

Quarterly Update

30 September 2026

Intelligent Investor Equity Growth Fund

Active ETF (ASX:IIGF)

Issued by
InvestSMART Funds
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“During market manias, time slows down to dog years. You have to keep doing the same rational thing but expect a different outcome, knowing that at some point it will come.” — Vitaliy Katsenelson

“The curse of discipline is that every day looks the same, and the curse of indiscipline is that every year looks the same.” — Chris Williamson

“At lunch, all people talk about is: ‘what stocks are you in. . . how much did you make,’ Seoul-based office worker Kim Min-jung told the pink paper.
“If you don’t trade stocks, you look like an idiot.”

An excellent reporting season this quarter was offset by broad falls following September’s spike in US bond yields, as the US government and data centre builders compete for trillions in funding.

Most stocks fell in September, but payments minnow **Cuscal** is achieving new highs as it becomes better known, as is **BCI Minerals**, which has increased 50% since our recent purchase.

Performance (after fees)

	1 mth	6 mth	1 yr	3 yrs p.a	5 yrs p.a	S.I. p.a
II Equity Growth Fund	-5.9%	4.5%	-3.3%	5.0%	2.8%	7.7%
S&P ASX 200 Accumulation Index	-2.4%	5.4%	2.7%	11.4%	7.7%	10.8%
Excess to Benchmark	-3.4%	-1.0%	-6.0%	-6.4%	-4.9%	-3.1%

Inception (S.I.): 5 October 2020

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 5 October 2020 (ASX: IIGF). The Intelligent Investor Growth 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 5 October 2020. 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 Equity Growth Fund is a concentrated portfolio of 10 - 35 Australian-listed and International listed stocks. The Portfolio invests in a mix of large, mid and small cap stocks, focusing on highly profitable industry leaders that have long-term opportunities to reinvest profits at high rates of return.

 **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

On the flipside, our small position in credit ratings company **FICO** shrunk to a tiny position when its monopoly became a duopoly. We'll let the dust settle before considering a larger position.

Notably, **Fairfax Financial's** share price hasn't budged despite the company benefitting from higher interest rates. It also potentially trades at just seven times underlying earnings and book value. This is irrational if it can sustain a 15% return on equity.

Many stocks have fallen well over 50% due to AI fears or higher interest rates, which is creating opportunities in quality businesses you wouldn't expect outside a bear market. And that's the key point. Many stocks are deep in a bear market while the index and its key components defy gravity.

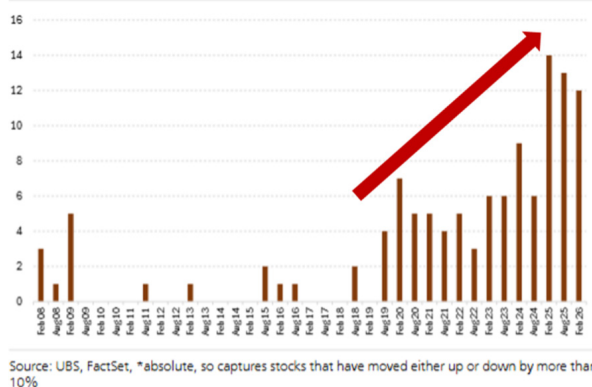
Even incumbents that will harness AI are being forced to spend more to defend their market positions or improve their services. For now, that means lower profit margins and valuations, but more valuable share buy backs.

Reporting season featured many large dividend increases across the portfolio, with **Mineral Resources** resuming dividends earlier than expected. If Chris Ellison eventually departs to run his family office, we expect higher dividends but less earnings growth.

New Hope also surprised doubling its final dividend despite the pressure on coal prices. We can't wait to see what the company's exceptional management team will produce once expansion plans are complete, especially if coal prices increase.

If the rapid increase in volatility of individual stocks is permanent (see chart below), our increased trading will also increase distributions.

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



Portfolio changes

We cashed in some handy gains this quarter, which included buying and selling a small position in **CSL** after its share price almost doubled from its low. We also sold **Dicker Data** after its share price almost doubled following a blockbuster result and Steadfast following a takeover offer. The proceeds were invested in Irish homebuilder **Cairn Homes**, BCI Minerals, **Cochlear** and property group **Stockland**.

We purchased a starting position in former market darling Cochlear after the hearing implant company's share price fell over 70% from its ridiculous highs. Multiple large profit downgrades suggest management's crystal ball has turned into a snow globe while competitive threats are increasing, hence the small position. But if management can restore margins, then the current price-to-earnings multiple above 20 could fall quickly.

