

March 2022

The **Investors Mutual Equity Income Fund** provides exposure to a diversified portfolio of quality Australian shares for investors seeking a regular and relatively high-income stream and lower levels of volatility compared to the ASX300, along with some capital growth over time.

	1 month	3 months	1 year	3 years [^]	5 Years [^]	10 years [^]	Since inception [^]
Income	+1.4%	+1.5%	+6.3%	+7.0%	+7.5%	+8.1%	+8.4%
Growth	+2.1%	+3.7%	+9.8%	-2.0%	-3.0%	+0.3%	-0.1%
Total Return*	+3.5%	+5.2%	+16.1%	+5.0%	+4.5%	+8.4%	+8.3%
Benchmark**	+6.9%	+2.1%	+15.2%	+10.9%	+9.4%	+10.1%	+8.6%

[^]% 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 a reliable indicator 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)

Fund Performance

- ▶ The Equity Income Fund delivered a strong return of +5.2% for the March quarter, well ahead of its ASX 300 benchmark, which was up +2.1%.
- ▶ Over the March quarter, volatility rose significantly due to the Russian invasion of Ukraine which led to the imposition of various sanctions on Russian commodity exports. This led to surges in the prices of various commodities such as wheat and oil and also raised inflationary and interest rate hike expectations. The major Banks also performed well on expectations of interest rate rises and the positive flow on effect this could have on their net interest margins.
- ▶ The Fund used the elevated market fluctuations to opportunistically supplement its dividend income with option premium written around some of its core holdings including Alumina, Amcor, Coles, Origin Energy and Suncorp.
- ▶ The Fund also benefited from the completion of the AusNet takeover by Brookfield, continued progress towards completion of the proposed Crown Resorts takeover and the demerger of The Lottery Corporation by Tabcorp.

Outlook

- ▶ We expect volatility to continue for some time with ongoing geopolitical and inflation risks affecting global and local economies.
- ▶ The Fund continues to invest in well-established companies that we believe represent sound value and which are in industry leading positions. Our focus is on companies that we believe can maintain margins in the long term by passing on higher input prices to customers, while continuing to generate good cashflows and dividends in the short to medium term. In our view, these companies should continue to do well over the next 3-to-5 years despite increasing economic uncertainties.

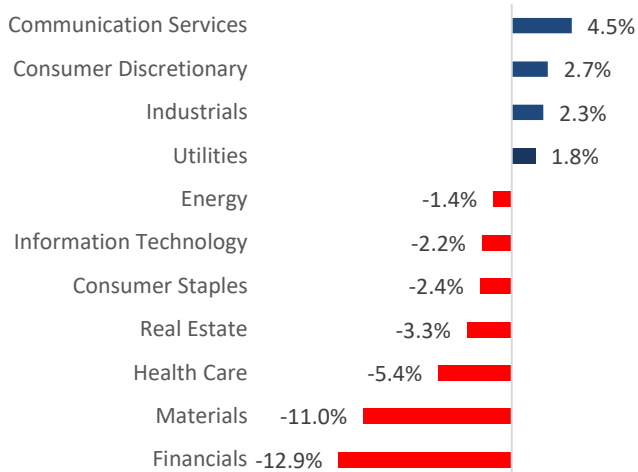
Stocks in Focus

Tabcorp (TAH) performed strongly over the quarter, up +7.6%. The company delivered a solid result driven by continued positive operating momentum in the core lotteries business. There was also positive news in relation to the progress towards the demerger of The Lottery Corporation by Tabcorp. We continue to see long-term value in the lotteries business and believe that post demerger, M&A interest in both the lotteries and wagering businesses could resurface.

National Australia Bank (NAB) rose +12% over the quarter as it delivered a positive first quarter trading update which saw NAB grow its market share in business and consumer lending. During the month NAB also completed its \$2.5 billion on-market buy-back and announced a further on-market buy-back of up to \$2.5 billion. Competition in the sector remains strong, although banks should see some relief to net interest margins from rising interest rates. We continue to hold NAB based on the improving performance in the retail and business franchises, highlighted by ongoing improvement in net promoter scores, with NAB now #1 in consumer and #2 in business.

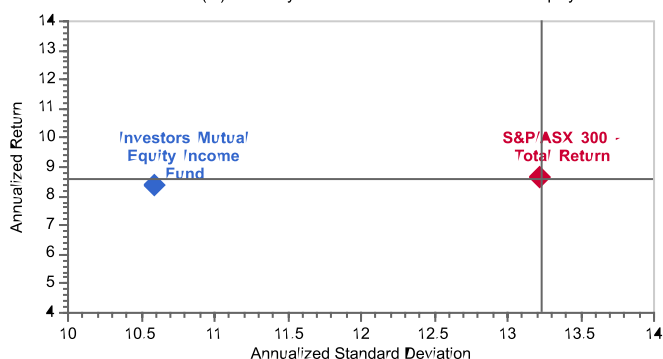
Origin Energy (ORG) had a very strong quarter with the share price rising by +21%. The outlook for earnings has improved substantially with higher brent oil prices, wholesale electricity prices and domestic gas prices likely to benefit earnings. A buyback of \$250m was also announced following the sale of a 10% stake in APLNG to Conoco Phillips. While we continue to hold Origin in the Fund, we have been recently trimming our position given the strong rises in the company's share price over recent months.

Active Sector Weights



Fund Risk-Return vs Benchmark

Since Inception Risk Return
12/31/2010 to 03/31/2022 (M) Currency: AUD Portfolio: Investors Mutual Equity Income Fund



Since inception: 1 January 2011: Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX 300 Accumulation Index, Source: IML, Factset

Fund Facts

ARSN	107 095 438
APIR	IML0005AU
Inception	1 January 2011
Benchmark	S&P/ASX 300 Accumulation Index
FUM	\$539 M
Investment Horizon	4-5 years
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/Redemption	A\$5,000
Distributions	Quarterly
Performance Fee	Nil
Management Fee	0.993% p.a. of the net assets of the fund (includes GST)
Asset Classes and Allocation Range	Aust Equities (50-100%) Cash (0-50%)

Top 10 Holdings

Company	ASX code
Telstra	TLS
Crown Resorts	CWN
Brambles	BXB
Westpac	WBC
Aurizon	AZJ
Tabcorp	TAH
Ancor	AMC
Insurance Australia Group	IAG
Orica	ORI
Newcrest Mining	NCM

Security Category

Security Category	Effective exposure
Ord Shares	82.0%
Call Options	-10.7%
Put Options	1.4%
Cash	27.3%

Portfolio Characteristics

	Fund	Benchmark
No. of stocks	39	300
Portfolio turnover ¹	22%	NA
Portfolio Beta (since inception)	0.73	1.00

Franking level (%)²

FY21	FY20	FY19	FY18	FY17
28.8%	36.2%	39.6%	27.5%	53.4%

Fund Ratings

Morningstar	Bronze
Zenith	Recommended
Lonsec	Contact IML for the most recent rating

¹ 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

² As per FSC standard.

Long-term investors in the Value and Income Fund which was restructured and renamed the Equity Income Fund on 1 January 2011 please see page 3.



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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	+7.5%	+9.0%

[^]% Performance per annum. Fund returns are calculated net of management fees and assuming all distributions are re-invested. Past performance is not a reliable indicator 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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