

Investors Mutual Concentrated Australian Share Fund



Monthly report October 2020

Fund status: OPEN

- ▶ Global sharemarkets finished the month lower following a sell-off in the final week as further lockdowns were announced
- ▶ The Australian sharemarket finished the month higher, buoyed by strength in the Banking and IT sectors
- ▶ We continue to adopt a cautious approach to the sharemarket while looking to selectively deploy some of the Fund's cash

| | 1 month | 3 months | 1 Year | 3 years [^] | 5 Years [^] | Since inception [^] |
|---------------|---------|----------|--------|----------------------|----------------------|------------------------------|
| Total Return* | +0.2% | +1.2% | -11.6% | +0.7% | +4.5% | +8.9% |
| Benchmark** | +1.9% | +1.2% | -7.9% | +4.2% | +6.9% | +7.4% |

[^]% 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

Amidst a significant uptick in volatility in the final week of the month, global equity markets finished the month lower, with the MSCI World Index falling -2.7% for the month, following September's -3% loss. All major bourses finished October in the red, unsettled by rising COVID cases through the US and Europe, the reintroduction of new lockdown measures throughout Europe and uncertainty arising from a contested US election. The US S&P500 fell -2.7% over the month, courtesy of a -6% fall in the final week. The tech-heavy Nasdaq index finished -2.3% lower over the month, with the Tech giants leading the sell-off after reporting earnings that failed to impress, coupled with cautious earnings guidance citing renewed pandemic risks. Across the Atlantic, Europe's Stoxx50 and the UK's FTSE100 index shed -7.3% and -4.8% respectively as European Governments reintroduced strict lockdown measures.

Domestically, the Federal Budget highlighted the significant impact of the pandemic on the nation's finances, with a projected deficit of \$214 billion for 2020-21, augmented by a fiscal stimulus package that was more generous than widely expected. Complementing the fiscal spend, the RBA cut rates by 0.15% in early November, taking the cash rate down to a new record low of 0.10%, whilst announcing a further \$100 billion in asset purchases as part of their QE programme.

Despite the -5% slide in the final week of the month, the Australian sharemarket as measured by the ASX300 held on to finish October with a positive return of +1.9%. M&A activity was a significant driver with the likes of Coca-Cola Amatil, Link Administration and AMP all receiving bids from offshore suitors. The major banks enjoyed a solid rebound in October after their sell-off in September, returning over +7% supported by the prospect of loosening responsible lending laws and a reduction in the amount of loans on repayment deferral. The Consumer Staples sector also had a good month, returning +5% as the supermarket chains continue to do well. The IT sector continued its ascent, returning a further +9% over the month, as the 'fear of missing out' trade continued to buoy the likes of Afterpay and WiseTech. On the negative side of the ledger, the Resources sector shed -1.2% in sympathy with weakness in both the oil and iron ore prices.

The **Investors Mutual Concentrated Australian Share Fund** had a lacklustre month gaining +0.2%, which was below the benchmark's return of +1.9%. Many of our core holdings had a lacklustre month with Telstra, Amcor, Orica, Brambles and Aurizon all under pressure. However, we remain comfortable with all these holdings and we used share price weakness to increase our holding in these very good quality companies at what we believe are very attractive prices. The Fund's zero holdings of the major banks also held back the Fund's relative performance although we remain comfortable with this positioning given the slowing credit growth and continuing squeeze on bank margins as lower interest rates feed through. The local IT sector continues to be significantly overvalued, in our view, and we continue to find much better value elsewhere.

Over the month we used the share price gain as a result of the takeover offer for Link Administration to trim our exposure. We used the cash opportunistically to add to our holdings in good quality companies such as Brambles, Orica and Tabcorp where we believe the outlook remains positive going forward.

We continue to focus on companies that, in our view, have a strong franchise, experienced and capable management and a resilient business that can continue to generate healthy cash flows over the next few years. While the Fund's performance has lagged the sharemarket in recent times, we remain comfortable with the overall quality of the stocks in the portfolio and the Fund's positioning.

