

# Investors Mutual Equity Income Fund

Monthly Report May 2021

Fund status: OPEN

- ▶ Global sharemarkets enjoyed a solid month as stimulus measures and vaccination programmes underpin the recovery
- ▶ The Australian sharemarket returned +2.3%, pushing through its pre-pandemic record high, despite Tech's -9% fall
- ▶ 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 <sup>^</sup>	5 Years <sup>^</sup>	Since inception <sup>^</sup> 1-Jan-2011
Income	+0.0%	+1.6%	+8.4%	+7.7%	+7.8%	+8.5%
Growth	+1.3%	+6.5%	+10.4%	-5.6%	-4.3%	-0.8%
Total Return*	+1.3%	+8.1%	+18.8%	+2.1%	+3.5%	+7.7%
Benchmark**	+2.3%	+8.5%	+28.7%	+10.1%	+10.2%	+8.5%

<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 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/ASX 300 Accumulation Index (ASX300). The Fund has dual objectives of delivering (i) income greater than the S&P/ASX 300 Index yield +2% and (ii) returns with less standard deviation than S&P/ASX 300.

## Sharemarket Commentary

Global equity markets finished their fourth consecutive month higher, with the MSCI World Index returning +1.1% as ongoing confidence in the global economic recovery grows as vaccination programmes accelerate. While the US S&P500 Index held on to its gains for the month, returning +0.7%, the tech-heavy NASDAQ Index came under increasing pressure, shedding -1.4% as investors' inflationary concerns and the prospect of higher bond yields weighed on fully-priced tech valuations. Indeed, US inflation accelerated at its fastest annual pace in over a decade as the economic recovery kicked into gear. Across the Atlantic the mood was similarly positive as economies emerge from lockdowns in time for the summer tourism season, with European bourses enjoying a solid month, the EuroStoxx50 Index returning +2.3%. Domestically, the mood remained upbeat following the release of the Federal Budget, with government fiscal largesse continuing to aid the post-COVID recovery. Commodity prices were strong through the month, with the iron ore price gaining +7.8% and holding its level above US\$200 per tonne despite Chinese overtures about punishing "excessive speculation" in commodity markets. The oil price gained a further +3% as stockpiles built up during the pandemic continue to run down as economies reopen. Increasing inflationary concerns courtesy of the magnitude of economic stimulus and continued low interest rates also helped the gold price gain +7.5% for the month, to finish above US\$1,900 an ounce.

The Australian sharemarket, as measured by the S&P/ASX300 Index, pushed through to record highs, returning +2.3%, courtesy of the feel-good factor from the 'big-spending' budget. Despite strong commodity prices, the Resources sector returned +1.4%, underperforming its Industrials counterpart. The iron ore miners were more muted in May following their stellar run, which offset a strong performance from the gold miners. Within the Industrials segment, Financials were strong, in particular the Banks following results from Westpac, NAB and ANZ and a trading update from CBA which all reflected ongoing writebacks in provisions and strong credit growth. The Communication Services sector enjoyed a solid month, up +2.4%, Telstra's share price continuing its steady rise as the mobile market becomes more rational with Optus increasing prices for its mobile plans. In addition, both News Corporation and Nine Entertainment continued to push higher given the strength of their constituent businesses. Healthcare finished +3.5% higher, driven by sector heavyweight CSL, which gained +7% on rebounding plasma collections as the US economy emerges from lockdowns. On the negative side of the ledger, the Technology sector continues to come under pressure, down -9%, with the share prices of Afterpay, WiseTech, Appen and recent IPO Nuix all falling considerably. Many of these previously high-flying tech stocks have now halved in value from their recent peaks as a dose of reality and their vulnerability amid higher bond yields becomes increasingly apparent. Utilities endured a tough month, with AGL's share price down -9% on concerns about the viability of the company's plans to demerge its retail and generation assets.

The **Investors Mutual Equity Income Fund** gained +1.3% lagging the Index for the month. M&A activity continues to be a strong catalyst for the re-rating in the share prices of high-quality and cash-generative businesses held in the Fund, with both Crown and Tabcorp at the centre of corporate activity attracting multiple bids for all or part of their businesses.

