

Investors Mutual Concentrated Australian Share Fund



Monthly report November 2020

Fund status: OPEN

- ▶ Global sharemarkets surged over the month thanks to positive vaccine news and US election clarity
- ▶ The Australian sharemarket enjoyed one of its best months on record, gaining +10.2% for the month
- ▶ We continue to be selective in our approach looking to buy companies that are well positioned for the next 3 to 5 years

	1 month	3 months	1 Year	3 years [^]	5 Years [^]	Since inception [^]
Total Return*	+8.8%	+7.7%	-8.0%	+2.8%	+6.0%	+9.7%
Benchmark**	+10.2%	+8.3%	-1.6%	+7.1%	+9.1%	+8.4%

[^]% 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 equity markets enjoyed one of their strongest months on record, surging on optimism about Joe Biden's US Presidential Election victory and a series of breakthroughs in the development of a COVID-19 vaccine. The MSCI World Index returned +11% over the month, driven by strong gains in the US S&P500 Index, which reset fresh record highs following weakness in October, and the Dow Jones Index, which pushed through the 30,000 level for the first time in its history and enjoyed its strongest month since 1987. Across the Atlantic, the mood was even more effervescent, with Europe's Stoxx Index returning +19%, catching up some of its recent relative underperformance compared with US indices.

Despite record numbers of COVID-19 cases across the world, investor optimism was buoyed by signs that President-elect Joe Biden will make a relatively smooth transition into the White House, as well as positive vaccine news from Pfizer/BioNTech and Moderna. This news drove a strong rotation into companies that were deemed to be well-positioned for the reopening of economies and the much hoped for return to normality, while many concept and fad stocks lagged the market. The Energy sector within the S&P500 enjoyed its best month on record, surging by +34%, while airlines, airline manufacturers such as Boeing, cruise lines and theme park operators such as Disney all had a very strong month.

Domestically, the Reserve Bank of Australia cut the cash rate by a further 0.15% in early November, taking the cash rate down to a new record low of 0.10%, while also announcing a further \$100 billion in bond purchases as part of its quantitative easing programme. Commodities experienced a very strong month off the back of the vaccine breakthrough. Oil was the standout, gaining +27% as investors repositioned for the likelihood of greater oil consumption as economies reopen. Iron ore also firmed by a further +11% to the \$130/tonne level. As a result of the strength in commodity prices, the AUD had a strong month, gaining +5% against the USD as it rallied to the 74-cent level. This was despite continued concerns about the diplomatic stoush between Australia and China which has led to the hiking of trade tariffs by the Chinese, most notably on our wine exports.

The strong rally in global equities saw the Australian sharemarket, as measured by the ASX300, produce its best month on record, returning +10.2% in November. The Resources sector gained a further +10%, the driving force being the Energy sector's +30% return in line with the higher oil price. Financials led the way within the Industrials segment of the market, gaining +16%, with the major banks benefiting from an uptick in bond yields and the amount of loans on deferral continuing to decline sharply. The Communication Services sector had a buoyant month, returning +14%, led by Telstra which jumped +15% following the company's announcement that it will split its business into operating and infrastructure divisions as the Board looks to unlock value for shareholders. Telstra also reiterated its full year guidance and upgraded its return on invested capital target for 2022. Defensive sectors such as Consumer Staples, Healthcare and Utilities all lagged the market rise as investors rotated into more economically exposed sectors. Particularly hard-hit over the month was Treasury Wine Estates, which fell as the trade dispute between China and Australia escalated with the announcement from China that Australian wine exports would face tariffs of up to 200%.

The *Investors Mutual Concentrated Australian Share Fund* enjoyed a good month, returning +8.8%, although this was lower than the benchmark's strong return of +10.2%. Encouragingly, many of our holdings benefited from the rotation back into quality companies trading on attractive valuations, such as Telstra, Tabcorp, Event Hospitality & Entertainment and Brambles. Holding back the Fund's relative performance was the Fund's continued zero weighting in the big four Banks and the Energy sector, which had a very strong month.

Over the month, we used strength in the share prices of SkyCity Entertainment and Virgin Money UK to trim our positions. We added to our positions in good quality companies such as Orica and Tabcorp, which we believe remain attractively priced given their prospects for the next few years.

Continued record low interest rates, government stimulus and the recovery in many parts of the Australian economy, as lockdowns cease and interstate borders open up, has led to a sweet spot for the Australian equity market, with many companies' share prices rallying strongly over the past month. Having said this, the outlook for 2021 remains relatively uncertain given the many imbalances in the economy as things normalise. We continue to focus on companies that, in our view, have a strong franchise, experienced and capable management, and a resilient business that can continue to generate healthy cashflows over the next few years.

