

# CONCENTRATED AUSTRALIAN SHARE FUND

## QUARTERLY REPORT



30 SEPT 2023

The **Investors Mutual Concentrated Australian Share Fund** ('Fund') provides exposure to an actively managed concentrated portfolio of quality Australian shares listed on the ASX. The Fund aims to provide attractive investment opportunities for investors seeking medium-to-long-term capital growth with income.

- Investors Mutual Concentrated Australian Share Fund is the unquoted class of units
- Investors Mutual Concentrated Australian Share Fund (Quoted Managed Fund) is the quoted class of units (ASX:IMLC)

TOTAL RETURN <sup>1</sup>	1 MTH	3 MTH	1 YR	3 YR <sup>^</sup>	5 YR <sup>^</sup>	10 YR <sup>^</sup>	SINCE INCEPTION <sup>^2</sup>
Concentrated Australian Share Fund	-3.8%	-4.5%	+7.3%	+8.5%	+3.4%	+7.2%	+8.8%
Quoted Managed Fund (IMLC)	-3.5%						
Benchmark <sup>3</sup>	-2.9%	-0.8%	+12.9%	+10.8%	+6.6%	+7.4%	+8.1%

<sup>^</sup>% Performance per annum. <sup>1</sup>Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

<sup>2</sup>Since inception returns from 1 September 2010 for unquoted units and from 1 August 2023 for quoted units

<sup>3</sup>The benchmark for this Fund is the S&P/ASX 300 Accumulation Index (ASX300)

### Past performance is not a reliable indicator of future performance.

Concentrated Australian Share Fund performance is the performance of the unquoted class of units and may be a useful reference point for the newer quoted class of units in the Fund. However, you should be aware that the quoted class of units in the Fund has limited performance history. The past performance for the unquoted class of units in the Concentrated Australian Share Fund is NOT the past performance of the Quoted Managed Fund. There is no guarantee that the investment objective will be realised or that the Fund will generate positive or excess return.

### FUND PERFORMANCE

- The **Concentrated Australian Share Fund** had a disappointing quarter, down -4.5%, lagging the benchmark's -0.8%. The main reasons for the poor relative performance were a strong energy sector, where we are underweight, and a weak quarter by the gaming sector, where we are overweight, as well as disappointing performances by key stocks CSL and Telstra. The fund is usually more defensive, but at times in markets risk-taking prevails over quality.
- Global sharemarkets declined in the September quarter as bond yields rose sharply and investors finally seemed to believe that the Fed and other central banks will keep interest rates 'higher for longer'. Most markets fell, with the MSCI World Index down -2.4% and the NASDAQ down further, -4.0%, reversing some of its impressive recent gains.
- Local markets took a lead from overseas, with the ASX 300 down -0.8 for the quarter. Energy was the strongest sector, buoyed by soaring oil prices, mainly driven by supply cuts from Saudi Arabia and Russia. Healthcare was weakest, dropping -9.0%, as rising 10-year bond yields disproportionately affected its higher valuation multiples.
- Many of the fund's holdings performed well over the quarter including Orica, Suncorp, Newscorp, Nine Entertainment and Metcash. Stocks which held back performance included CSL, as explained below, and Telstra which dropped -8.5%, despite posting a strong result, as shareholders reacted negatively to the news it intends to retain its infrastructure business, Infraco. We believe this decision is sensible and in the long-term interests of shareholders.
- During the quarter we trimmed our positions in Brambles and Deterra Royalties as their share prices had appreciated significantly, and we bought Sonic, Skycity and Charter Hall Retail REIT over the quarter on share price weakness.

### STOCKS IN FOCUS

- CSL (CSL)**, the global biotech giant, fell -9% for the quarter despite reporting a solid FY23 earnings result in August that was in-line with guidance. Its core plasma franchise continues to perform solidly with demand continuing to recover post COVID, although margins are recovering a little slower than expected. Other business lines are also performing well and its earnings outlook remains positive, with strong margin improvement forecast over the next 2-3yrs.
- Orica (ORI)**, the global explosives specialist, was up +5%. In September it reiterated its FY23 guidance as well as forecasting continued strong growth for FY24, albeit slightly offset by some scheduled plant maintenance. It also committed to a more ambitious target of reducing emissions by "at least" 45% by 2030 and net zero by 2050.
- Nine Entertainment (NEC)**, the media company, was up +7%, as it delivered an in-line FY23 result. This was impressive in a weak advertising market as it gained TV market share and grew earnings at Stan while keeping costs under control. It also benefitted from Domain's strong share price after Sydney's property listings recovered (NEC owns 59% of DHG).

### OUTLOOK

- Uncertainty over where interest rates will peak, and how long they will stay at these levels, is a key focus of markets. A mixed consumer outlook and lingering higher inflation is adding to this uncertainty, creating a volatile investment environment.
- We continue to act cautiously, focusing on industry-leading companies with strong competitive advantages and recurring earnings that are likely to perform well in a range of economic conditions while actively looking for new opportunities.

