

# Investors Mutual Concentrated Australian Share Fund



Monthly Report April 2021

Fund status: OPEN

- ▶ Global sharemarkets enjoyed a strong month as ongoing stimulus measures continue to wash through the system
- ▶ The Australian sharemarket returned +3.7% falling slightly shy of its pre-pandemic record high
- ▶ 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>
Total Return*	+1.8%	+6.4%	+12.6%	+4.0%	+5.8%	+9.8%
Benchmark**	+3.7%	+7.6%	+31.6%	+9.7%	+10.4%	+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 equity markets enjoyed another strong month, with the MSCI World Index returning +3.7%. The US S&P500 and the tech-heavy NASDAQ indices led the charge, both returning +5.3% and in so doing set new record highs throughout the month. Investors were emboldened following a streak of strong third quarter US company earnings reports, buoyed by record US household disposable income as a result of the passing of President Biden's American Rescue Plan, which included US\$1,400 stimulus payments to US households. Across the Atlantic, the mood was a little less sanguine, with Europe's Stoxx50 Index returning +1.9%, reflecting investors' concerns about the continent's slow rollout of the vaccination programme, which continues to impede economic recovery. The result of the significant amounts of stimulus supporting equity markets is increased inflationary expectations, with many companies across the globe reporting pricing pressures for inputs, which in turn are passing through to customers as price rises. Additionally, it was reported that US labour costs jumped the most in 14 years as companies boost production to cater to pent-up demand.

Domestically, Australian unemployment continued to surprise, with the unemployment rate falling to 5.6% and job ads at record highs as businesses revamp hiring plans. Commodity prices continued to benefit from resurging economic growth as a result of stimulus measures and continued COVID-induced supply constraints. The iron ore price jumped a further +13% in April and the copper price set new decade highs after it spiked a further +12% over the month. The oil price continued to consolidate around US\$60 a barrel, rising +6% over the month. The gold price enjoyed its first positive month of 2021, returning +5% as investors looked to gold as an inflationary hedge.

The Australian sharemarket as measured by the S&P/ASX300 Index had a strong month, gaining +3.7% as it charges up towards its pre-pandemic high. Unsurprisingly given the strength in commodity prices the Resources sector led the rise in the market, gaining +6%, driven by iron ore miners Fortescue Metals and Rio Tinto which rose +13% and +9% respectively. The Industrials segment had a more subdued, albeit solid month, rising +3.1%. Within the Industrials sector, Financials gained +3.2%, with robust performances from general insurers IAG and Suncorp benefiting from improving dynamics in both the housing market and new car sales. Conversely, the share price of annuity provider Challenger fell -20% after the company downgraded its profit guidance as a result of annuity pricing adjustments.

The Consumer Discretionary sector gained +3% over the month, with another strong month from Tabcorp after the UK's Entain revised its bid for Tabcorp's wagering business to \$3.5 billion. The company will probably demerge the division, which is likely to provide better value for shareholders. Crown Resorts enjoyed another solid month with US fund manager Oaktree expressing interest in getting involved in the takeover of Crown by proposing to fund a buyback of Consolidated Press' 37% stake in the company. Conversely, JB Hi-Fi fell -10% after the company's Q3 2021 update showed slowing comparable sales, as sales begin to normalise following the spike in turnover during 2020 due to the pandemic. The Australian Technology sector rebounded strongly over April, jumping +10%, taking its lead from the NASDAQ and boosted by day trader favourite Afterpay which was up +16% over the month. On the negative side of the ledger, the Consumer Staples sector fell -2.4% following expectations of negative like-for-like supermarket sales as consumer patterns normalise and as milk companies such as a2 Milk and Bubs remained soft given declining sales to China.

The **Investors Mutual Concentrated Australian Share Fund** had a solid month, gaining +1.8%, although this was below the benchmark's strong return of +3.7%. The Fund's relative performance was held back by our caution to the surging Tech sector and to the Resources sector, particularly to the iron ore producers, although we remain comfortable with this positioning. Encouragingly our holdings in good quality companies such as Tabcorp, Steadfast, Event Hospitality & Entertainment, IAG and Crown Resorts all enjoyed a strong month. We trimmed our holdings in Crown Resorts and Mayne Pharma over the month as their share prices rallied strongly. We used the proceeds to top up our holding in Orica, a quality company which is currently out of favour and offers compelling value.

