Investors Mutual Equity Income Fund

Monthly Report August 2021

INVESTORS MUTUAL LTD

Fund status: OPEN

- Global sharemarkets continued their advance buoyed by the ongoing economic recovery and continued low interest rates
- The Australian Sharemarket was similarly strong, buoyed by robust FY21 earnings results released in August
- 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^ 1-Jan-2011
Income	+0.0%	+1.3%	+7.3%	+7.2%	+7.5%	+8.4%
Growth	+3.0%	+2.0%	+14.2%	-5.4%	-3.7%	-0.5%
Total Return*	+3.0%	+3.3%	+21.5%	+1.8%	+3.8%	+7.9%
Benchmark**	+2.6%	+6.1%	+28.6%	+10.1%	+11.1%	+8.9%

^% 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). The Fund has dual objectives of delivering (i) income greater than the S&P/ASX 300 Index yield +2% and (ii) returns with less standard deviation than S&P/ASX300.

Sharemarket Commentary

Global sharemarkets continued their advance with the MSCI World Index returning +2.7% for August. All major sharemarkets enjoyed a strong month buoyed by expectations that the global economic recovery would continue to benefit corporate profitability as the world reopens following the rollout of the COVID-19 vaccine. Sharemarkets took their lead from the US, with the S&P500 returning +3.0%, its seventh consecutive monthly advance, following a strong Q2 reporting season. Across the Atlantic, the mood was equally buoyant with sharemarkets cheering a recovery in travel and consumer spending, with Europe's Stoxx50 and the UK's FTSE 100 returning +2.6% and +2.1% respectively.

Late in the month, investors were encouraged following Fed Chairman Jerome Powell's speech at Jackson Hole. Powell intimated that while the Fed would begin tapering its $120 billion of monthly bond purchases later this year, the recent inflationary surge is viewed as transitory and as such tapering would not be rushed. On the domestic front, the RBA held firm signalling its intent to step down its QE programme in September, which provided support to the AUD. Commodity prices were volatile during the month with Australia's largest export's price falling -21% over the month for the iron ore price to now be down -45% since its July high of US$237/ tonne. Investors have become increasingly concerned about the trajectory of the Chinese economy, emissions related production cuts and a pullback in Chinese steel mill production.

The Australian sharemarket as measured by the ASX300 enjoyed another positive month returning +2.6%. The gains were led by the Industrials sector as FY21 reporting season hit full swing in August with most companies' results in the last 12 months buoyed by strong economies both in Australia and overseas as accommodative fiscal and monetary stimulus helped the global economy recover strongly from the lock down measures imposed. In aggregate, net profits rose over +30% from FY20 levels although a great deal of this was due to strength in the Resource sector thanks to the very strong commodity prices over FY21. Having said this the Resources sector fell over -8% during August as BHP, Rio and Fortescue all fell over 10% in reaction to the recent large falls in the iron ore price. Given the continued uncertain outlook in Australia given current lookdowns, as well as the volatile commodity outlook, the majority of companies were reticent to provide much in terms of guidance for the year ahead.

The rise in on the Australian sharemarket during August was led by defensive sectors such as the Consumer Staples, Healthcare and Telecommunication sectors as companies such as Woolworths and Coles all reported strong results and as the current strict lockdowns imposed in Australia lifted the appeal of such stocks. The packaging sector was also strong with the share prices of stocks such as Amcor and Pact benefiting from the release of better-than-expected results which reflected strong volumes and margins thanks to buoyant consumer goods demand. The Communication Services sector was also strong, led by Telstra with investors reacting positively to its result which reflected improving profitability across the company's mobile division and investors welcoming Telstra's expectations to grow its earnings through FY22. Investors also welcomed the news of a $1.4b buyback by Telstra as well as the prospect of dividends at least holding steady at 16cps in the years ahead. The Financials sector also had a good month buoyed by the strong performance of the insurers, notably IAG and Suncorp, with their results reflecting a meaningful lift in home premiums through the year, whilst motor vehicle claims dropped, courtesy of the lockdowns.

The ***Investors Mutual Equity Income Fund*** enjoyed a strong month, returning +3.0%, which was better than the benchmark. The Fund benefited from the performance of many of its core holdings such as Steadfast, Amcor and IAG which all gained following the release of strong FY21 earnings. Additionally, the KKR takeover of Spark Infrastructure also benefited performance. In August, the Fund earned solid dividends from many of its core holdings and used market volatility to earn supplementary option premium around those underlying stocks such as Alumina, IAG, Suncorp and Telstra.

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. To this end we remain very comfortable where IML's portfolios are positioned.

