

Investors Mutual Concentrated Australian Share Fund



Monthly report January 2021

Fund status: OPEN

- ▶ Global sharemarkets endured a volatile month with speculative excesses becoming increasingly evident
- ▶ The Australian sharemarket similarly endured a volatile month, finishing the month virtually flat
- ▶ 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 [^]	5 Years [^]	Since inception [^]
Total Return*	+0.2%	+6.9%	-9.9%	+1.8%	+5.3%	+9.4%
Benchmark**	+0.3%	+12.1%	-2.7%	+7.1%	+10.1%	+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

After starting the year in positive fashion, global sharemarkets came under pressure in the back half of January, and the MSCI World Index finished the month in negative territory. The US S&P500 Index retraced from record highs to finish -1.0% lower, while Europe's Stoxx50 Index shed -1.9% as bond yields around the world rose on expectations of higher economic activity and inflationary expectations as the COVID-19 vaccine rollout continued across the globe. Market sentiment was also affected as some high-profile short squeezes of US stocks such as GameStop and AMC Entertainment saw the share prices of these companies balloon after retail punters charged in en masse. This reminded investors about the speculative excesses currently abounding in some sections of the sharemarket as zero interest rates, Central Bank money printing via QE and fiscal stimulus programmes have encouraged excessive risk-taking by many market participants.

Commodity prices were mixed over the month. The oil price gained a further +7% following a surprise production cut from the Saudis, acting independently from OPEC, to help support the oil price amid faltering global demand. The iron ore price came under pressure following a near +40% rise in the final quarter of 2020, with increased supply coming online from Brazil, coupled with China's scrap steel market reopening and China importing scrap steel from Japan as China endeavours to reduce its reliance on Australian iron ore.

The Australian sharemarket, as measured by the ASX300 Index, suffered a similar fate to its global peers, selling off in the latter part of the month to finish January flat. The Resources sector came under pressure late in the month, finishing January -0.6% lower, largely as a result of a cooling iron ore price, with miners such as Fortescue Metals falling -7%. Within the Industrials segment sector performances were mixed over the month. The REITs sector fell -4% in sympathy with the uptick in bond yields, while the Consumer Discretionary sector rallied +5% over the month off the back of solid trading updates from the likes of JB Hi-Fi and Super Retail Group, which have continued to benefit from the current surge in consumer spending. The Consumer Staples sector also had a strong month, benefiting from strong share price performance from supermarket operators, which continue to enjoy positive sales momentum. Telstra also had a good month, gaining +5% as the firm's 5G network continues to be rolled out across Australia and as investors look forward to more rational pricing in the mobile sector following public comments from the recently appointed Optus CEO about Optus' desire to seek to achieve better returns.

The **Investors Mutual Concentrated Australian Share Fund** was fairly flat for the month, gaining +0.2%, which was broadly in line with the benchmark's return. The Fund's zero holdings in the major banks held back relative performance. However, the Fund benefited from its caution to the Resources sector, which has run hard, particularly the iron ore miners which are beneficiaries of what is an unsustainably high iron ore price owing to temporary supply constraints. In addition, our core holdings in good quality companies that have proven, sustainable cashflow-generative attributes benefited performance. These included companies such as Chorus, Telstra, Incitec Pivot and Tabcorp. Over the month we trimmed our holdings in stocks such as Virgin Money UK, using the proceeds to top up our holding in AusNet, a defensive, quality business which we believe is currently undervalued.

Investors will now look to the February reporting season to gain a detailed insight into how most companies are faring in the current COVID-affected global economy. The impact of the virus will reverse at some stage. The challenge for investors is to understand the timing of when a normalisation may occur, and how this will affect the earnings of various companies, as some sectors have clearly benefited greatly at the expense of others. In light of the uncertain economic outlook going forward, we continue to focus on good quality companies which are well-managed and which we believe represent good value and can do well over the next 3 - 5 years.

