

# Investors Mutual Australian Share Fund

Monthly Report July 2021



Fund status: OPEN

- ▶ Global sharemarkets were mixed over the month with strong US Q2 earnings offsetting Chinese regulatory clampdowns
- ▶ The Australian sharemarket endured a bifurcated month - industrials were lacklustre, whilst resources were strong
- ▶ We continue to use volatility to top up in good quality companies we believe can do well over the next 3-5 years

	1 month	3 months	1 Year	3 years <sup>^</sup>	5 Years <sup>^</sup>	Since inception <sup>^</sup>
Income	+0.0%	+4.3%	+6.4%	+6.8%	+6.2%	+5.3%
Growth	+0.2%	-0.6%	+16.4%	-2.4%	-0.8%	+4.8%
Total Return*	+0.2%	+3.7%	+22.8%	+4.4%	+5.4%	+10.1%
Benchmark**	+1.1%	+5.8%	+29.1%	+9.7%	+10.1%	+9.0%

<sup>^</sup>% Performance per annum. \*Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

\*\*The benchmark for this Fund is the S&P/ASX 300 Accumulation Index (ASX300)

## Sharemarket Commentary

Global sharemarkets continued to be well supported in July with the MSCI World index returning +0.7%. US sharemarkets again traded at record highs thanks to the release of strong Q2 earnings, continued low interest rates and increased corporate deal making. US consumer data also highlighted that many cashed-up Americans spent with abandon in the June quarter as vaccination rates increased and lockdown restrictions eased. The US S&P500 index returned +2.4% for the month. Across the Atlantic the Stoxx50 index rose +0.8%, bolstered by strong EU economic data releases and as COVID-19 restrictions continue to ease.

It was a different story across the Emerging Markets landscape which slipped -6% for the month. The delta variant continues to impact countries with low vaccination rates, as government-enforced lockdowns and travel restrictions cast a pall of uncertainty over future growth. Additionally, China's regulatory clampdown weighed on its local bourse, with the MSCI China index shedding -14%, the largest monthly decline in nearly a decade. Fears of regulatory tightening intensified with investors fretting over the Chinese Government's ability to burden companies with new rules and regulations.

Despite the strong US economic recovery, US 10-year bond prices continued to rally with the yield falling -0.25% to 1.2%, having reached 1.75% back in April, as investors become wary of increased inflationary pressures. Similarly, the Australian 10-year bond yield fell -0.35% to 1.2%. In commodity markets, the iron ore price slid -9% after China recommitted to reducing emissions by cutting steel production. The oil price edged +2% higher despite OPEC's talks deteriorating early in the month. Copper continued its ascent +4% higher on the electrification of the economy thematic, whilst the gold price rose +4% amidst safe haven buying.

The Australian sharemarket, as measured by the ASX300, returned +1.1% in July. This was primarily driven by the Resources sector which jumped +6.5% as stocks like BHP, Rio Tinto and Fortescue all rallied strongly as many investors continued to seek cyclical exposure, despite the heavy pullback in the iron ore price. The Resource rally was held back by the Energy sector falling -2.4% over the month, despite a firm oil price and Santos' proposed merger deal with Oil Search. The Industrial segment of the market also fell as the Financials, Communication Services and the IT sector all recorded negative returns. On the positive side of the ledger, the Consumer Staples sector returned +1.5%, supported by robust share price performance from Metcash, Coles and Woolworths as the Government-imposed lockdowns drove consumers out of the restaurants and back to the joys of home cooking. The Real Estate and Utilities sectors returned +0.9% and +1.6% respectively, as long duration cash flow generative assets continue to benefit from the pullback in longer dated yields. Additionally, the Spark Infrastructure share price gained +24% after a proposal to acquire the company was received from PE firm KKR and the Ontario Teachers' Pension Plan.

The *Investors Mutual Australian Share Fund* returned +0.2% for July, falling short of the benchmark's return of +1.1. Our caution to the volatile Resources sector held back the Fund's relative performance although we remain comfortable with this positioning given the record prices across both iron ore and most base metals. The Fund's performance was also held back by disappointing performances of some core stocks including Orica and IAG although we remain confident on the medium-term outlook for these companies as they recover from COVID-induced issues. The share price of Crown Resorts came under increasing pressure over the month as the Victorian Royal Commission continued into the suitability of the company to hold its Melbourne licence and Star Entertainment Group backed out of merger talks. We continue to monitor the situation closely although remain hopeful that given the significant changes implemented at Board and senior management level as well as the company's strong property holdings will enable the company to recover. Our holdings in good quality industrial companies such as Amcor, Sonic Healthcare and Metcash all contributed to returns over the month. We trimmed our holdings to realise part profits in stocks such as Coles and Sonic Healthcare which rallied strongly over the month. We deployed the proceeds to add to our positions in good quality companies such as AusNet, IAG and Orica, all of which in our view, are trading at very compelling valuations.

Investors will now look to the August reporting season to gain a detailed insight into how most companies are faring in the current COVID situation. The Australian sharemarket continues to trade at record levels with seemingly very little on the horizon to halt its ongoing rise. Having said this, we continue to steer away from some of the riskier parts of the sharemarket and remain focused on good quality companies which are well-managed, where valuations remain justifiable, and which we believe can do well over the next 3-5 years.