Getting about as far away from AI as possible, BCI Minerals is building the world's third largest salt operation. What makes BCI's site valuable isn't the chemistry, it's the geography.

A solar salt operation requires a specific set of conditions: high sun, strong, consistent wind, almost no rain, a flat coastal site that doesn't require much earthmoving, and a deep-water port nearby.

There are only a handful of places on Earth where those factors align, and most of them are already taken. Rio Tinto's Dampier Salt has worked the best Pilbara sites for decades. Mexico's Baja California has the other big one. Beyond that, the list gets thin fast.

This is why nobody has built a major new salt operation in Australia in close to three decades, and why nobody is likely to build another one for a long time after BCI's Mardie project starts shipping. It isn't a permitting failure or bad luck — there's nowhere obvious left to build it. Once Mardie is finished, it will be the third-largest solar salt operation on the planet, producing 5.35 million tonnes a year. All that from a business that sounds like a Chinese EV.

Cairn Homes is an Irish homebuilder that we've owned in our international fund. Despite doubling earnings over the past few years and returning plenty of it to shareholders via dividends and share buybacks, it still trades on just 10x earnings while offering a 4% dividend yield in a country that's short on homes.

Stockland was added after its share price fell 40% in response to Labor's property tax changes. It currently trades at a discount to net asset value on 11x earnings and sports a 6% yield.

Stockland and Cairns are good examples showing the widening gap between the valuations of the market's largest stocks and everything else. Irrationality is a constant of markets, but it's particularly extreme today due to a potent mix of leveraged speculation, the quick riches offered by AI and the explosion in passive investing.

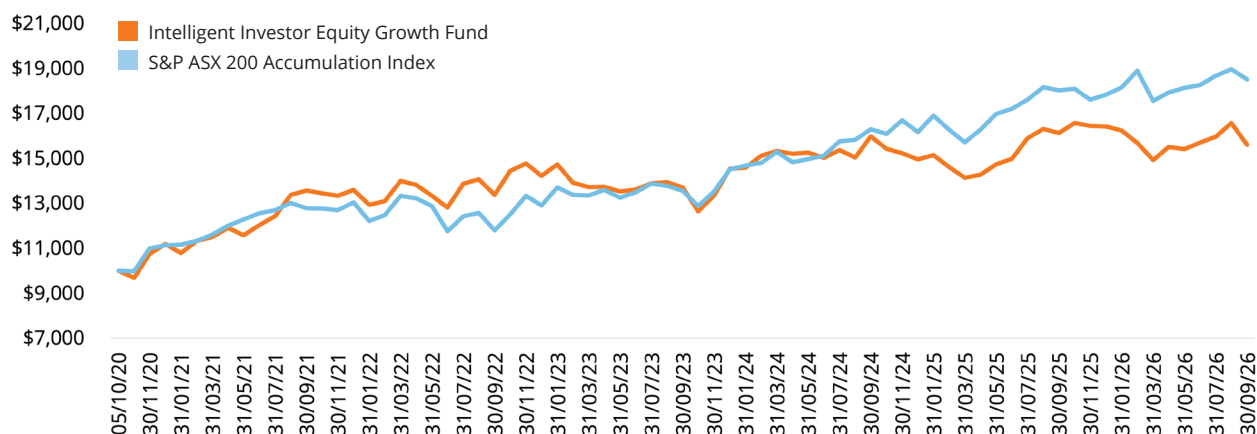
We've been through many of these cycles but rarely has the opportunity to outperform buying quality businesses been so high.

Please get in touch if you have any questions

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Performance since inception



Inception (S.I.): 5 Oct 2020

Asset allocation

Financials	28.6%
Consumer Discretionary	20.9%
Communication Services	15.3%
Materials	9.0%
Health Care	7.5%
Information Technology	6.9%
Cash	5.3%
Real Estate	3.3%
Energy	3.2%

Top 5 holdings

Fairfax Financial Holdings (FFH.TSX)	6.5%
Visa (V.NYS)	6.1%
Constellation Software (CSU.TSX)	5.5%
Amazon (AMZN.NAS)	5.2%
ResMed (RMD)	5.2%

Fund Stats

Distribution yield	7.97%
Net asset value	\$2.81

The distribution 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.

Important information

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