Quarterly Update

31 March 2026

Issued by
InvestSMART Funds
Management Limited
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Managed by
Intelligent Investor
Holdings Pty Ltd
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ASX Code: IIGF

Intelligent Investor Equity Growth Fund

Active ETF (ASX:IIGF)

"For reasons I have never understood, people like to hear that the world is going to hell." — Deirdre McCloskey

"Everyone must choose one of two pains: the pain of discipline or the pain of regret." — Jim Rohm

"The fact that people will be full of greed, fear, or folly is predictable. The sequence is not predictable." — Warren Buffett

Quality stocks were skewered this quarter while the big money hides in banks. Imprudently so, given the top 20 stocks must fall by a third just to touch their average valuation over the past decade.

Instead of chasing market darlings we've owned defensive stocks in industries like healthcare and insurance broking, which hasn't worked, but owning infrastructure stocks **Chorus** and **Dalrymple Bay** and some contrarian resources picks has. Now, we're gradually replacing them with quality midcap businesses that are deep in a bear market.

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	-4.8%	-7.5%	5.6%	2.9%	5.4%	7.6%
S&P ASX 200 Accumulation Index	-7.1%	-2.6%	11.7%	9.5%	8.6%	10.8%
Excess to Benchmark	-2.3%	-4.9%	-6.1%	-6.7%	-3.2%	-3.2%

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 it's holdings was 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

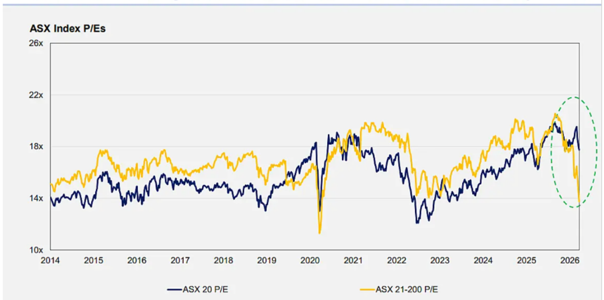
S&P/ASX 200 Accumulation Index
Benchmark

Investment fee
0.97% p.a.

Performance fee
Nil

The poor performance of quality stocks over the past 18 months typically only happens once a decade. While we couldn't take full advantage of **ResMed**'s Ozempic moment or **Mineral Resources**' share price collapse after being targeted by short sellers in recent years as they were already full positions, this time we're making many changes to capitalise on the huge gap between large stock valuations and everything else.

Market Dislocations
Ex-20 stocks are trading at a P/E discount to ASX 20 stocks, which is historically unusual



Source: FactSet, Auscap

We've added to **CAR Group**, **REA**, **Eagers**, **Pinnacle** and **Lovisa**, and introduced individual credit score company **Fair Isaac Corp** (FICO), payments company **Cuscal** and **JB Hi-Fi**.

FICO credit scores are as well known in US households as Oreos, but the share price has fallen over 50% due to regulation favouring competitors after FICO increased its prices 800% in recent years. A FICO score still costs less than a cup of coffee, and research shows any tiny saving from using rival scores is dwarfed by the increased losses on loans.

On a forecast price-to-earnings ratio (PER) in the low 20s we've started building a position as we wait to find out whether FICO's stranglehold on the securitisation and loan markets remains.

JB Hi-Fi is one of Australia's best retailers yet compared to Woolworths it offers higher growth at a lower valuation and a dividend yield nearly twice as high.

Lastly, Cuscal is a relative newcomer to the ASX after listing a couple of years ago. The payments company has traditionally served credit unions, but a recent acquisition should materially increase profits over the next couple of years. It requires time and investment, which is likely why the market has lost interest.

Recent results

Remarkably, Mineral Resources' debt levels will fall to target levels in June. Barely a year after the stock price reached just $14, as short sellers tried to force the company to raise capital at a highly dilutive price.

Management deserves credit for not capitulating, with Mt Onslow now an incredible success. Higher lithium prices will also help rapidly reduce debt, which we don't believe is fully reflected in the share price. If nothing else, we're on trend owning a heavy asset, low obsolescence (HALO) stock in the fight against AI.

