

Investors Mutual Concentrated Australian Share Fund



Monthly Report January 2022

Fund status: OPEN

- ▶ Global sharemarkets endured a challenging start to the year as investors weighed the prospect of higher interest rates
- ▶ The Australian sharemarket also had a weak start to the year as investors grew concerned about rising interest rates
- ▶ 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	3years^	5 Years^	Since inception^
Total Return*	-5.0%	-2.4%	+11.6%	+4.9%	+4.9%	+9.6%
Benchmark**	-6.5%	-4.5%	+9.6%	+10.1%	+8.6%	+8.5%

^% 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 endured a tough start to the year with the MSCI World index falling -4.6% as the prospect of higher interest rates eroded investor enthusiasm for riskier assets. The US S&P500 endured its worst month since March 2020 and the worst start to the year since 2009, retreating -5.2%. The richly valued, tech-heavy and oft-times speculatively driven NASDAQ index fell -9.0%, with previous high-flyers such as Netflix and Tesla all falling heavily. In a clear sign of the challenges ahead for the concept-driven, speculative end of town, the poster child of the boom Cathie Wood's Ark Innovation ETF shed close to 30% of its value in January. Across the Atlantic Europe's Stoxx50 was a touch more resilient falling -2.7% given its lower weighting to both tech and 'new economy' stocks, whilst Japan's Nikkei fell heavily, down -6.2%.

The sharemarket declines have come about as investors reacted to signs that central banks around the world are planning to raise interest rates faster and more aggressively to combat surging inflation. Headline US CPI reached 7% in December, the highest rate since the 1980's. Additionally the proportion of companies raising their prices to pass onto consumers is at a 40-year high. The US Federal Reserve signalled its intent to hike interest rates as early as March with several investment houses such as Goldman Sachs and JP Morgan predicting that the Fed Funds rate will increase four times during 2022.

Commodity markets enjoyed a strong month with the iron ore price jumping +24% to a 5-month high on the prospect of further Chinese stimulatory measures to help prop up China's flagging economy as the Government's zero covid policy continues. The oil price jumped +17% as supply and demand imbalances persist following a lack of investment in production through the pandemic, coupled with demand increases as lockdowns and travel restrictions ease.

In line with overseas markets, the Australian market, as measured by the ASX300, endured a challenging January falling -6.5%. All sectors finished in negative territory with the exception of the Resources sector, which finished in positive territory with Energy producers benefitting from higher oil prices, and BHP and RIO having a good month thanks to higher iron prices. Conversely, much of the speculative fare, such as the lithium and rare earths plays sold off heavily. In the Industrials segment of the Australian market, the local Technology sector fell -17% as a dose of reality set in for many of the seemingly exciting 'concept' stocks. The Healthcare sector also had a bad month as it shed -12% with higher bond rates impacting the valuations of many stocks in the sector. The Consumer Discretionary sector shed -9% as many online retailers came under significant pressure while 'new age' wagering companies such as PointsBet and Betmakers were sold down aggressively. The normally defensive REIT sector also had a poor month shedding over -9% as the prospect of higher interest rates weighed on the sector's relative attractiveness as a source of income for investors. The Utilities sector was another exception to the falls seen in the market, finishing in positive territory thanks to AGL and Origin which were both higher. Both companies look set to benefit from the expected increase in electricity prices, with Origin's future earnings prospects also looking brighter thanks to its exposure to LNG through its holding to the APLNG project in Gladstone.

The *Investors Mutual Concentrated Australian Share Fund* shed -5.0% in January, which although disappointing was better than the benchmark's fall of -6.5%. Our focus on investing in stocks that we believe offer both value and quality held the portfolio in good stead, due in part to our zero weighting in speculative and concept driven companies which were badly hit. The portfolio benefited from our holdings in good quality companies such as Orica, Aurizon, AusNet (under takeover), Amcor and Unibail-Rodamco-Westfield which all finished the month higher. Detractors over the month included CSL and Steadfast, which were both caught up in the volatility, however given their position as leaders in their respective industries we remain confident in their medium-term outlook. Over the month we trimmed the Fund's holding in Telstra given its strong run of late.

Central banks around the world seem poised to raise interest rates in reaction to CPI numbers which have reached levels the world has not seen in almost 40 years. Whilst headline inflation levels will eventually normalise, it is now becoming increasingly evident to many investors that the prospect of ultra-low interest rates could soon be a thing of the past. We believe that in this environment, the worst impacted will be many high-flying, concept and often purely speculative parts of the sharemarket – many of which were buoyed in the last few years by speculators using this cheap money.

