

Investors Mutual Concentrated Australian Share Fund



Monthly Report July 2021

Fund status: OPEN

- ▶ Global sharemarkets were mixed over the month with strong US Q2 earnings offsetting Chinese regulatory clampdowns
- ▶ The Australian sharemarket endured a bifurcated month - industrials were lacklustre, whilst resources were strong
- ▶ 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* | +0.2% | +3.0% | +18.6% | +3.9% | +4.5% | +9.8% |
| Benchmark** | +1.1% | +5.8% | +29.1% | +9.7% | +10.1% | +9.3% |

^% 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 sharemarkets continued to be well supported in July with the MSCI World index returning +0.7%. US sharemarkets again traded at record highs thanks to the release of strong Q2 earnings, continued low interest rates and increased corporate deal making. US consumer data also highlighted that many cashed-up Americans spent with abandon in the June quarter as vaccination rates increased and lockdown restrictions eased. The US S&P500 index returned +2.4% for the month. Across the Atlantic the Stoxx50 index rose +0.8%, bolstered by strong EU economic data releases and as COVID-19 restrictions continue to ease.

It was a different story across the Emerging Markets landscape which slipped -6% for the month. The delta variant continues to impact countries with low vaccination rates, as government-enforced lockdowns and travel restrictions cast a pall of uncertainty over future growth. Additionally, China's regulatory clampdown weighed on its local bourse, with the MSCI China index shedding -14%, the largest monthly decline in nearly a decade. Fears of regulatory tightening intensified with investors fretting over the Chinese Government's ability to burden companies with new rules and regulations.

Despite the strong US economic recovery, US 10-year bond prices continued to rally with the yield falling -0.25% to 1.2%, having reached 1.75% back in April, as investors become wary of increased inflationary pressures. Similarly, the Australian 10-year bond yield fell -0.35% to 1.2%. In commodity markets, the iron ore price slid -9% after China recommitted to reducing emissions by cutting steel production. The oil price edged +2% higher despite OPEC's talks deteriorating early in the month. Copper continued its ascent +4% higher on the electrification of the economy thematic, whilst the gold price rose +4% amidst safe haven buying.

The Australian sharemarket, as measured by the ASX300, returned +1.1% in July. This was primarily driven by the Resources sector which jumped +6.5% as stocks like BHP, Rio Tinto and Fortescue all rallied strongly as many investors continued to seek cyclical exposure, despite the heavy pullback in the iron ore price. The Resource rally was held back by the Energy sector falling -2.4% over the month, despite a firm oil price and Santos' proposed merger deal with Oil Search. The Industrial segment of the market also fell as the Financials, Communication Services and the IT sector all recorded negative returns. On the positive side of the ledger, the Consumer Staples sector returned +1.5%, supported by robust share price performance from Metcash, Coles and Woolworths as the Government-imposed lockdowns drove consumers out of the restaurants and back to the joys of home cooking. The Real Estate and Utilities sectors returned +0.9% and +1.6% respectively, as long duration cash flow generative assets continue to benefit from the pullback in longer dated yields. Additionally, the Spark Infrastructure share price gained +24% after a proposal to acquire the company was received from PE firm KKR and the Ontario Teachers' Pension Plan.

The *Investors Mutual Concentrated Australian Share* Fund returned +0.2% for July, falling short of the benchmark's return of +1.1%. Our caution to the volatile Resources sector held back the Fund's relative performance although we remain comfortable with this positioning given the record prices across both iron ore and most base metals. The Fund's performance was also held back by disappointing performances of some core stocks including Orica and IAG although we remain confident on the medium-term outlook for these companies as they recover from COVID-induced issues. The Fund's holding in Crown Resorts also detracted from the Fund's performance as the share price came under increasing pressure as the Victorian Royal Commission continued its investigations into the suitability of the company to hold its Melbourne licence and Star Entertainment backed out of merger talks. The Fund's holdings in quality industrial companies such as Z-Energy, Amcor, AusNet and Metcash all contributed favourably to returns over the month.

Investors will now look to the August reporting season to gain a detailed insight into how most companies are faring in the current COVID situation. The Australian sharemarket continues to trade at record levels with seemingly very little on the horizon to halt its ongoing rise. Having said this, we continue to steer away from some of the riskier parts of the sharemarket and remain focused on good quality companies which are well-managed, where valuations remain justifiable, and which we believe can do well over the next 3-5 years.

