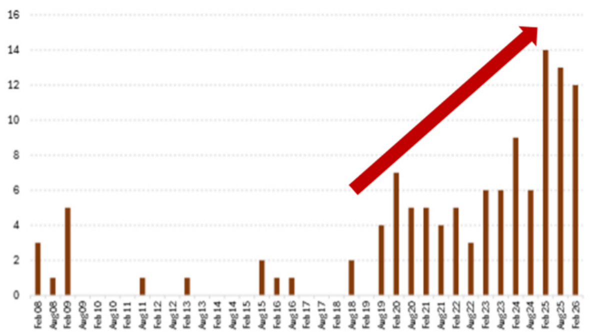
Risk profile: High
Expected loss in 4 to 6 years out of every 20 years

S&P/ASX 200 Accumulation Index
Benchmark

Investment fee
0.97% p.a.

Performance fee
15% p.a.

Figure 5: # of ASX100 companies with price move >10% on result day*



Source: UBS, FactSet, *absolute, so captures stocks that have moved either up or down by more than 10%

The increased volatility will provide more opportunities to buy low and sell high, with large corporates starting to acquire cheap rivals cast aside by the AI boom. Insurance broker **Steadfast** received a healthy takeover offer, which implies our holding in rival **AUB** is worth ~$40 if valued on the Steadfast multiple. Buying cheap still works.

Pinnacle's share price increased 30% from March's low, as it swings with market sentiment. While **MA Financial**'s (MAF) share price has almost halved this year as more US private credit funds face redemptions.

MAF announced it was closing a credit fund, and inflows are likely to slow for a while. But the stock is reflecting a lot of bad news potentially trading on 12 times forecast earnings.

The share price of **Atlanta Braves** increased 21% after rival the San Diego Padres sold for a league-record US$3.9bn — roughly eight times revenue. That multiple would value the Braves at around US$85 per share compared to its current share price of just US$50.

Amazon's share price increased 14% as the market warmed to its AI strategy, helped by faster growth in its cloud division. Despite its size, earnings could double over the next few years as more on-premises workloads move to the cloud and retail profit margins increase.

Many other holdings including **Cairn Homes**, **Constellation Software**, **Visa** and **FICO**, increased double-digits as quality stocks begin their recovery after being smashed earlier in the year.

The biggest loser

The biggest loser was **CME Group**, down 25%, after being our best performer in the prior quarter. CME's sudden reversal followed the Commodity Futures Trading Commission (CFTC) rubber-stamping disruptor Kalshi's cryptocurrency perpetual futures (perps) contracts, an industry first in the US.

These contracts have no expiry, trade 24/7 and can settle outside banking hours using crypto or internal offsets. Traders don't need to roll positions, avoiding a key cost and simplifying portfolio management.

The real fear isn't crypto, which is a rounding error for CME. Rather, Kalshi promises a next-generation exchange that could offer crypto and prediction markets alongside traditional asset classes where CME thrives. If new products gain regulatory approval the monopoly-like market positions of incumbents like CME could erode.

CME argues perps can't be futures because they have no expiry date and instead look a lot like swaps, which carry a far heavier regulatory framework. It's now in the crazy position where it's suing the CFTC to enforce the rules.

The good news is its moat isn't limited to lawyers. As the world's largest derivatives exchange, it can offer the tightest bid-ask spreads where liquidity attracts liquidity. Traders can offset margin requirements in one position against another, further reducing costs, and do so knowing that CME's clearing infrastructure is battle-tested through stress events like the financial crisis. This is far more important than saving a few basis points on roll costs.

Perps also might not suit the needs of institutional hedging. This isn't an issue in crypto because there's no natural expiry, storage costs or interest rates. Other assets are different: bonds mature, commodities require delivery and equity markets close for the weekend. Even if perps expand outside of crypto, the value proposition isn't as obvious.

At 17 times earnings and a nearly 6% dividend yield, we think the market has overreacted.

Summary

The fund's annual performance was hammered by the shellacking of quality stocks earlier this year, and the higher turnover required to take advantage of the indiscriminate selling will be reflected in a large distribution.

It's the first time in my career that quality stocks have traded at such a large discount to the market's largest stocks. Normally it's the opposite. Quality stocks, particularly midcap stocks with faster earnings growth, normally attract a premium.

Although I don't expect to see valuations as low as they were in the GFC again, the potential to outperform the index in the years ahead could be bigger. The market can ignore valuations for a long time, but when quality returns to favour, AI mania fades and the valuations of the market's largest stocks return to earth, we expect similar performance to the period between 2019 and 2022. Or for greyer-haired value investors, the period between 2000 and 2006 after the tech bubble.

Please get in touch if you have any questions

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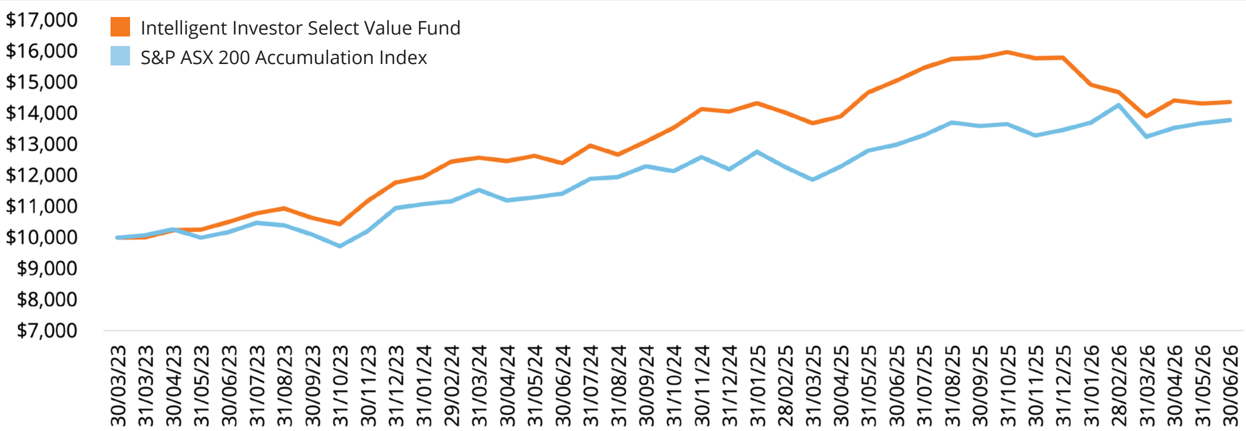
Performance since inception



Inception (S.I.): 28 Mar 2023

Asset allocation

Financials	39.7%
Information Technology	27.6%
Communication Services	9.5%
Materials	5.4%
Real Estate	4.7%
Health Care	4.7%
Cash	3.8%
Industrials	2.5%
Consumer Discretionary	2.0%

Top 5 holdings

Visa (V.NYS)	8.6%
Fairfax Financial Holdings (FFH.TSX)	6.3%
Amazon (AMZN.NAS)	5.9%
Autotrader Group PLC (AUTO.LSE)	5.7%
Constellation Software (CSU.TSX)	5.6%

Fund Stats

Distribution yield	11.4%
Net asset value	$2.98

The distribution for the year ended 30 June 2026 excludes franking credits and is significantly larger than previous years. Distribution yield is not a measure of total investment return and past distributions are not indicative of future distributions.

All tables and chart data is correct as at 30 June 2026