

30 JUNE 2023

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	+1.7%	+1.7%	+7.3%	+7.0%	+7.1%	+7.6%	+8.3%
Growth	-0.6%	+0.2%	+3.8%	+6.0%	-2.3%	-0.1%	-0.2%
Total return*	+1.1%	+1.9%	+11.1%	+13.0%	+4.8%	+7.5%	+8.1%
Benchmark**	+1.7%	+1.0%	+14.4%	+11.1%	+7.1%	+8.5%	+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 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 solid quarter, returning +1.9%, ahead of the benchmark's +1.0%. This took the Fund to a solid return for the full financial year of +11.1%.
- Global markets had a very strong quarter with the MSCI World Index up +6.7%, led by the Nasdaq, +13%. The gains were partly driven by optimism that the rate-rising cycle was near its end, as well as excitement about AI after US chipmaker Nvidia significantly upgraded its forward guidance. This caused a narrow-focused rally, driving markets higher. Implied volatility remained elevated as the market tried to predict the end of the interest rate rising cycle.
- The ASX 300 lagged global markets, rising +1.0% for the quarter, as the strong lead from overseas markets was tempered by somewhat unexpected RBA rate hikes which made investors more cautious. Information Technology was by far the strongest sector, rising +18.4% as tech stocks rallied in line with overseas markets. Materials were weaker in line with lower commodity prices and consumer facing sectors also struggled as interest rates continue to bite.
- The Fund benefitted from strong performances from Aurizon, as explained below. IAG and Suncorp also were also up significantly amid continuing good trading conditions for the insurance sector. Premiums are increasing significantly, and investment income is benefitting from higher rates. Amcor was disappointing over the quarter, falling after it downgraded its outlook due to food and beverage companies destocking, as well as weakening demand from end customers.
- We used share price weakness to increase our positions in Charter Hall Retail REIT and NAB and heightened share prices to trim our position in IAG.
- As usual, we selectively used the daily market fluctuations to generate decent supplementary option income around some of our key holdings such as BHP, Coles, IAG and Santos. At the end of the quarter, the Fund earned good distribution income from its core trust investments including APA, Charter Hall Retail and Transurban.

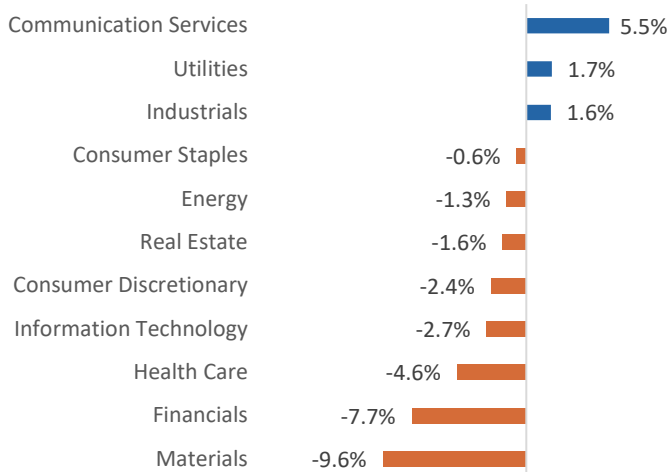
OUTLOOK

- Economies still face significant issues, setting a challenging backdrop for companies. Consumer demand has slowed but is still robust compared to pre-Covid trends. Inflation is proving persistent, with wage gains and house prices ticking up. Further interest rate rises appear justified. We continue to act cautiously, focusing on industry-leading companies with strong competitive advantages and recurring earnings that are likely to perform well in a range of economic conditions.
- Market volatility is likely to continue into the new financial year, so we are also closely watching a number of companies, waiting for any opportunity to buy them at attractive prices.

STOCKS IN FOCUS

- **Aurizon (AZJ)**, Australia's largest rail freight operator, rose +17% for the quarter, partly driven by improving coal volumes as rainfall levels recede to more normal levels. Secondly, Aurizon's Queensland rail network is entering a new regulatory period which will reset the value of this asset as well as the return that Aurizon is allowed to earn on it. Given recent high rates of inflation and bond yields both are set to rise meaningfully, and the market has started appreciating this dynamic.
- **Suncorp (SUN)**, the insurance and banking group, was up +11%, despite the ongoing uncertainty around ANZ's proposed acquisition of its banking arm. Suncorp's insurance premiums are growing in the mid to high single digits, and inflation and supply chain pressures on motor and home insurance claims are showing signs of abating. It is improving its margins by repricing, as well as higher investment earnings, and if the bank sale is approved Suncorp will be a position to return capital to shareholders.

ACTIVE SECTOR WEIGHTS

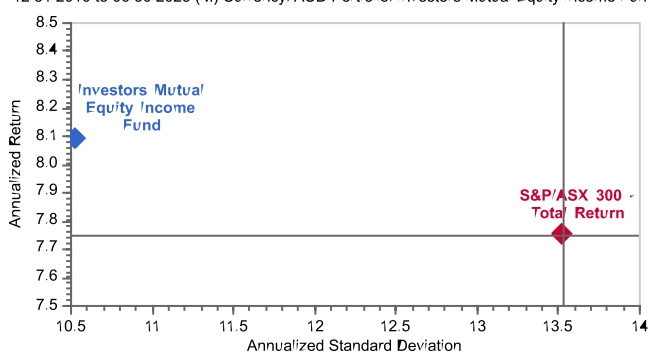


TOP 10 HOLDINGS

Company Name	ASX CODE
Telstra	TLS
National Australia Bank	NAB
Aurizon	AZJ
Westpac	WBC
Orica	ORI
Brambles	BXB
BHP	BHP
Amcor	AMC
CSL	CSL
Charter Hall Retail REIT	CQR

FUND RISK-RETURN VS BENCHMARK

Since Inception Risk Return
12/31/2010 to 06/30/2023 (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

SECURITY CATEGORY

Security Category	Effective Exposure
Ordinary Shares	88.4%
Call Options	-11.0%
Put Options	0.9%
Effective cash	21.6%

PORTFOLIO CHARACTERISTICS

	FUND	BENCHMARK
No. of stocks	38	300
Portfolio turnover ¹	16%	NA
Portfolio Beta (since inception)	0.70	1.00

FUND FACTS

ARSN	107 095 438
APIR	IML0005AU
Inception	1 January 2011
Benchmark	S&P/ASX 300 Accumulation Index
FUM	\$513M
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%)

FRANKING LEVEL (%)²

FY23	FY22	FY21	FY20	FY19
46.4%	45.9%	28.8%	36.2%	39.6%

FUND RATINGS

Morningstar	Bronze
Zenith	Recommended
Lonsec	Recommended *Visit lonsec.com.au/logo-disclosure for important information about this 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.

EQUITY INCOME FUND

QUARTERLY REPORT



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	7.4%	8.4%

^% 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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