Monthly Movements

| | |
|--------------|-------|
| S&P 500 | +2.4% |
| EuroStoxx50 | +0.8% |
| Nikkei | -5.2% |
| ASX300 Accum | +1.1% |
| AUD/USD | -2.1% |
| Gold | +3.6% |
| Oil | +1.6% |
| Iron Ore | -8.6% |

Fund information

| | |
|----------------------|---------------|
| APIR | IML0010AU |
| Inception | 1 Sep 2010 |
| Size | \$215 M |
| Application | \$1.8658 |
| Redemption | \$1.8564 |
| Cash | 8.0% |
| 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

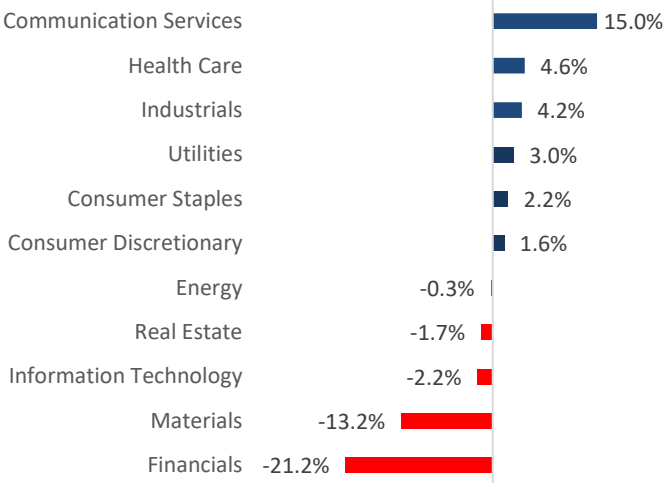


Monthly Report July 2021

| Characteristics | Fund | Benchmark |
|--------------------------------------|------|-----------|
| Number of stocks | 30 | 300 |
| Portfolio Turnover* | 9.0% | N/A |
| Annualised Tracking Error | 6.75 | N/A |
| Volatility (STD DEV) since inception | 9.98 | 13.16 |
| Portfolio Beta (since inception) | 0.66 | 1.00 |

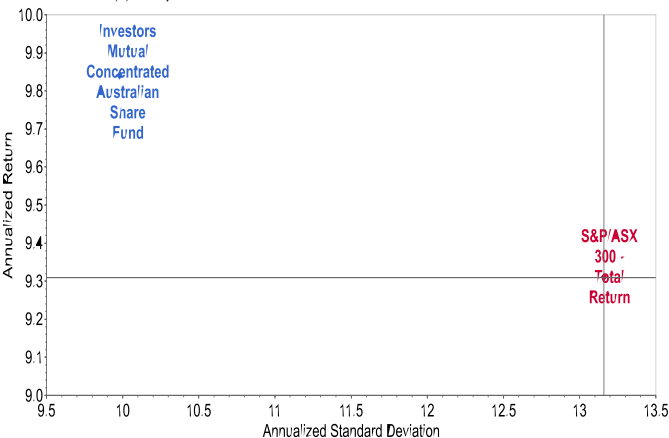
*Annual portfolio turnover over the last 12 months is computed by taking the lesser of purchases or sales and dividing by the average monthly net assets

Active Sector Weights



Since Incept. Risk Return Fund vs Benchmark*

Since Inception Risk Return
08/31/2010 to 07/31/2021 (M) Currency: AUD Portfolio: Investors Mutual Concentrated Australian Share Fund Benchmark: S&P/ASX 300 - Total Return Mult



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

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

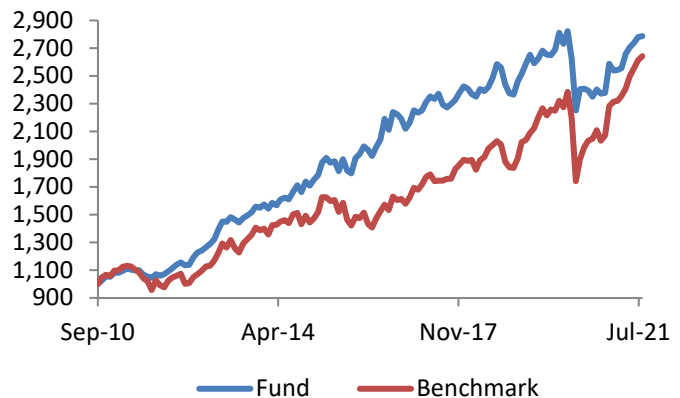
Portfolio top holdings

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

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*

Growth of \$1000 invested at Inception



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



iml.com.au
 1300 551 132
 iml@iml.com.au

Disclaimer: While the information contained in this report has been prepared with all reasonable care, Investors Mutual Limited accepts no responsibility or liability for any errors or omissions or misstatements however caused. This is general securities information only and is not intended to constitute a securities recommendation. This information does not account for your investment objectives, particular needs or financial situation. Past performance is not indicative of future performance. Investors Mutual Limited (AFSL 229988) is the issuer of the Investors Mutual Concentrated Australian Share Fund. Applications can only be made by reference to the current Product Disclosure Statement, or through IDPS products that include these Funds. The Product Disclosure Statement can be obtained by contacting Investors Mutual or at <http://www.iml.com.au/how-to-invest/pds-and-forms>. Potential investors should consider the Product Disclosure Statement before deciding whether to invest, or continue to invest in the Fund.