

## September 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        | +1.6%   | +1.7%    | +6.3%  | +6.7%                | +7.2%                | +7.8%                 | +8.3%                        |
| Growth        | -7.4%   | -4.2%    | -4.9%  | -4.9%                | -4.2%                | -0.9%                 | -0.9%                        |
| Total Return* | -5.8%   | -2.5%    | +1.4%  | +1.8%                | +3.0%                | +6.9%                 | +7.4%                        |
| Benchmark**   | -6.3%   | +0.5%    | -8.0%  | +2.7%                | +6.8%                | +8.4%                 | +7.1%                        |

<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 disappointing quarter, declining -2.5%, behind the benchmark's return of +0.5%.
- ▶ The main reasons for the poor relative performance over the quarter were that we are underweight to the Resources sector which held up well, as well as some disappointing performances from some of our core holdings on no material news – such as Orica and Newcrest Mining. Also detracting from performance was a sub-par quarter for some of the Fund's mid cap holdings, including TPG and Aurizon, where we believe the investment case still remains positive.
- ▶ Global markets had a very volatile quarter, up significantly for July and most of August before dropping sharply in September as bond markets sold off as it became clear that the US Federal Reserve - and other Central Banks around the world - would continue to follow through on their commitment to raise interest rates in order to bring inflation back under control.
- ▶ While both the MSCI World Index and the S&P 500 fell around -5% for the quarter, the ASX300 went against the trend and rose +0.5%. This was partly due to the RBA's current less aggressive interest rate rises, which contributed to the Aussie dollar falling 7% against the US dollar for the quarter and helped the Resources sector rise.
- ▶ The Fund benefited from good performances from Brambles and IAG over the quarter, as both companies appear set to record improvements in their earnings in the years ahead despite the uncertain economic outlook.
- ▶ As the market fluctuated with macroeconomic and earnings outlook uncertainty, we used the elevated volatility selectively to earn solid supplementary income by writing options at our target entry and exit prices in some of our stocks including Ampol, Brambles, Coles and Woodside Energy.

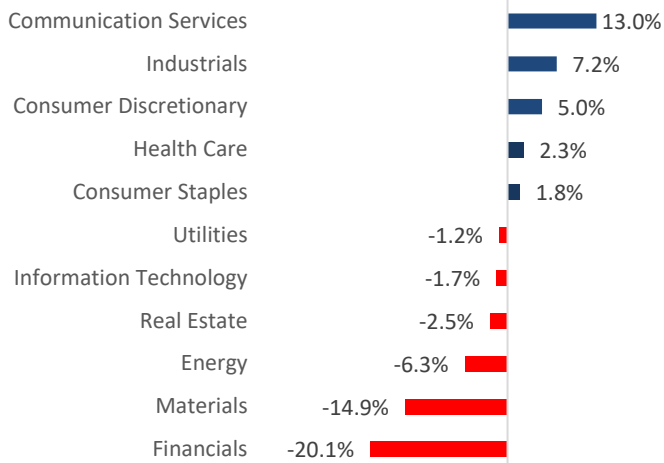
## Outlook

- ▶ We expect markets to remain volatile in the near future as investors continue to assess the risk of rising interest rates and high inflation. We continue to expect fairly big swings in the markets in the short term as investors remain nervous about the economic outlook for 2023 given the continued tightening in monetary policy all around the world.
- ▶ While company profits, in general, currently remain strong, rising interest rates are likely to lead to reduced consumer spending and lower demand, which will impact the earnings of many companies - particularly companies exposed to cyclical sectors such as home building and discretionary retail. We remain focused on investing in companies with what we believe are predictable and recurring earnings and strong market positions. We believe these types of companies will perform well in these uncertain times. We also continue to look to take advantage of market weakness to invest in quality companies at the right price.

## Stocks in Focus

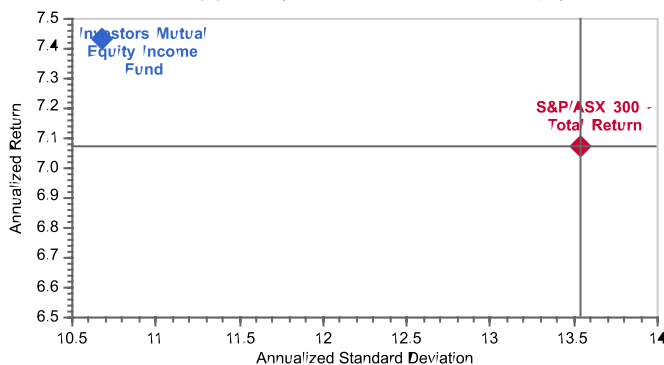
- ▶ **Brambles**, the global pallet and supply chain provider, rose 8.2% over the quarter after it reported a very strong result, with profits up 11%, helped by the company's margin expansion in its US operations thanks to its ability to pass on costs despite strong inflation. Given Brambles strong market position, its pricing power and customer base of predominantly food and beverages companies, we remain confident in the company's ability to continue to perform well despite uncertain economic times.
- ▶ **Orica**, the world's leading explosives manufacturer, had a very disappointing quarter, falling -16.2%, as investors reacted poorly to a capital raising at \$16 a share which the company earmarked to fund the acquisition of Axis, as well as to help bolster its working capital position. Despite the negativity towards Orica, we believe it offers outstanding value. It has a reinvigorated management team and we believe its earnings are set to benefit greatly in the years ahead from higher explosive prices and the repricing upwards of many of its contracts.

## Active Sector Weights



## Fund Risk-Return vs Benchmark

Since Inception Risk Return  
12/31/2010 to 09/30/2022 (M) Currency: AUD Portfolio: Investors Mutual Equity Income Fund E



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                                      | \$484 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%)<br>Cash (0-50%)                  |

## Top 10 Holdings

| Company                   | ASX code |
|---------------------------|----------|
| Telstra                   | TLS      |
| Orica                     | ORI      |
| Aurizon                   | AZJ      |
| Brambles                  | BXB      |
| Coles                     | COL      |
| National Australia Bank   | NAB      |
| Insurance Australia Group | IAG      |
| Amcor                     | AMC      |
| Westpac                   | WBC      |
| BHP                       | BHP      |

## Security Category

| Security Category | Effective exposure |
|-------------------|--------------------|
| Ordinary Shares   | 82.1%              |
| Call Options      | -3.4%              |
| Put Options       | 2.6%               |
| Cash              | 18.7%              |

## Portfolio Characteristics

| Portfolio Characteristics        | Fund | Benchmark |
|----------------------------------|------|-----------|
| No. of stocks                    | 39   | 300       |
| Portfolio turnover <sup>1</sup>  | 23%  | NA        |
| Portfolio Beta (since inception) | 0.72 | 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      | Recommended *Visit <a href="http://lonsec.com.au/logo-disclosure">lonsec.com.au/logo-disclosure</a> for important information about this 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.



iml.com.au



iml@iml.com.au



1300 551 132

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 | +6.9%       | +8.0%     |

^% 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.



[iml.com.au](http://iml.com.au)



[iml@iml.com.au](mailto:iml@iml.com.au)



1300 551 132

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 a reliable indicator of future performance. Investors Mutual Limited (AFSL 229988) is the issuer of the Investors Mutual Equity Income 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 (PDS) and Target Market Determination (TMD) 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 PDS and TMD before deciding whether to invest, or continue to invest in the Fund.