Quarterly Update

31 March 2026

Intelligent Investor Select Value Share Fund

Active ETF (ASX:IISV)

Issued by
InvestSMART Funds
Management Limited
ACN 067 751 759
AFSL 246441

Managed by
Intelligent Investor
Holdings Pty Ltd
ACN 109 360 983
CAR 1255 838

ARSN 661 805 509
ASX Code: IISV

"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

The fund is specifically designed to own quality businesses that were skewered this quarter. Despite multiple layers of protection including being disciplined on valuation, holding cash, being internationally diversified and owning stocks in less economically sensitive industries including healthcare, infrastructure, insurance broking and payments, not to mention mostly excellent recent company results, there's been nowhere to hide.

We've never owned so many businesses reporting 15-30% earnings growth and fall so far, so quick. The poor performance of quality stocks over the past 18 months typically happens once a decade and we're positioned to capitalise on the huge gap between large stock valuations and everything else.

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	-5.4%	-12.0%	1.6%	5.1%	11.5%	11.5%
S&P ASX 200 Accumulation Index	-7.1%	-1.6%	11.7%	7.2%	9.5%	9.5%
Excess to Benchmark	1.8%	-10.4%	-10.1%	-2.1%	2.0%	2.0%

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

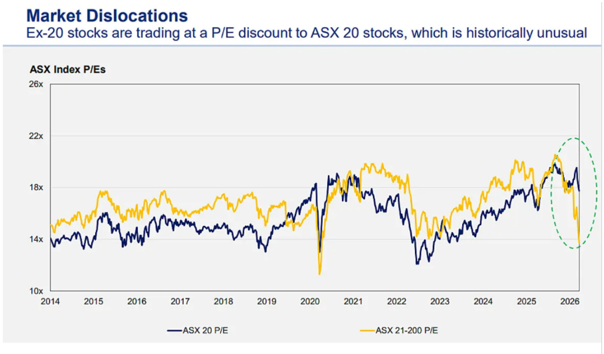
Risk profile: High
Expected loss in 4 to 6 years out of every 20 years

S&P/ASX 200 Accumulation Index
Benchmark

Investment fee
0.97% p.a.

Performance fee
15% p.a.

The chart below shows the ASX, but it's the same situation overseas.



Source: FactSet, Auscap

We sold **Chorus** and our tiny remaining positions in **Ashtead**, **Afya** and **Ferguson** to buy **Tetra Tech**, **Pinnacle Investment** and **AUB** (see appendix).

We started building a position in Pinnacle Investment Management after a 50% fall in its share price. Some incredible recent fund launches have been overshadowed by rocky stock markets, some terrible performances from key fund managers and regulatory issues at Metrics Credit.

The huge performance fees earned by managers like Hyperion won't be repeated for a while, but each year founder Ian Macoun continues to add value setting the business for potentially huge success abroad.

Tetra Tech is a water-focused, US-based environmental consultant. Projects range from cleaning up Agent Orange-contaminated soil in Vietnam to designing flood defences after Hurricane Katrina. Each job is won on capability rather than price.

The company's edge is culture and discipline. Annual staff turnover is 6% compared to an industry average of 15%, while free cash flow routinely exceeds net income. Earnings per share has tripled over the past seven years.

The stock has fallen over 25% below $30 recently due to Trump's US Aid cuts that will temporarily flatten earnings. By 2030, aging water infrastructure and the recent designation of PFAS as a hazardous waste could increase free cash flow per share above US$3.50 to double the share price.

Experian is the largest of the three global credit bureaus, holding data on 1.4b people and more than 150m businesses. The datasets are proprietary, permissioned and highly sensitive as the 2017 Equifax data breach showed. It's not something AI can easily replace.

Experian clips the ticket every time a lender uses the data to identify and assess consumer creditworthiness. On top sits a consumer division offering pre-approved credit products and identity protection services. Revenues are diversified and earnings per share typically grows at high single to low double-digits.

