

## June 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 <sup>^</sup>	5 Years <sup>^</sup>	10 years <sup>^</sup>	Since inception <sup>^</sup>
Income	+1.8%	+1.7%	+6.6%	+6.8%	+7.2%	+7.9%	+8.3%
Growth	-5.7%	-5.1%	+2.0%	-3.9%	-3.8%	+0.1%	-0.5%
Total Return*	-3.9%	-3.4%	+8.6%	+2.9%	+3.4%	+8.0%	+7.8%
Benchmark**	-9.0%	-12.2%	-6.8%	+3.4%	+6.9%	+9.2%	+7.2%

<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 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** had a tough quarter, finishing down -3.4%, though this was significantly ahead of its benchmark's negative return of -12.2%. Pleasingly, the Fund managed to return a very solid result of +8.6% for financial year 2022, despite very challenging investment conditions which saw the ASX 300 Accumulation Index drop -6.8% for FY 2022.
- ▶ Global markets had a very tough quarter as bond markets sold off heavily and Central Banks all over the world responded to rapidly rising inflation by raising their overnight interest rates. Other major global uncertainties weighing down markets – including the Ukraine-Russia war and the Covid restrictions in China – added further anxiety for investors.
- ▶ Over the June quarter, the implied volatility of the options market increased significantly as global markets fluctuated in response to rising interest rates and growing fears of a serious economic slowdown. This enabled us to use the daily market swings to earn the Fund very solid option premium on some of our key holdings such as BHP, Brambles, Coles and Orica.
- ▶ Over the quarter, we also opportunistically used the heavy sell-off in the Real Estate sector to increase the Fund's holding in defensive REITs such as Abacus Property and Charter Hall Retail when their distribution yields approached 6%.

## Outlook

- ▶ Markets are likely to remain volatile and uncertain in the near future, given growing concerns over high inflation and whether Central Banks can rein it in through tighter monetary policy without pushing the global economy into recession.
- ▶ The positive news for IML clients is that these market conditions have led investors to refocus on fundamentals, which suits our prudent investment style. Our portfolios have proved relatively resilient amid the recent market turmoil and we believe they are well positioned to continue to do well in the medium and long-term, generating attractive and less volatile returns for clients despite the uncertain economic times.

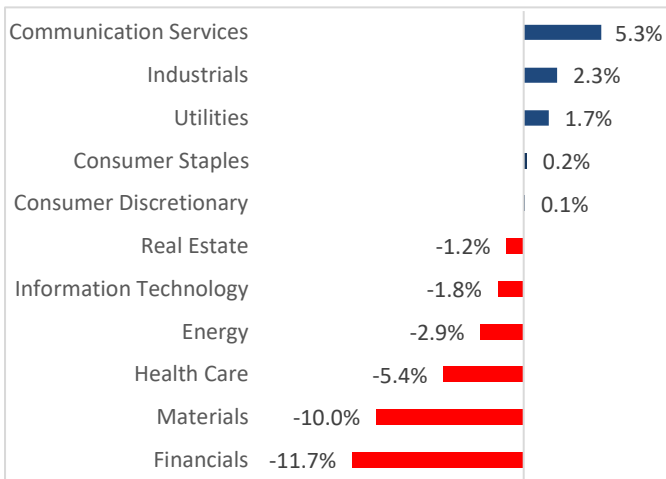
## Stocks in Focus

**Brambles (BXB)** performed well over the quarter rising 8.1 % after reporting solid March quarter numbers. The stock was also buoyed by the news in May that CVC Capital Partners was considering a bid for the company. Brambles continues to make progress on re-pricing and improving the terms of its customer contracts, particularly in America, and we believe that as costs normalise in the coming years, Brambles should see an expansion in margins and free-cash-flow as a result.

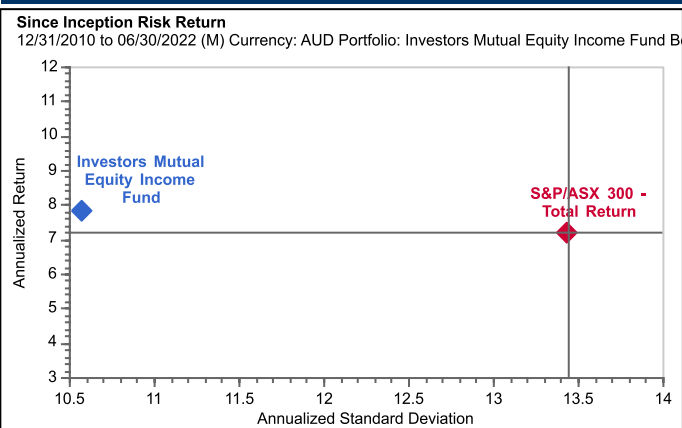
**Amcor (AMC)** also performed well after reporting strong 3rd quarter earnings. The company continued to demonstrate its ability to navigate supply chain disruptions and rising input costs while maintaining margins by passing rising costs on to its customers through price increases. Despite raising prices, Amcor has continued to see continued strong demand for its products as the majority of its customers operate in the food, beverage and pharmaceutical industries, which are all economically resilient sectors.

**Tabcorp (TAH)** had a positive quarter after successfully demerging its lotteries business into a new listed company – the Lottery Corp (TLC). We believe this move was long overdue and the split has enabled shareholders to better assess the true underlying value of the company while also giving both businesses a better chance to focus and grow in their different areas of operation.

## Active Sector Weights



## Fund Risk-Return vs Benchmark



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	\$507 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
Brambles	BXB
Coles	COL
Aurizon	AZJ
Orica	ORI
Insurance Australia Group	IAG
Origin	ORG
Westpac	WBC
Newcrest Mining	NCM
The Lottery Corporation	TLC

## Security Category

Security Category	Effective exposure
Ordinary Shares	83.3%
Call Options	-7.7%
Put Options	1.0%
Cash	23.4%

## Portfolio Characteristics

Portfolio Characteristics	Fund	Benchmark
No. of stocks	43	300
Portfolio turnover <sup>1</sup>	30%	NA
Portfolio Beta (since inception)	0.71	1.00

## Franking level (%)<sup>2</sup>

FY22	FY21	FY20	FY19	FY18
45.9%	28.8%	36.2%	39.6%	27.5%

## Fund Ratings

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

<sup>1</sup> 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

<sup>2</sup> 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	+7.1%	+8.1%

<sup>^</sup>% 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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