We have always steered away from the riskier parts of the sharemarket and have remained focused on identifying and holding only what we assess to be good quality, well-managed companies in leading industry positions. While interest rates will increase from their current historic lows, economic growth remains firm, and in this environment companies which generate good cashflows and dividends and that can maintain margins by passing on higher input prices to customers, should continue to do well over the next 3-5 years.

Monthly Movements

S&P 500	-5.2%
EuroStoxx50	-2.7%
Nikkei	-6.2%
ASX300 Accum	-6.5%
AUD/USD	-3.1%
Gold	-0.6%
Oil	+17.3%
Iron Ore	+23.7%

Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$209 M
Application	\$1.8812
Redemption	\$1.8718
Cash	11.4%
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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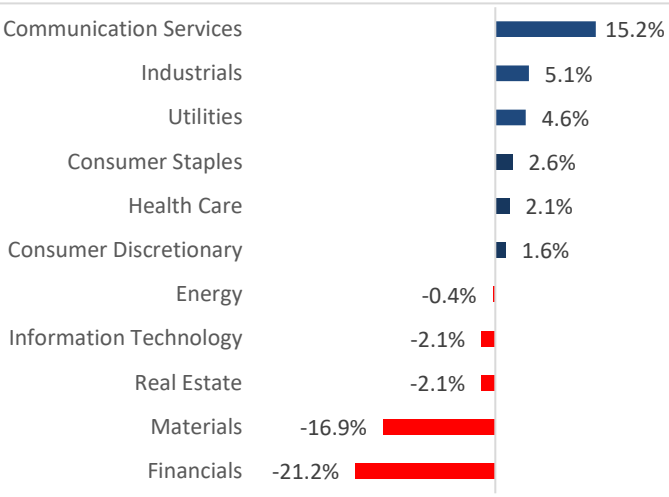
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Characteristics	Fund	Benchmark
Number of stocks	30	300
Portfolio Turnover*	10%	N/A
Annualised Tracking Error	6.71	N/A
Volatility (STD DEV) since inception	10.01	13.10
Portfolio Beta (since inception)	0.66	1.00

*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

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

Active Sector Weights



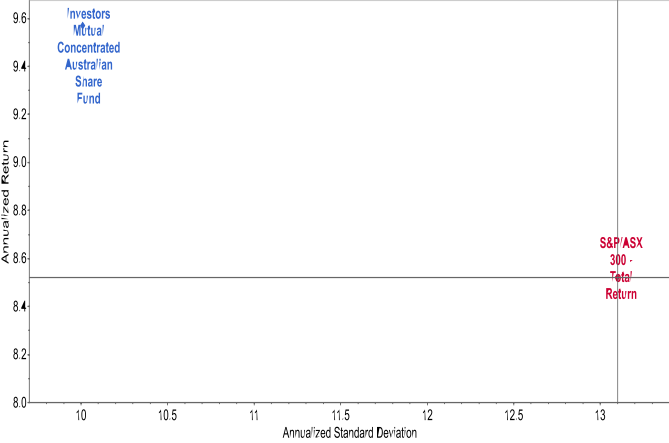
Portfolio top holdings

Company Name	ASX Code
CSL	CSL
Telstra	TLS
Tabcorp	TAH
Aurizon	AZJ
AusNet	AST
Metcash	MTS
Chorus	CNU
Brambles	BXB
Orica	ORI
Steadfast	SDF

Source: IML

Since Incept. Risk Return Fund vs Benchmark*

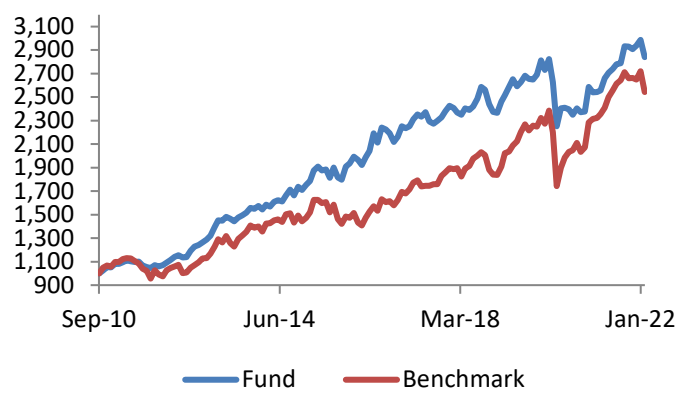
Since Inception Risk Return
08/31/2010 to 01/31/2022 (M) Currency: AUD Portfolio: Investors Mutual Concentrated Australian Share Fund Benchmark: S&P/ASX 300 - Total Return Mu



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

Since Incept. Cumulative Perf. Fund vs Benchmark*

Growth of \$1000 invested at Inception



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



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