

Investors Mutual Equity Income Fund

Monthly report January 2021

Fund status: OPEN

- ▶ Global sharemarkets endured a volatile month with speculative excesses becoming increasingly evident
- ▶ The Australian sharemarket similarly endured a volatile month, finishing the month virtually flat
- ▶ 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%	+1.8%	+6.8%	+7.5%	+7.8%	+8.5%
Growth	+0.3%	+8.6%	-18.6%	-8.9%	-4.8%	-1.5%
Total Return*	+0.3%	+10.4%	-11.8%	-1.4%	+3.0%	+7.0%
Benchmark**	+0.3%	+12.1%	-2.7%	+7.1%	+10.1%	+7.7%

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

Sharemarket Commentary

After starting the year in positive fashion, global sharemarkets came under pressure in the back half of January, and the MSCI World Index finished the month in negative territory. The US S&P500 Index retraced from record highs to finish -1.0% lower, while Europe's Stoxx50 Index shed -1.9% as bond yields around the world rose on expectations of higher economic activity and inflationary expectations as the COVID-19 vaccine rollout continued across the globe. Market sentiment was also affected as some high-profile short squeezes of US stocks such as GameStop and AMC Entertainment saw the share prices of these companies balloon after retail punters charged in en masse. This reminded investors about the speculative excesses currently abounding in some sections of the sharemarket as zero interest rates, Central Banks money printing via QE programmes and huge fiscal stimulus programmes have encouraged excessive risk-taking by many market participants.

Commodity prices were mixed over the month. The oil price gained a further +7% following a surprise production cut from the Saudis, acting independently from OPEC, to help support the oil price amid faltering global demand. The iron ore price came under pressure following a near +40% rise in the final quarter of 2020, with increased supply coming online from Brazil, coupled with China's scrap steel market reopening and China importing scrap steel from Japan as China endeavours to reduce its reliance on Australian iron ore.

The Australian sharemarket, as measured by the ASX300 Index, suffered a similar fate to its global peers, selling off in the latter part of the month to finish January flat. The Resources sector came under pressure late in the month, finishing January -0.6% lower, largely as a result of a cooling iron ore price, with miners such as Fortescue Metals falling -7%. Within the Industrials segment sector performances were mixed over the month. The REITs sector fell -4% in sympathy with the uptick in bond yields, while the Consumer Discretionary sector rallied +5% over the month off the back of solid trading updates from the likes of JB Hi-Fi and Super Retail Group, which have continued to benefit from the current surge in consumer spending. The Consumer Staples sector also had a strong month, benefiting from strong share price performance from supermarket operators, which continue to enjoy positive sales momentum. Telstra also had a good month, gaining +5% as the firm's 5G network continues to be rolled out across Australia and as investors look forward to more rational pricing in the mobile sector following public comments from the recently appointed Optus CEO about Optus' desire to seek to achieve better returns.

The **Investors Mutual Equity Income Fund** gained +0.3% in line with the benchmark's return. The Fund benefited from its caution to the Resources sector, which has been running very hard, particularly the iron ore miners which are beneficiaries of what is likely to be an unsustainably high iron ore price owing to temporary supply constraints. In addition, our core holdings in good quality companies that have proven, sustainable cashflow-generative attributes benefited performance. These included companies such as Telstra, Incitec Pivot, Tabcorp, Spark Infrastructure and Metcash. Volatility picked up in the last week of January with global equities de-risking in response to the short-sale squeezes, rising bond yields and inflationary expectations. This allowed the Fund to opportunistically use the daily market swings to write good option premiums around its core holdings including Amcor, Alumina, Incitec Pivot and Sonic Healthcare. During the month, we also tendered our holding in Ampol into the company's off-market buyback offer to maximise the after-tax benefits for our investors.

Investors will now look to the February reporting season to gain a detailed insight into how most companies are faring in the current COVID-affected global economy. The impact of the virus will reverse at some stage. The challenge for investors is to understand the timing of when a normalisation may occur, and how this will affect the earnings of various companies, as some sectors have clearly benefited greatly at the expense of others. In light of the uncertain economic outlook going forward, we continue to focus on good quality companies which are well-managed and which we believe represent good value and can do well over the next 3 - 5 years.

