

Investors Mutual Equity Income Fund

Monthly Report April 2021

Fund status: OPEN

- ▶ Global sharemarkets enjoyed a strong month as ongoing stimulus measures continue to wash through the system
- ▶ The Australian sharemarket returned +3.7% falling slightly shy of its pre-pandemic record high
- ▶ 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%	+1.5%	+8.6%	+7.6%	+7.9%	+8.6%
Growth	+1.1%	+6.6%	+12.2%	-6.2%	-3.8%	-0.9%
Total Return*	+1.1%	+8.1%	+20.8%	+1.4%	+4.1%	+7.7%
Benchmark**	+3.7%	+7.6%	+31.6%	+9.7%	+10.4%	+8.3%

[^]% 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

Global equity markets enjoyed another strong month, with the MSCI World Index returning +3.7%. The US S&P500 and the tech-heavy NASDAQ indices led the charge, both returning +5.3% and in so doing set new record highs throughout the month. Investors were emboldened following a streak of strong third quarter US company earnings reports, buoyed by record US household disposable income as a result of the passing of President Biden's American Rescue Plan, which included US\$1,400 stimulus payments to US households. Across the Atlantic, the mood was a little less sanguine, with Europe's Stoxx50 Index returning +1.9%, reflecting investors' concerns about the continent's slow rollout of the vaccination programme, which continues to impede economic recovery. The result of the significant amounts of stimulus supporting equity markets is increased inflationary expectations, with many companies across the globe reporting pricing pressures for inputs, which in turn are passing through to customers as price rises. Additionally, it was reported that US labour costs jumped the most in 14 years as companies boost production to cater to pent-up demand.

Domestically, Australian unemployment continued to surprise, with the unemployment rate falling to 5.6% and job ads at record highs as businesses revamp hiring plans. Commodity prices continued to benefit from resurging economic growth as a result of stimulus measures and continued COVID-induced supply constraints. The iron ore price jumped a further +13% in April and the copper price set new decade highs after it spiked a further +12% over the month. The oil price continued to consolidate around US\$60 a barrel, rising +6% over the month. The gold price enjoyed its first positive month of 2021, returning +5% as investors looked to gold as an inflationary hedge.

The Australian sharemarket as measured by the S&P/ASX300 Index had a strong month, gaining +3.7% as it charges up towards its pre-pandemic high. Unsurprisingly given the strength in commodity prices the Resources sector led the rise in the market, gaining +6%, driven by iron ore miners Fortescue Metals and Rio Tinto which rose +13% and +9% respectively. The Industrials segment had a more subdued, albeit solid month, rising +3.1%. Within the Industrials sector, Financials gained +3.2%, with robust performances from general insurers IAG and Suncorp benefiting from improving dynamics in both the housing market and new car sales. Conversely, the share price of annuity provider Challenger fell -20% after the company downgraded its profit guidance as a result of annuity pricing adjustments.

The Consumer Discretionary sector gained +3% over the month, with another strong month from Tabcorp after the UK's Entain revised its bid for Tabcorp's wagering business to \$3.5 billion. The company will probably demerge the division, which is likely to provide better value for shareholders. Crown Resorts enjoyed another solid month with US fund manager Oaktree expressing interest in getting involved in the takeover of Crown by proposing to fund a buyback of Consolidated Press' 37% stake in the company. Conversely, JB Hi-Fi fell -10% after the company's Q3 2021 update showed slowing comparable sales, as sales begin to normalise following the spike in turnover during 2020 due to the pandemic. The Australian Technology sector rebounded strongly over April, jumping +10%, taking its lead from the NASDAQ and boosted by day trader favourite Afterpay which was up +16% over the month. On the negative side of the ledger, the Consumer Staples sector fell -2.4% following expectations of negative like-for-like supermarket sales as consumer patterns normalise and as milk companies such as a2 Milk and Bubs remained soft given declining sales to China.

The **Investors Mutual Equity Income Fund** had a solid month, gaining +1.1%, although this was below the benchmark's strong return of +3.7%. The Fund's relative performance was held back by our caution to the surging Tech sector and to the Resources sector, particularly to the iron ore producers, although we remain comfortable with this positioning. Encouragingly our holdings in good quality companies such as Tabcorp, Steadfast, Suncorp, IAG and Crown Resorts all enjoyed a strong month. We took advantage of the strong market conditions over the month to write call options over some of our holdings such as Coles, Newcrest Mining, Transurban and Tabcorp to supplement the underlying dividends and distributions. Conversely, we targeted attractive entry prices in Sydney Airport and Woolworths with written put options.

Sharemarkets around the world, including Australia's, continue to remain well supported as economic growth continues to rebound from COVID lows while central banks continue to hold interest rates at record low levels, despite increasing signs of rising inflationary expectations. Having said this, there are some clear signs of imbalances in some parts of the economy as well as several speculative excesses appearing in parts of the sharemarket. We continue to focus on good quality companies which are well-managed and whose valuation remains justifiable and which we believe 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	+5.3%
Euro Stoxx50	+1.9%
Nikkei	-1.3%
ASX300	+3.7%
AUD/USD	+1.4%
Gold	+4.5%
Oil	+5.8%
Iron Ore	+13.3%

Fund information	
APIR	IML0005AU
Inception	1 Jan 2011
Size	\$541.6 M
Application	\$0.8773
Redemption	\$0.8729
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	92.5%
Call Options	-10.4%
Put Options	1.2%
Cash	16.7%

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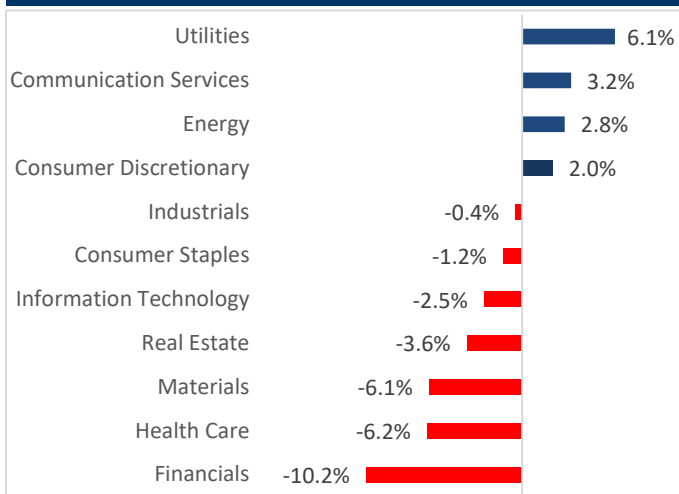


Characteristics	Fund	Benchmark
Number of stocks	39	300
Portfolio Turnover*	21%	N/A
Volatility (STD DEV) since inception	10.89	13.41
Portfolio Beta (since inception)	0.75	1.00

*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

Active Sector Weights



Portfolio top holdings

Portfolio top holdings	ASX Code
Telstra	TLS
National Australia Bank	NAB
Crown	CWN
Amcors	AMC
AusNet	AST
Insurance Australia Group	IAG
Suncorp	SUN
Aurizon	AZJ
Orica	ORI
Spark Infrastructure	SKI

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

Since Inception Risk Return

12/31/2010 to 04/30/2021 (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	+7.0%	+8.9%

^% 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.



iml.com.au 1300 551 132 iml@iml.com.au

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