New Hope Corporation increased 50% and **Karoon Energy** increased by a third, as the Iran war increased energy prices. We'd prefer the pair were benefiting from more sustainable trends, which is why we've reduced both, but New Hope remains cheap with sensible expansion plans and unsustainably low coal prices. Karoon is yet to prove itself under new CEO Carri Lockhart, which is why it remains a small position.

MA Financial's result was bang in line with expectations with management suggesting 2026 profits could be even higher than the more than 20% expected, but the stock price has fallen over a third on fears private credit will suffer large losses.

MA Financial is well diversified so any losses should be manageable, but falling asset values, reduced financial activity and fund redemptions will always be a risk.

Contrary to history, healthcare stocks haven't provided protection in a volatile environment. ResMed's share price has fallen by a third from its highs despite reporting earnings that you could set you watch to. Once again, it trades at a teens-multiple of forecast earnings despite double-digit earnings growth.

CSL is in full turnaround mode after announcing another poor result, although it has no impact on performance vis-à-vis the index. Management is cutting costs to increase margins before considering asset sales. We expect a strong share price response if its new CEO can restore confidence.

Sonic Healthcare reported an upbeat result with early signs margins could be increasing, though we're waiting to see whether new CEO and company stalwart Dr. Jim Newcombe will ruthlessly sell some less profitable overseas businesses or continue with his predecessor's overseas expansion.

Healius' results were mixed and the share price fall seems way overdone. Increasing margins is still the key and it could be a takeover candidate.

CAR produced another good set of numbers, yet its share price has halved as fears AI would usurp online classifieds businesses smashed valuations around the world. We believe current share prices are compensating for the risk given the incumbents will be very hard to dislodge, but increased investment to harness AI and fend of new competitors could reduce margins.

Like the healthcare stocks, insurance brokers normally perform well in a volatile environment, but AI fears have halved AUB's share price following a failed takeover and Steadfast is down by a third.

We're more concerned about the potential length of a soft insurance market and their overseas expansion strategies, but we're being compensated with ~5% dividend yields and forecast price-to-earnings ratios around 12.

Lastly, **Visa** and **Mastercard** reported 15% and 20% earnings growth yet trade cheaper than **Commonwealth Bank**; and **Fairfax Financial** is firing on all cylinders yet trades on a single-digit PER, maybe even at book value.

Final thoughts

Everything everywhere seems to be happening at once; a major war, potentially higher inflation and interest rates; and a generational change in technology. Not to mention the turbulence created by increased passive investing, algorithmic trading, massive super funds and individuals, while large cap stocks trade at some of their highest valuations in history.

Shareholders in these stocks ought to look at CSL or seemingly impregnable technology stocks like **Xero** or **Wisetec** for lessons in the transience of extreme valuations. Or simply google a chart of the index between 2007 and 2017 when there were no capital gains, and yet the lost decade could exceed returns between 2027 and 2037 due to more extreme valuations, lower earnings growth, lower dividend yields and increasing competitive threats.

It's been clear for years which stocks offer no value, yet that hasn't stopped many of their share prices from increasing. But given the massive falls in quality stocks, it's now more obvious where the potential value is.

Many stocks around the world in industries like online classifieds have never traded this cheap despite being best placed to harness AI while potentially earning most of their market value in cash over the next decade. Even the most successful technology takes time to change behaviour and it's not clear Agentic AI, for example, will offer superior experiences and solutions.

Whether confidence returns stock by stock, or in one fell swoop perhaps after the Iran war, the fund hasn't been this cheap in years. More importantly, the potential to outperform an index that's grossly overvalued over the next decade has rarely been higher.