Level of Franking (%)*	
FY17	53.4%
FY18	27.5%
FY19	39.6%
FY20	36.2%

*As per IFSA Standard

Monthly Movements	
S&P 500	-1.0%
Euro Stoxx50	-1.8%
Nikkei	+0.8%
ASX300	+0.3%
AUD/USD	-0.6%
Gold	-1.3%
Oil	+7.9%
Iron Ore	-0.3%

Fund information	
APIR	IML0005AU
Inception	1 Jan 2011
Size	\$547 M
Application	\$0.8233
Redemption	\$0.8191
Mngmnt fee	0.993% p.a.
Investment horizon	4-5 years
Distribution	Quarterly
Manager	Anton Tagliaferro Michael O'Neill Tuan Luu

Security Category	Effective Exposure
Ord Shares	87.2%
Call Options	-8.4%
Put Options	2.1%
Cash	19.1%

Investors Mutual Equity Income Fund

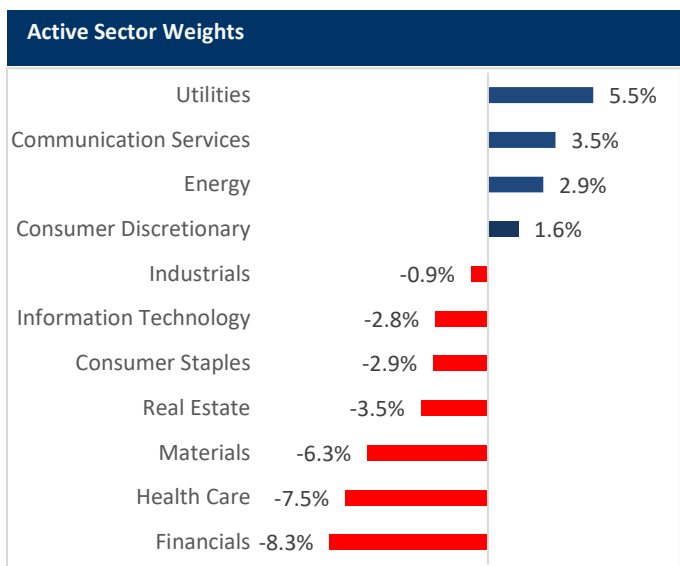
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Characteristics	Fund	Benchmark
Number of stocks	41	300
Portfolio Turnover*	29%	N/A
Volatility (STD DEV) since inception	10.91	13.53
Portfolio Beta (since inception)	0.75	1.00

*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

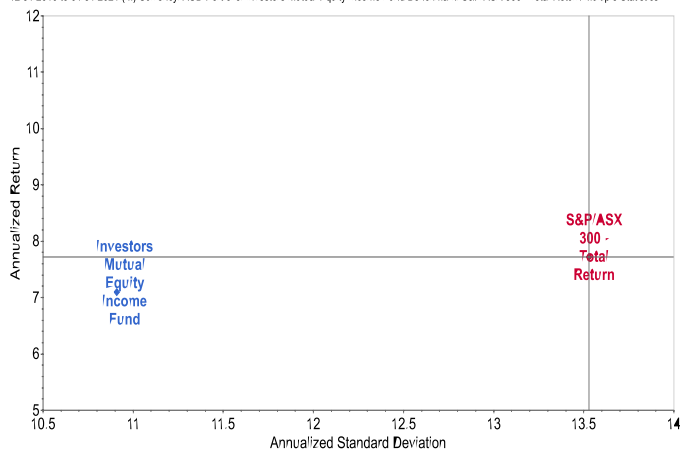


Portfolio top holdings

Portfolio top holdings	ASX Code
Telstra	TLS
National Australia Bank	NAB
Ancor	AMC
Crown Resorts	CWN
Suncorp	SUN
Insurance Australia Group	IAG
Tabcorp	TAH
AusNet Services	AST
Aurizon	AZJ
Virgin Money UK	VUK

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

Since Inception Risk Return
12/31/2010 to 01/31/2021 (M) Currency: AUD Portfolio: Investors Mutual Equity Income Fund Benchmark: S&P/ASX 300 - Total Return Multiple Statistics



*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	+6.6%	+8.5%

^% 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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