Portfolio performance

CME was the fund's best performer, up 11%, as the futures exchange thrives on interest rate and commodity price volatility. It's been the perfect all-weather performer since it was purchased three years ago under US$200 paying US$30 of dividends.

The **Atlanta Braves** increased 8% after John Malone increased his stake above 50% potentially in preparation for a sale. There's a big gap between Sportico's recent team valuation of US$4.1bn and the company's US$2.7bn market value.

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.

HDFC fell 32% after its chairman unexpectedly resigned despite the regulator confirming that the Indian bank is well-capitalised with no governance concerns. The bank is known for conservative lending and industry-leading credit quality and now trades on a GFC-like valuation despite sustainable mid-teens earnings growth.

Constellation Software, **Rightmove** and **Auto Trader** fell over 20% to their lowest ever valuations and have the potential to double shareholders' money through a combination of dividends, share buybacks and a higher valuation if earnings keep growing.

Amazon and **Microsoft** also fell 10% and 23%, respectively, despite good results. We've increased our small position in Microsoft, which trades at the same valuation as **National Australia Bank**.

Lastly, **Visa** and **Mastercard** reported 15% and 20% earnings growth yet trade cheaper than **Commonwealth Bank**; and **Fairfax Financia**l is firing on all cylinders yet still trades on a single digit PER and perhaps 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 since we launched the fund. 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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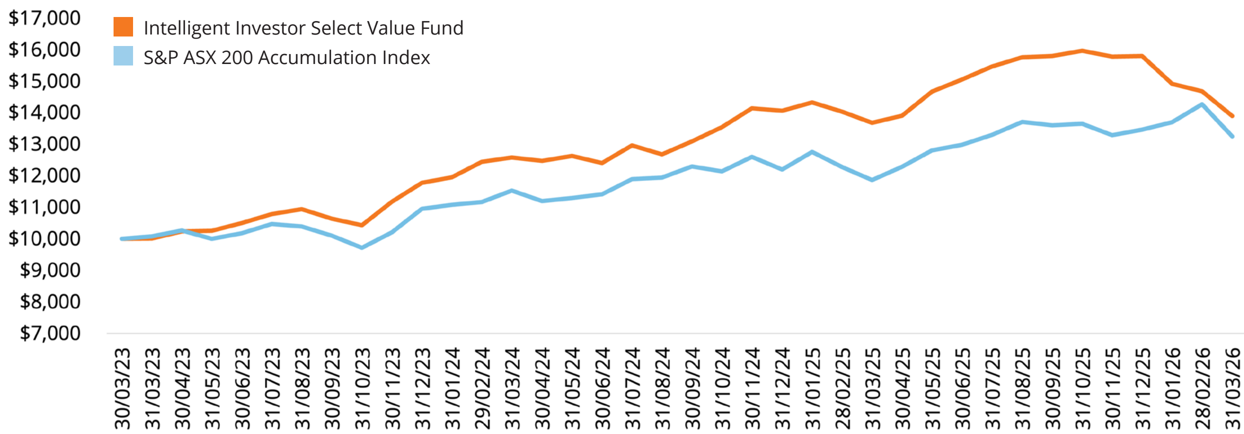
Performance since inception



Inception (S.I.): 28 Mar 2023

Asset allocation

Financials	36.8%
Information Technology	27.1%
Cash	11.7%
Communication Services	6.9%
Health Care	4.9%
Materials	4.4%
Real Estate	3.7%
Industrials	2.5%
Consumer Discretionary	2.1%

Top 5 holdings

Visa (V.NYS)	7.1%
Fairfax Financial Holdings (FFH.TSX)	6.2%
Constellation Software (CSU.TSX)	4.9%
ResMed (RMD.ASX)	4.9%
Amazon (AMZN.NAS)	4.9%

Fund Stats

Distribution yield	8.20%
Net asset value	$3.21

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.