Please get in touch if you have any questions

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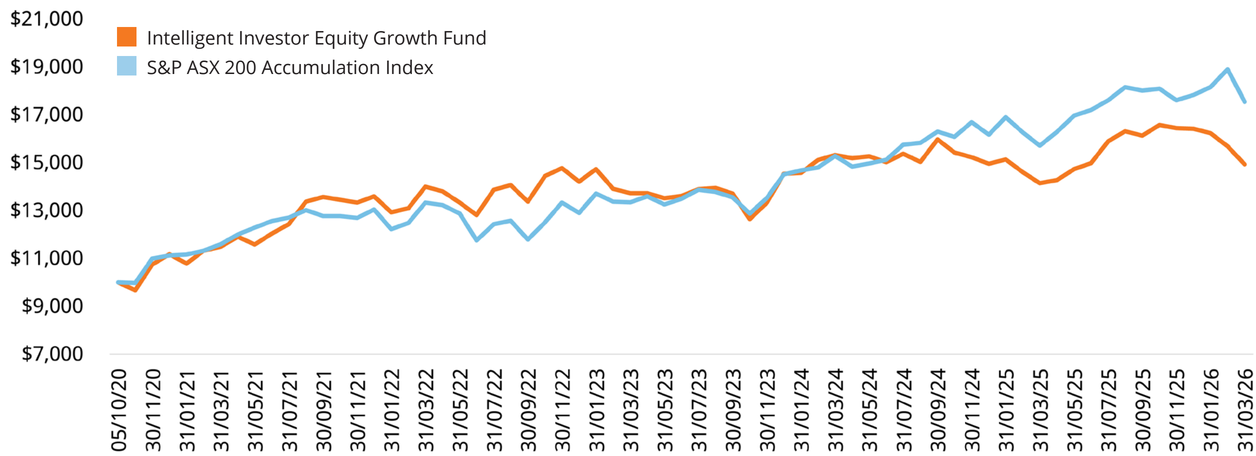
Performance since inception



Inception (S.I.): 5 Oct 2020

Asset allocation

Financials	28.4%
Information Technology	16.4%
Communication Services	14.2%
Health Care	13.2%
Consumer Discretionary	11.2%
Cash	6.6%
Energy	5.7%
Materials	4.4%

Top 5 holdings

Fairfax Financial Holdings (FFH.TSX)	5.8%
ResMed (RMD)	5.1%
Mineral Resources Limited (MIN)	4.4%
Rightmove PLC (RMV)	4.3%
Autotrader Group (AUTO.LSE)	4.2%

Fund Stats

Distribution yield	1.61%
Net asset value	$2.88

All tables and chart data is correct as at 31 March 2026

Appendix

Underwriting an Aussie insurance broker

AUB's fortunes have changed quickly. Less than six months ago, private equity had offered $45 per share for the broker before withdrawing the proposal in December. The share price has since halved to $24.

The fear is that AI democratises expertise, so why not use an AI agent to assess your risks and place coverage directly?

Insurance is a small cost of a business's total expenses and the brokers' cut is a fraction of that. Being pennywise and pound-foolish makes little sense when one misstep can bankrupt a business.

Second, claims are where brokers earn their fee. They act as the client's advocate when things go wrong. Industry research shows better outcomes with one in your corner and explains why 90% of commercial insurance is placed through a broker.

AUB's focus is on small and medium businesses, where the company services roughly 680,000 clients and places more than one million policies through 39 brokerages across Australia.

Premiums in this middle market are large enough to justify professional advice where in-house expertise is lacking. The combination means brokers can add tremendous value.

Around 55% of policies carry premiums above $50,000 and operations are diversified across states, insurers and insurance lines. In total, the group places about $11bn in premiums and has a 15% local market share.

Under CEO Mike Emmett the business has also expanded geographically and horizontally. The goal is to capture more of the value chain rather than simply acting as a broker. So far, the strategy appears to be working.

In 2020, AUB purchased a 40% stake in BizCover for $132m. The business has since contributed roughly $75m in profit before tax and continues to grow earnings at close to 20% per year. The group also acquired wholesale broker Tysers for close to $1bn in 2022. This deal provided direct access to the London wholesale market and allows AUB to place complex risks internally rather than relying on third parties.

More recently the company has been expanding into UK retail broking. The strategy carries the usual overseas acquisition risks and will require patience, but the potential is huge.

Profit margins overseas are currently around 24%, compared to nearly 40% in Australia. The UK market is highly fragmented and ripe for consolidation. Combined with ongoing tuck-ins in Australia, AUB has plenty of growth options.

The company's track record provides further confidence. Earnings per share has grown 11% per year since 2006, a period that includes the financial crisis, a global pandemic and multiple insurance pricing cycles.

Yet, AUB trades at 12 times earnings, down from the 20 times it usually fetches, on a ~5% fully franked dividend yield. That it trades at the same valuation as serial wealth destroyer **Bank of Queensland** makes no sense.