Level of Franking (%)*	
FY18	27.5%
FY19	39.6%
FY20	36.2%
FY21	28.8%

*As per IFSA Standard

Monthly Movements	
S&P 500	+3.0%
EuroStoxx50	+2.6%
Nikkei	+3.0%
ASX 300	+2.6%
AUD/USD	-0.6%
Gold	-0.6%
Oil	-4.4%
Iron Ore	-20.6%

Fund information	
APIR	IML0005AU
Inception	1 Jan 2011
Size	$539 M
Application	$0.9071
Redemption	$0.9025
Mngmnt fee	0.993% p.a.
Investment horizon	4-5 years
Distribution	Quarterly
Managers	Anton Tagliaferro Michael O'Neill Tuan Luu

Security Category	Effective Exposure
Ord Shares	91.7%
Call Options	-20.2%
Put Options	0.7%
Cash	27.9%

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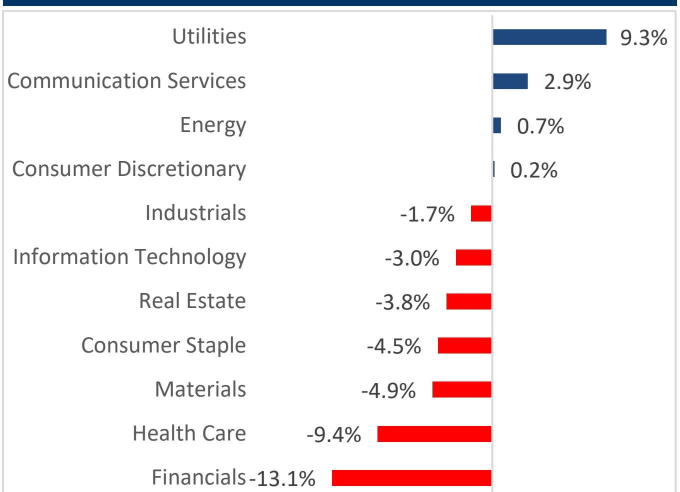
Characteristics	Fund	Benchmark
Number of stocks	38	300
Portfolio Turnover*	22%	N/A
Volatility (STD DEV) since inception	10.75	13.22
Portfolio Beta (since inception)	0.75	1.00

*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

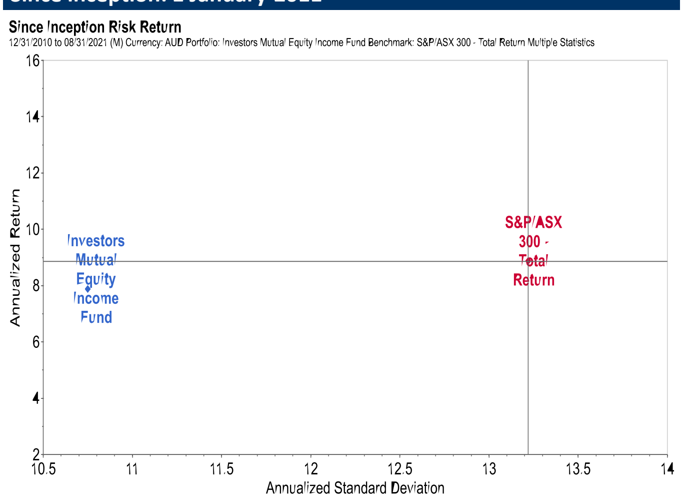
Researcher	Rating
Morningstar	Silver
Lonsec	Contact IML for the most recent rating
Zenith	Recommended

Active Sector Weights



Portfolio top holdings	ASX Code
Telstra	TLS
National Australia Bank	NAB
Insurance Australia Group	IAG
AusNet	AST
Spark Infrastructure	SKI
Crown	CWN
BHP	BHP
Aurizon	AZJ
Orica	ORI
Tabcorp	TAH

Equity Income Fund Risk Return - Fund vs Benchmark*
Since inception: 1 January 2011



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

The Value and Income Fund was restructured and renamed the Equity Income Fund on 1 January 2011 where the strategy of the Fund was changed to not hold international shares and to focus on its current strategy of generating income for unitholders. If the performance of the two funds are combined the results would be as follows:

		Fund return	Benchmark**
*Since Inception^*	*1 May 2004*	*+7.1%*	*+9.2%*

*^% Performance per annum *Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Past performance is not indicative of future performance. Fund returns are the Value and Income Fund prior to 31 December 2010 and the Equity Income Fund from 1 January 2011. **The benchmark is the UBS Bank Bill+2% benchmark prior to 31 December 2010 and S&P/ASX 300 Accumulation Index from 1 January 2011.*

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