

30 SEPTEMBER 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	+1.6%	+1.6%	+7.2%	+6.9%	+7.0%	+7.6%	+8.2%
Growth	-4.0%	-2.9%	+5.2%	+6.6%	-2.6%	-1.0%	-0.4%
Total return*	-2.4%	-1.3%	+12.4%	+13.5%	+4.4%	+6.6%	+7.8%
Benchmark**	-2.9%	-0.8%	+12.9%	+10.8%	+6.6%	+7.4%	+7.5%

[^]% 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, down -1.3%, lagging the benchmark's -0.8%. The main reasons for the poor relative performance were a weak quarter by the gaming sector, where we are overweight, as well as disappointing performances by key stocks Charter Hall Retail REIT and Telstra.
- Global sharemarkets declined in the September quarter as bond yields rose sharply and investors finally seemed to believe that the Fed and other central banks will keep interest rates 'higher for longer'. Most markets fell, with the MSCI World Index down -2.4% and the NASDAQ down further, -4.0%, reversing some of its impressive recent gains.
- Local markets took a lead from overseas, with the ASX 300 down -0.8 for the quarter. Energy was the strongest sector, buoyed by soaring oil prices, mainly driven by supply cuts from Saudi Arabia and Russia. Healthcare was weakest, dropping -9.0%, as rising 10-year bond yields disproportionately affected its higher valuation multiples.
- These factors, as well as Reporting Season, caused an increase in volatility which helped us to capture solid supplementary option income for some of our holdings including CSL, Orica, Steadfast and Woodside Energy. We also earned good dividends from key investments in the Industrial, Financial and Material sectors.
- Many of the fund's holdings performed well over the quarter including NAB, Ampol, Orica, Suncorp and TPG Telecom. Stocks which held back performance included Charter Hall Retail, as explained below, and Telstra which dropped -8.5%, despite posting a strong result, as shareholders reacted negatively to the news it intends to retain its infrastructure business, Infracore. We believe this decision is sensible and in the long-term interests of shareholders.
- During the quarter we trimmed our position in IAG as its share price had appreciated significantly, and we added to Sonic, Steadfast and Charter Hall Retail REIT over the quarter on share price weakness

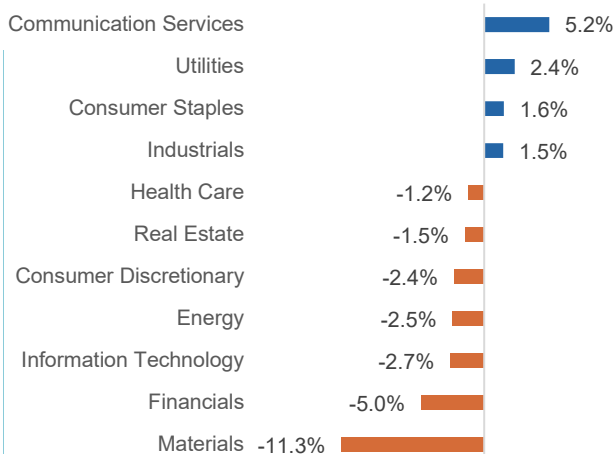
STOCKS IN FOCUS

- TPG Telecom (TPG), Australia's third largest telecommunication provider, was up 14% after reporting a solid first half result and announcing it is in discussions with Vocus to divest its Enterprise, Government and Wholesale business at a valuation higher than the current share price implies. This would enable TPG to pay down bank debt and potentially return capital to shareholders while focusing on its higher growth consumer business.
- Orica (ORI), the global explosives specialist, was up 5%. In September it reiterated its FY23 guidance as well as forecasting continued strong growth for FY24, albeit slightly offset by some scheduled plant maintenance. It also committed to a more ambitious target of reducing emissions by "at least" 45% by 2030 and net zero by 2050.
- **Charter Hall Retail REIT (CQR)**, holds a portfolio of neighbourhood shopping centres and petrol stations. It was disappointing over the quarter, declining 13% as many real estate holdings were sold off on interest rate concerns. We retain strong conviction in CQR and added to it over the quarter. It has a high quality portfolio of property assets with low occupancy and strong growth and it is currently trading at a yield of around 8%.

OUTLOOK

- Uncertainty over where interest rates will peak, and how long they will stay at these levels, is a key focus of markets. A mixed consumer outlook and lingering higher inflation is adding to this uncertainty, creating a volatile investment environment.
- 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 while actively looking for new opportunities.

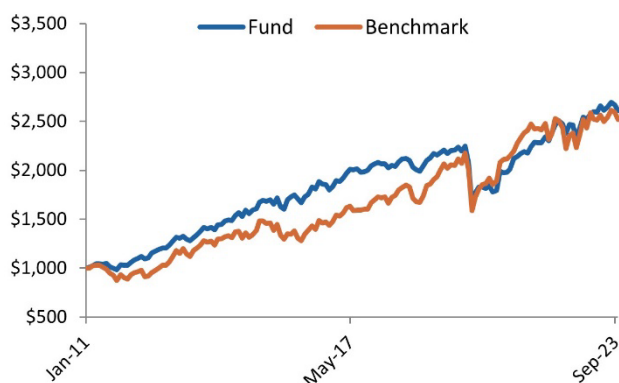
ACTIVE SECTOR WEIGHTS



TOP 10 HOLDINGS

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

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

SECURITY CATEGORY

Security Category	Effective Exposure
Ordinary Shares	91.8%
Call Options	-8.7%
Put Options	1.0%
Effective cash	15.9%

PORTFOLIO CHARACTERISTICS

Portfolio Characteristics	FUND	BENCHMARK
No. of stocks	37	300
Portfolio turnover ¹	14%	NA
Portfolio Beta (since inception)	0.71	1.00

FUND FACTS

ARSN	107 095 438
APIR	IML0005AU
Inception	1 January 2011
Benchmark	S&P/ASX 300 Accumulation Index
FUM	\$ 495M
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 net effect of 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/loqo-disclosure for important information about this rating

¹Annual 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.
²As 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.

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	7.2%	8.3%

[^]% 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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