Sharemarkets around the world, including Australia's, continue to remain well supported as economic growth continues to rebound from COVID lows while central banks continue to hold interest rates at record low levels, despite increasing signs of rising inflationary expectations. Having said this, there are some clear signs of imbalances in some parts of the economy as well as several speculative excesses appearing in parts of the sharemarket. We continue to focus on good quality companies which are well-managed and whose valuation remains justifiable and which we believe can do well over the next 3 - 5 years.

## Monthly Movements

S&P 500	+5.3%
Euro Stoxx 50	+1.9%
Nikkei	-1.3%
ASX 300 Accum	+3.7%
AUD/USD	+1.4%
Gold	+4.5%
Oil	+5.8%
Iron Ore	+13.3%

## Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$225 M
Application	\$1.8272
Redemption	\$1.8180
Cash	13.6%
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

# Investors Mutual Concentrated Australian Share Fund

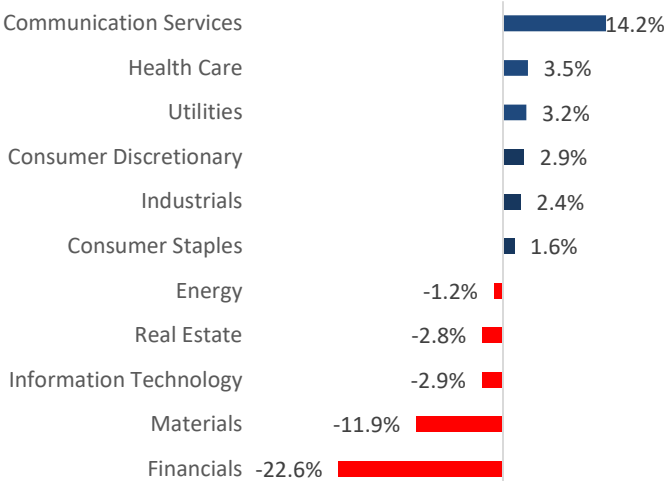
Monthly Report April 2021

Characteristics	Fund	Benchmark
Number of stocks	29	300
Portfolio Turnover*	9.0%	N/A
Annualised Tracking Error	6.81	N/A
Volatility (STD DEV) since inception	10.09	13.30
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
Lonsec	Contact IML for the most recent rating
Zenith	Recommended
Morningstar	Gold

## Active Sector Weights



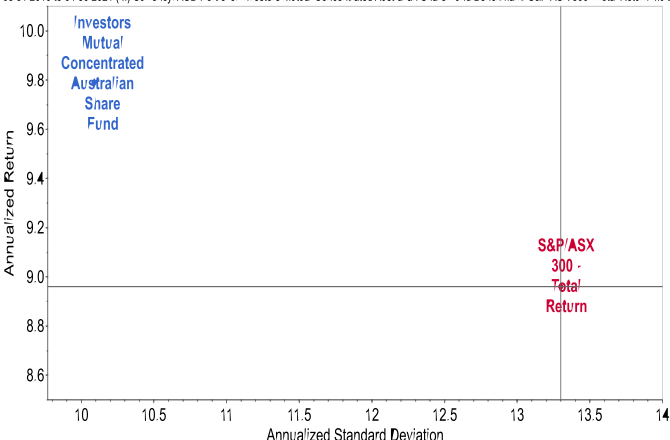
## Portfolio top holdings

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

Source: IML

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

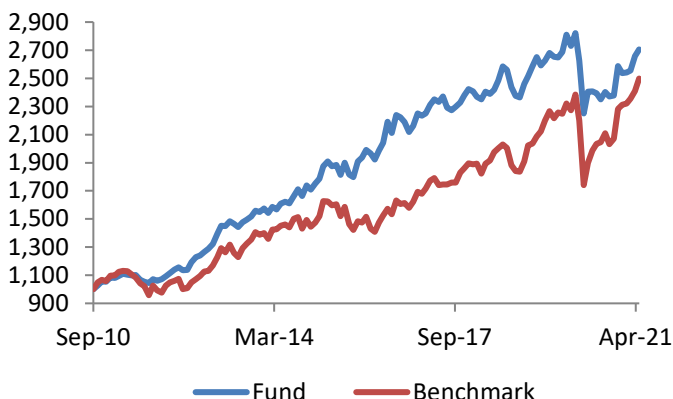
Since Inception Risk Return  
08/31/2010 to 04/30/2021 (M) Currency: AUD Portfolio: Investors Mutual Concentrated Australian Share Fund Benchmark: S&P/ASX 300 - Total Return Multi



\*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