### FUND FACTS

ARSN	145 759 879	<b>CONCENTRATED AUSTRALIAN SHARE FUND</b>		
Benchmark	S&P/ASX 300 Accumulation Index	APIR	IML0010AU	
Investment Horizon	4-5 years	Inception	1 September 2010	
FUM	\$ 221M	Minimum Initial Investment	A\$50,000	
Distributions	Generally semi-annual	Minimum Additional Investment/ Redemption	A\$5,000	
Management Fee	0.993% p.a. of the net assets of the fund (includes net effect of GST)	<b>QUOTED MANAGED FUND</b>		
Performance Fee	10.25% (includes net effect of GST) of investment returns made in excess of 2% above the Benchmark.	APIR	IML1283AU	
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)	ASX ticker	IMLC	
		Inception	1 August 2023	

PORTFOLIO CHARACTERISTICS	FUND	BENCHMARK	FRANKING LEVEL (%) <sup>2</sup>				
			FY23	FY22	FY21	FY20	FY19
No. of stocks	23	300					
Portfolio turnover <sup>1</sup>	12%	NA	89.7	84.9	79.7	54.5	31.4
Portfolio Beta (since inception)	0.64	1.00					

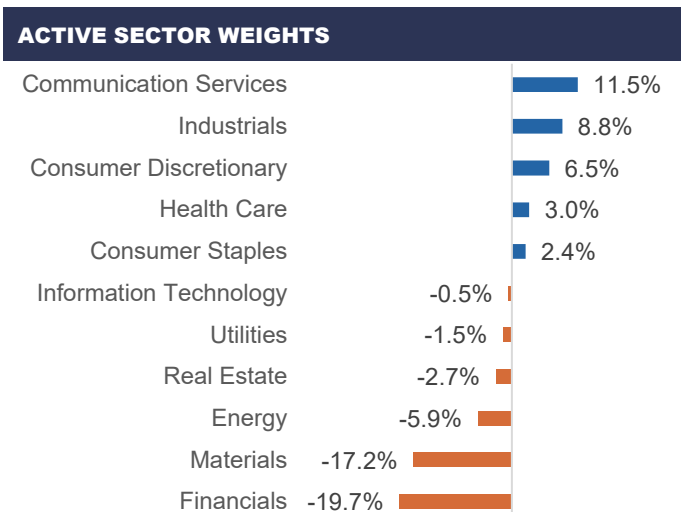
<sup>1</sup>Annual portfolio turnover over the last 12 months is computed by taking the lesser of purchases or sales and dividing by the average monthly net assets.

<sup>2</sup>As per FSC standard.

### FUND RATINGS

Morningstar	Gold
Zenith	Recommended
Lonsec	Recommended *Visit <a href="https://lonsec.com.au/logo-disclosure">lonsec.com.au/logo-disclosure</a> for important information about this rating

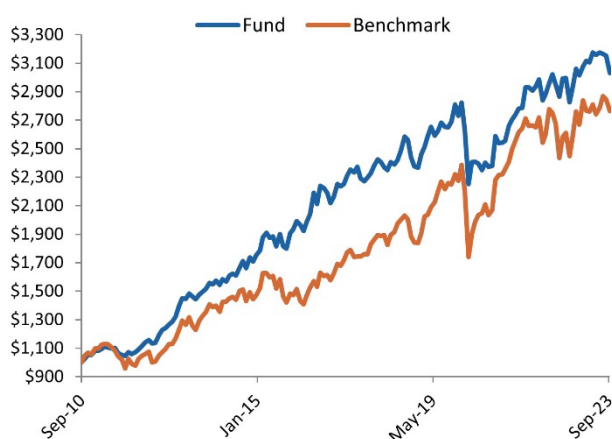
### PORTFOLIO DATA



#### TOP 10 HOLDINGS

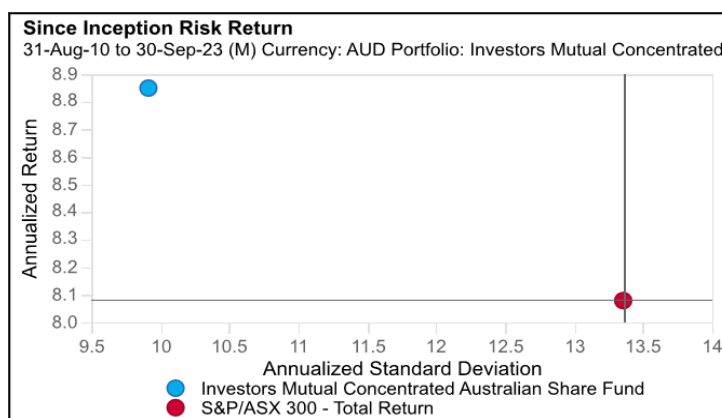
Company Name	ASX CODE
CSL	CSL
Aurizon	AZJ
The Lottery Corporation	TLC
Telstra	TLS
Metcash	MTS
Brambles	BXB
Chorus	CNU
Orica	ORI
Steadfast	SDF
Tabcorp	TAH

### GROWTH OF \$1,000 INVESTED AT INCEPTION



Since inception: 1 September 2010; Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX 300 Accumulation Index, Source: IML,Factset

### FUND RISK-RETURN VS BENCHMARK



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