Monthly Movements

S&P 500	+10.9%
Euro Stoxx 50	+19.3%
Nikkei	+15.1%
ASX 300 Accum	+10.2%
AUD/USD	+4.9%
Gold	-6.3%
Oil	+27.0%
Iron Ore	+10.6%

Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$199 M
Application	\$1.7568
Redemption	\$1.7480
Cash	14.9%
Mngmnt fee	0.993% p.a.
Holdings	10-30 Stocks
Stocks/sector limits	No
Investment horizon	4-5 years
Distribution	Semi-annually
Manager	Hugh Giddy

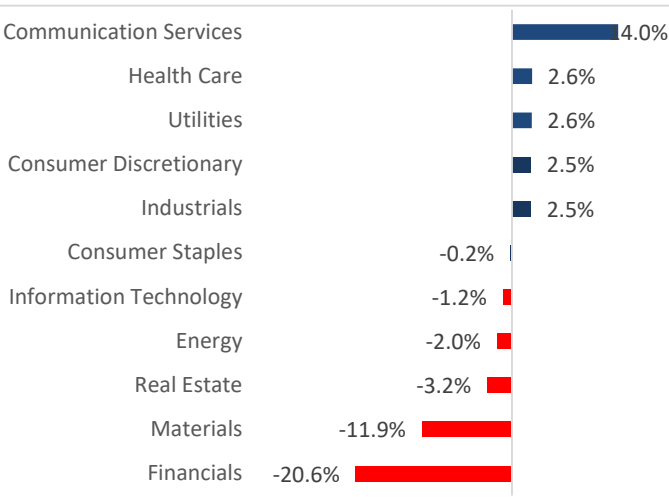
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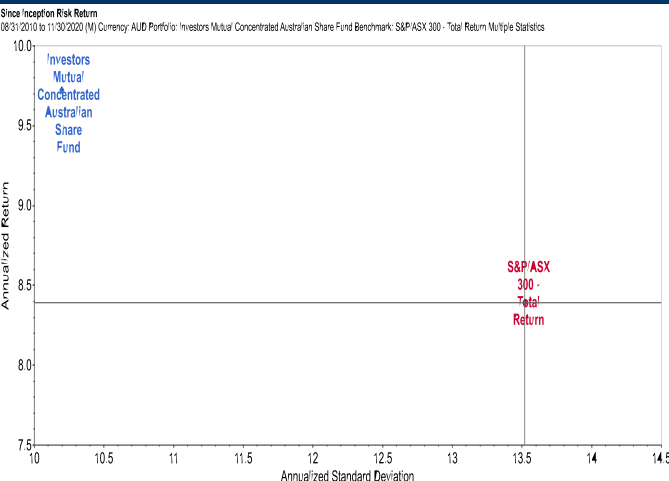
Characteristics	Fund	Benchmark
Number of stocks	28	302
Portfolio Turnover*	10%	N/A
Annualised Tracking Error	6.82	N/A
Volatility (STD DEV) since inception	10.20	13.52
Portfolio Beta (since inception)	0.66	1.00

*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

Active Sector Weights



Since Incept. Risk Return Fund vs Benchmark*



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

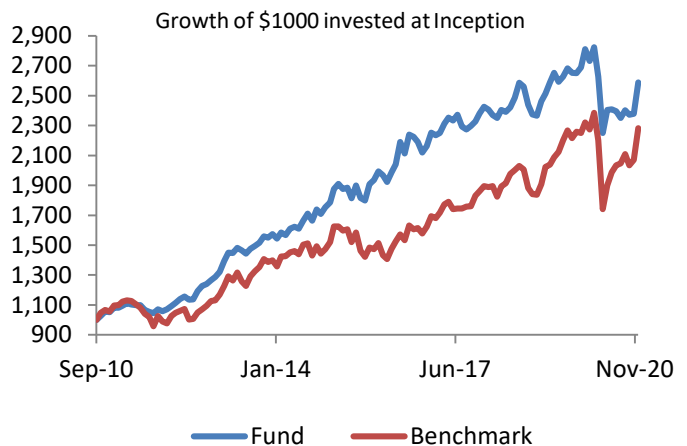
Researcher	Rating
Lonsec	Contact IML for the most recent rating
Zenith	Recommended
Morningstar	Gold

Portfolio top holdings

ASX Code	Company Name
CSL	CSL
TLS	Telstra
TAH	Tabcorp
AZJ	Aurizon
CNU	Chorus
BXB	Brambles
AST	AusNet
MTS	Metcash
EVT	Event Hospitality and Entertainment
SDF	Steadfast

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*



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