Monthly Movements

S&P 500	-1.0%
Euro Stoxx 50	-1.8%
Nikkei	+0.8%
ASX 300 Accum	+0.3%
AUD/USD	-0.6%
Gold	-1.3%
Oil	+7.9%
Iron Ore	-0.3%

Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$210 M
Application	\$1.7166
Redemption	\$1.7080
Cash	18.2%
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

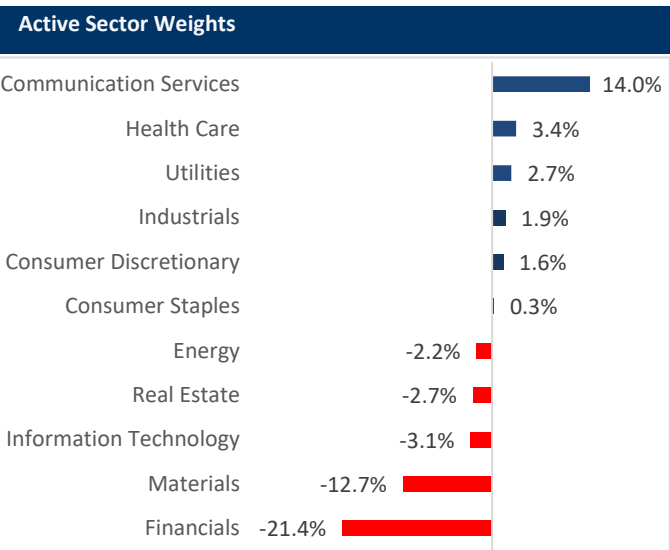
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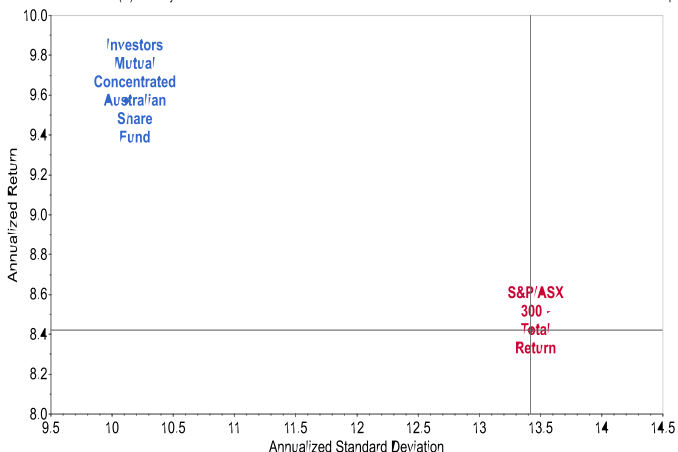
Characteristics	Fund	Benchmark
Number of stocks	28	300
Portfolio Turnover*	10%	N/A
Annualised Tracking Error	6.78	N/A
Volatility (STD DEV) since inception	10.12	13.42
Portfolio Beta (since inception)	0.66	1.00

*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



Since Incept. Risk Return Fund vs Benchmark*

Since Inception Risk Return
08/31/2010 to 01/31/2021 (M) Currency: AUD Portfolio: Investors Mutual Concentrated Australian Share Fund Benchmark: S&P/ASX 300 - Total Return Multiple



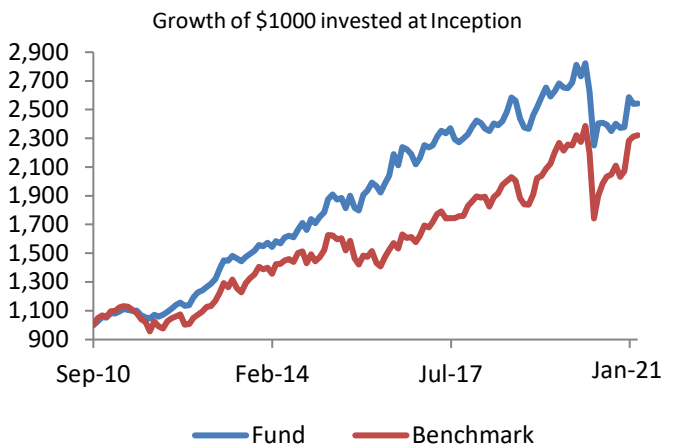
*Benchmark = S&P/ASX 300 Accumulation Index, Source: Factset

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

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

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*



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



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