Quarterly Update

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Intelligent Investor Australian Equity Income Fund Active ETF (ASX:INIF)

"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	1 yr	3 yrs p.a	5 yrs p.a	7 yrs p.a	S.I. p.a
II Australian Equity Income Fund (ASX: INIF)	1.4%	13.2%	6.8%	7.0%	8.1%	6.9%
S&P ASX 200 Accumulation Index	0.7%	6.1%	10.6%	7.8%	8.0%	8.6%
Excess to Benchmark	0.7%	7.1%	-3.8%	-0.7%	0.1%	-1.7%

Inception (S.I.): 18 Jun 2018

Intelligent Investor has provided model portfolios to investors since January 2001. The performance table above represents the performance of the ASX listed Active Exchange Traded Fund from 18 June 2018 (ASX: INIF). The Intelligent Investor Income model portfolio was first offered for external investment on the Praemium platform on 1 July 2015. The strategy and its holdings were replicated as an ASX listed Active Exchange Traded Fund from 18 June 2018. The model portfolio is available for investment on the InvestSMART platform. The listed vehicle is available for investment through a broker.

Fund overview

The Intelligent Investor Australian Equity Income Fund (ASX:INIF) is a concentrated portfolio of 10-35 Australian listed stocks. The Fund focuses on large, mature businesses with entrenched competitive advantages, and dominant smaller companies we believe will produce strong cash flows to support dividends in the future.

5+ yrs
Suggested investment timeframe

10 - 35
Indicative number of securities

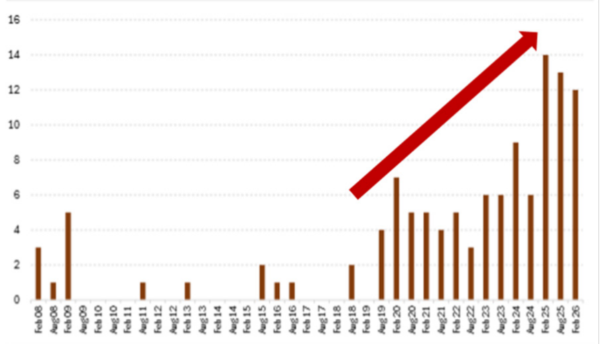
Risk profile: High
Expected loss in 4 to 6 years out of every 20 years

S&P/ASX 200 Accumulation Index
Benchmark

Investment fee
0.97% p.a.

Performance fee
Nil

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 sold insurance broker **Steadfast** after 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.

We also sold **Karoon Energy**, as not even a war in the middle east could ignite its profits following a series of operational problems and an uninspiring CEO change who hasn't bought a single share with her own money.

Mineral Resources' share price finished the quarter up nearly 20% after initially increasing 35% as expectations for lithium prices continue to rise helping the company rapidly reduce debt. **Car Group**'s share price behaved similarly after holding its position in the index.

After its share price almost halved following the withdrawal of a takeover offer pitched at $45, AUB's share price popped 20% after rival Steadfast received an offer at a 50% premium (less Steadfast's next dividend).

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.

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.

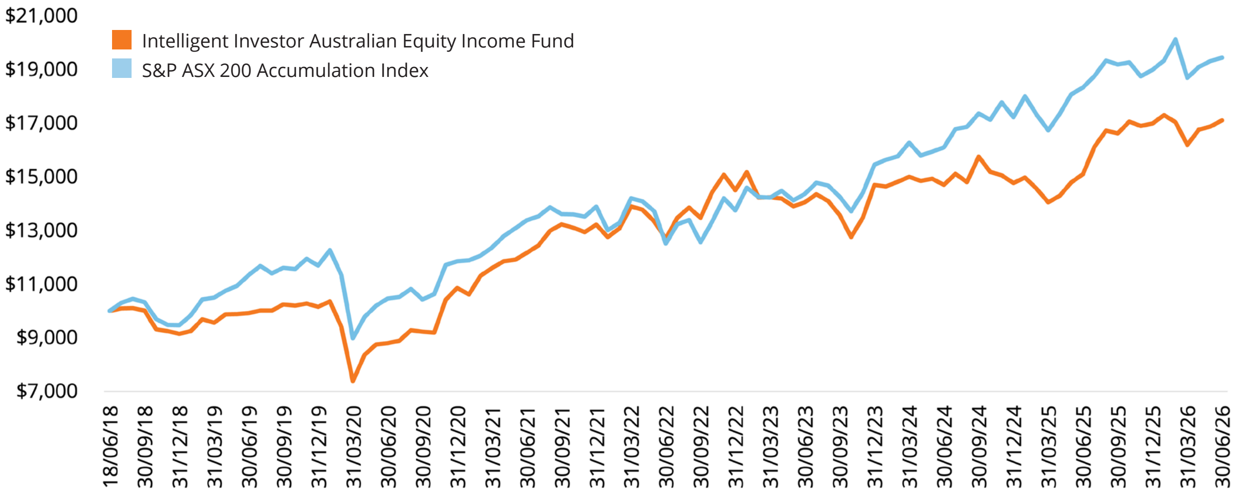
Summary

It was a good year for the fund despite the shellacking of quality midcap stocks which are the rump of our portfolios, which will be reflected in a large distribution. Some of the resources and related stocks that we bought years ago at depressed prices paid off, showing that buying cheap and focusing on cashflow still works. While our recent purchases during the great quality stock sale earlier in the year are slowly recovering.

The market's largest stocks face slowing growth while their stock prices are grossly overvalued. With money still relatively cheap, easy to borrow, and midcap stock valuations trading at large discounts to larger stocks, it's an almost perfect environment for acquisitions that could help realise value across the portfolio.

This year's outperformance should only be a taste of what's to come when the valuations of the market's largest stocks return to earth and today's cheap, high quality industrial stocks shake AI fears long after the current euphoria has passed.

Performance since inception



Inception (S.I.): 18 Jun 2018

Asset allocation

Consumer Discretionary	20.0%
Materials	17.9%
Communication Services	17.5%
Financials	16.8%
Real Estate	8.9%
Energy	5.2%
Health Care	5.0%
Cash	4.5%
Information Technology	4.2%

Top 5 holdings

BHP Group (BHP)	12.4%
Car Group (CAR)	6.1%
AUB Group (AUB)	5.6%
Mineral Resources Limited (MIN)	5.5%
New Hope Corporation (NHC)	5.2%

Fund Stats

Distribution Yield	12.13%
Net asset value	$2.71

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