The continued strength of the market allowed us to write call options over some of our core holdings including Amcor, Bank of Queensland, Orica and Westpac to supplement the underlying dividends earned over May. Conversely, we targeted attractive entry prices in Sydney Airport and Transurban with written put options when the market sold off mid-month.

Sharemarkets around the world, including Australia's, remain well-supported as economic growth continues to rebound from COVID lows and central banks continue to hold interest rates at record low levels, despite increasing signs of rising inflationary expectations. The Australian sharemarket is now trading at record levels with seemingly very little on the horizon to halt its ongoing rise. Having said this, we continue to steer away from some of the riskier parts of the sharemarket and focus on good quality companies which are well-managed, where valuations remain justifiable and which we firmly 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	+0.7%
EuroStoxx50	+2.3%
Nikkei	+0.2%
ASX 300	+2.3%
AUD/USD	+0.2%
Gold	+7.5%
Oil	+3.1%
Iron Ore	+7.8%

Fund information	
APIR	IML0005AU
Inception	1 Jan 2011
Size	\$544.8 M
Application	\$0.8888
Redemption	\$0.8844
Mngmnt fee	0.993% p.a.
Investment horizon	4-5 years
Distribution	Quarterly

Managers	Anton Tagliaferro Michael O'Neill Tuan Luu
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Security Category	Effective Exposure
Ord Shares	92.4%
Call Options	-14.9%
Put Options	1.0%
Cash	21.5%

# Investors Mutual Equity Income Fund

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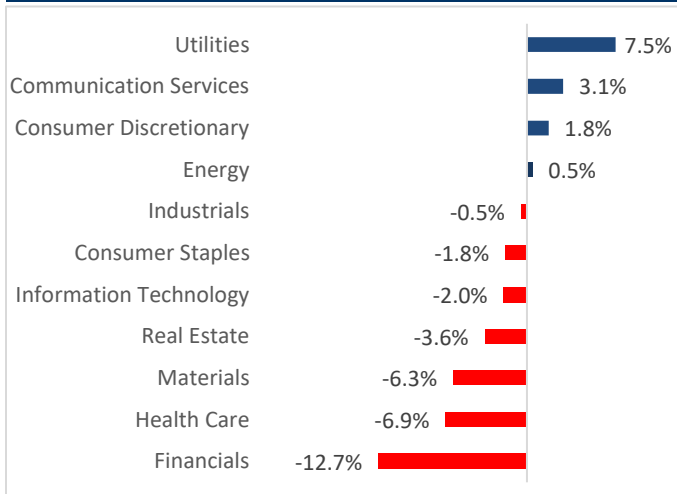


Characteristics	Fund	Benchmark
Number of stocks	40	300
Portfolio Turnover*	19%	N/A
Volatility (STD DEV) since inception	10.85	13.36
Portfolio Beta (since inception)	0.75	1.00

\*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

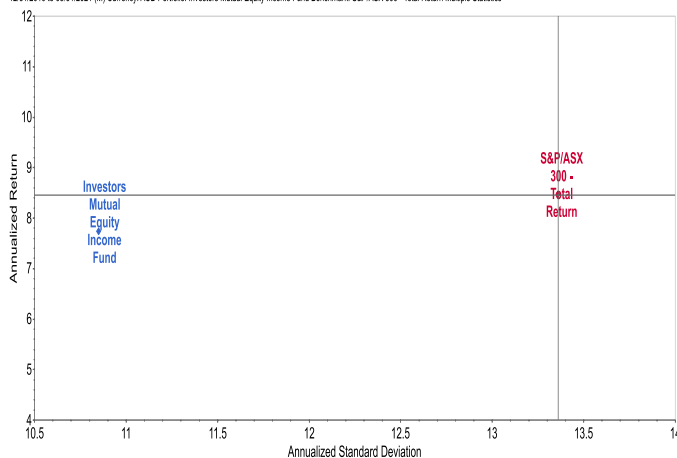


## Portfolio top holdings

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

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

Since Inception Risk Return  
12/31/2010 to 05/31/2021 (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	+7.0%	+9.0%

^% 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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