Monthly Movements

| | |
|---------------|-------|
| S&P 500 | -2.7% |
| Euro Stoxx 50 | -7.3% |
| Nikkei | -0.9% |
| ASX 300 Accum | +1.9% |
| AUD/USD | -2.0% |
| Gold | -0.3% |
| Oil | -8.5% |
| Iron Ore | -1.7% |

Fund information

| | |
|----------------------|---------------|
| APIR | IML0010AU |
| Inception | 1 Sep 2010 |
| Size | \$178 M |
| Application | \$1.6144 |
| Redemption | \$1.6064 |
| Cash | 19.4% |
| 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 |

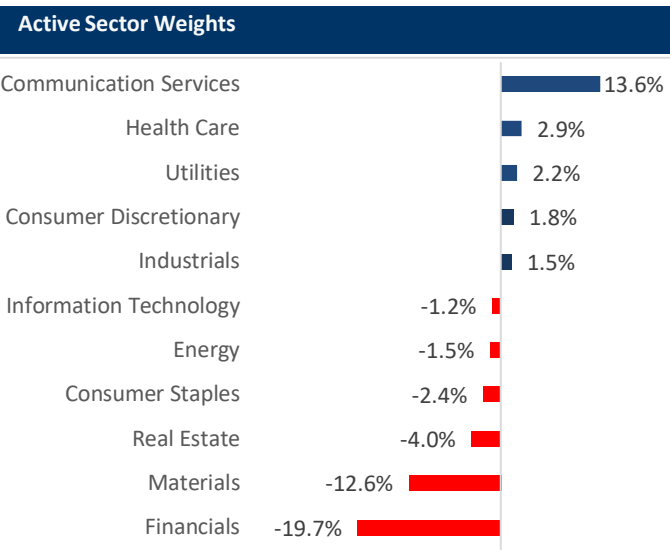
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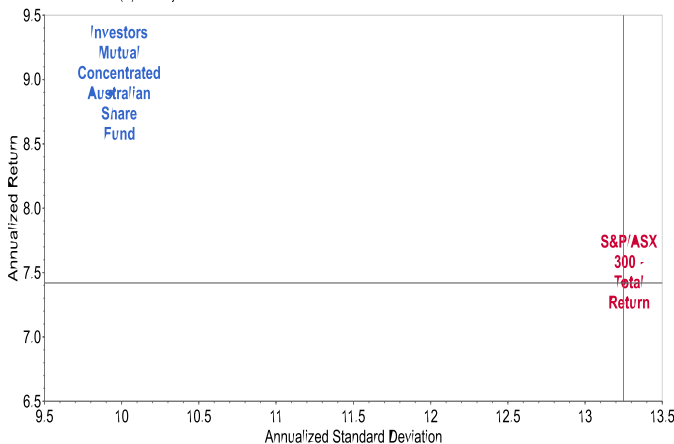
| Characteristics | Fund | Benchmark |
|--------------------------------------|------|-----------|
| Number of stocks | 27 | 300 |
| Portfolio Turnover* | 11% | N/A |
| Annualised Tracking Error | 6.83 | N/A |
| Volatility (STD DEV) since inception | 9.93 | 13.25 |
| Portfolio Beta (since inception) | 0.65 | 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 10/31/2020 (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

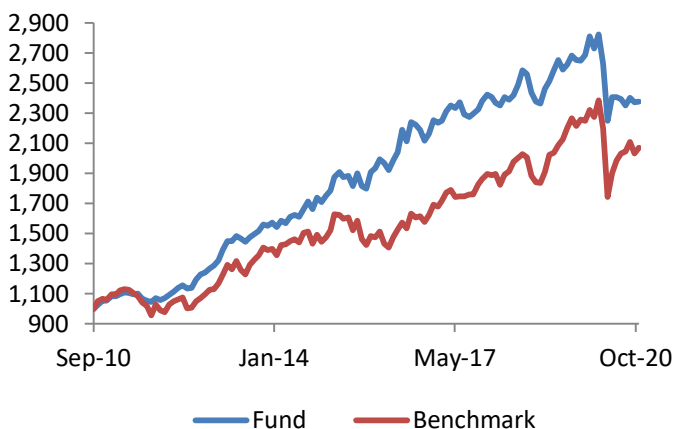
| Researcher | Rating |
|-------------|--|
| Lonsec | Contact IML for the most recent rating |
| Zenith | Recommended |
| Morningstar | Gold |

Portfolio top holdings

| Company | ASX Code |
|-------------------------------------|----------|
| CSL | CSL |
| Telstra | TLS |
| Chorus | CNU |
| Tabcorp | TAH |
| Aurizon | AZJ |
| Metcash | MTS |
| AusNet | AST |
| Brambles | BXB |
| 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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