Franking Level (%)*	
FY17	42.5%
FY18	50.4%
FY19	39.6%
FY20	41.6%
FY21	36.3%

\*As per IFSA Standard

Monthly Movements	
S&P 500	+2.4%
EuroStoxx50	+0.8%
Nikkei	-5.2%
ASX300 Accum	+1.1%
AUD/USD	-2.1%
Gold	+3.6%
Oil	+1.6%
Iron Ore	-8.6%

Fund information	
APIR	IML0002AU
Inception	30 June 1998
Size	\$1.8 B
Application	\$2.9625
Redemption	\$2.9477
Cash	4.5%
Mngmnt fee	0.993% p.a
Investment horizon	4-5 years
Distribution	Semi-annually
Managers	Anton Tagliaferro, Hugh Giddy & Daniel Moore

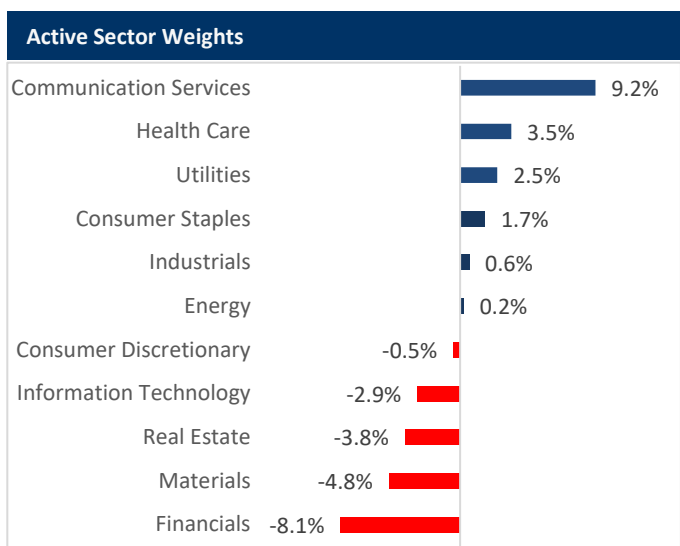
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Characteristics	Fund	Benchmark
Number of stocks	54	300
Portfolio Turnover*	10%	N/A
Annualised Tracking Error	5.38	N/A
Volatility (STD DEV) since inception	11.16	13.27
Portfolio Beta (since inception)	0.77	1.00

\*Annual portfolio turnover over the last 12 months is computed by taking the lesser of purchases or sales and dividing by the average monthly net assets.

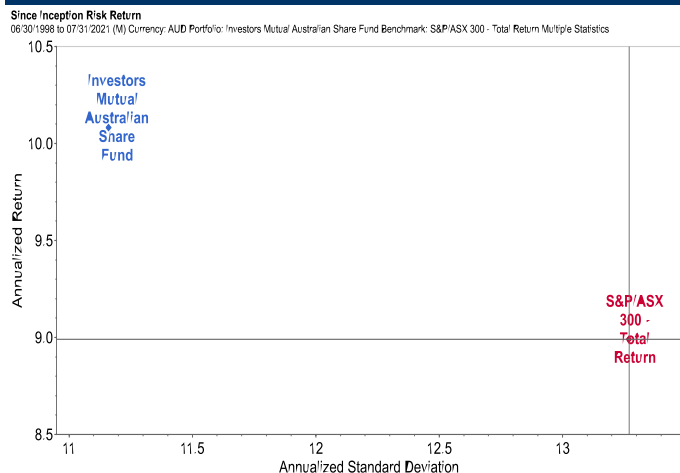
Researcher	Rating
Morningstar	Gold
Lonsec	Contact IML for the most recent rating
Zenith	Recommended



Portfolio top holdings	ASX Code
CSL	CSL
Telstra	TLS
BHP	BHP
Commonwealth Bank	CBA
Tabcorp	TAH
Brambles	BXB
Aurizon	AZJ
National Australia Bank	NAB
Insurance Australia Group	IAG
Metcash	MTS

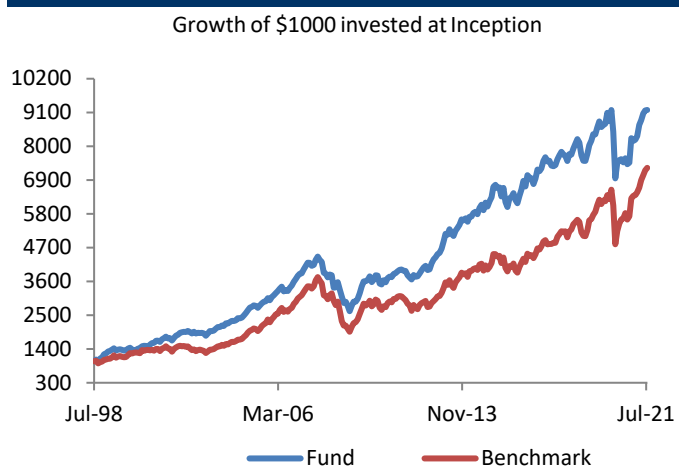
Source: IML

### Since Incept. Risk Return Fund vs Benchmark\*



\*Benchmark = S&P/ASX 300 Accumulation Index, Source: Factset

### Since Incept. Cumulative Perf. Fund vs Benchmark\*



\*Benchmark = S&P/ASX 300 Accumulation Index, Source: IML