Quarterly Update

30 June 2026

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InvestSMART Funds
Management Ltd
ACN 067 751 759
AFSL 246441

Managed by
Intelligent Investor
Holdings Pty Ltd
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ASX Code: INES

Intelligent Investor Ethical Share Fund Active ETF (ASX:INES)

"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 mth	1 yr	3 yrs p.a	5 yrs p.a	S.I. p.a
II Ethical Share Fund	2.7%	4.5%	-8.5%	5.5%	3.6%	7.4%
S&P ASX 200 Accumulation Index	0.7%	4.0%	6.1%	10.6%	7.8%	8.1%
Excess to Benchmark	2.0%	0.5%	-14.6%	-5.1%	-4.2%	-0.7%

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 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 Ethical Share Fund (ASX: INES) methodology, performance and stock holdings can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA.

Fund overview

The Intelligent Investor Ethical Share Fund is an Active ETF designed for investors seeking a diversified selection of Australian and international 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 - 40
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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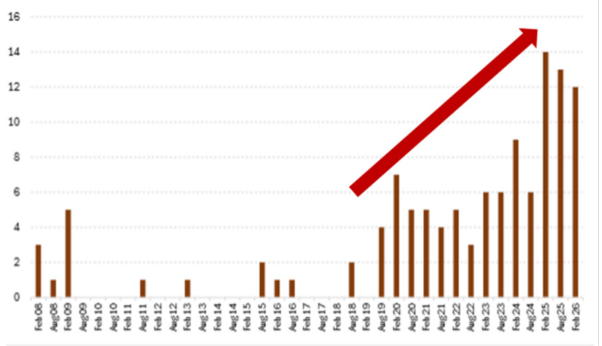
Figure 5: # of ASX100 companies with price move >10% on result day*



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. We've sold insurance broker **Steadfast** since receiving a healthy takeover offer, which implies our holding in rival **AUB** is worth ~$40 if valued on the Steadfast multiple. Buying cheap still works.

REA's share price fell 15% during the quarter despite increasing prices 10% as listings are likely to weaken as Labor's capital gains tax changes dampen property investment.

ResMed's share price finished down 10% after initially falling 20% as the market tussles with the return of Respironics' products, the impact of GLP-1 drugs and the poor sentiment across the healthcare sector after **CSL**'s and **Cochlear**'s share price collapses. So far, ResMed's financial performance belies its share price performance.

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.

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.

Lastly, **Dicker Data**'s share price increased almost 50% after it announced a large increase in profits as AI fuels demand for new IT products and services.

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.

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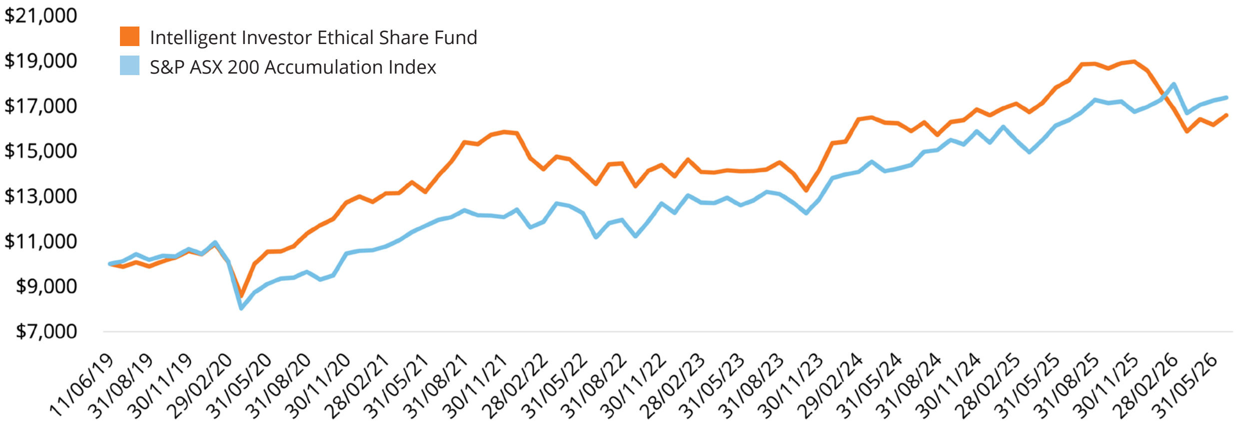
Please get in touch if you have any questions

info@intelligentinvestor.com.au

1300 880 160

Performance since inception



Inception (S.I.): 11 Jun 2019

Asset allocation

Financials	37.1%
Information Technology	21.7%
Communication Services	20.9%
Consumer Discretionary	8.4%
Health Care	4.6%
Real Estate	3.7%
Cash	3.6%

Top 5 holdings

Visa (V.NYS)	7.3%
Fairfax Financial Holdings (FFH.TSX)	5.9%
Car Group (CAR)	5.5%
AUB Group (AUB)	5.4%
Constellation Software Inc. (CSU.TSX)	5.4%

Fund Stats

Distribution yield	8.48%
Net asset value	$3.11

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