

# Investors Mutual Future Leaders Fund



Monthly Report November 2021

Fund status: OPEN

- ▶ Global sharemarkets finished lower as the emergence of a new Covid variant affected market sentiment
- ▶ The Fund's ex-50 benchmark had a mixed month finishing +0.4% higher
- ▶ We continue to use volatility to top up on good quality companies we believe can do well over the next 3-5 years

	1 month	3 months	1 Year	3years^	5 Years^	Since inception^
Total Return*	-2.8%	+0.3%	+19.0%	+7.4%	+6.1%	+10.3%
Benchmark**	+0.4%	-0.4%	+19.0%	+15.9%	+13.0%	+9.6%

^% 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 (ex. S&P/ASX50, ex LPT)

## Sharemarket Commentary

Global equity markets endured a volatile end to the month, with the MSCI World index finishing November -1.6% lower. Investors were concerned that the emergence of a new Covid variant, Omicron, could derail the global economic recovery as several Governments around the world responded with new travel restrictions. News that the US Federal Reserve could start removing its stimulus programmes earlier than previously expected also weighed on equity markets. Fed Chairman Powell told lawmakers it is time to drop the word 'transitory' as inflation becomes more persistent. The US S&P500 index slid -0.7% for the month, masking the -4% fall in the final week of November, whilst Europe's Stoxx 50 index and Japan's Nikkei fell -4.3% and -3.7% respectively.

Commodity markets felt the brunt of uncertainty surrounding Omicron, particularly the price of oil which fell -16% as concerns intensified as to how Governments would react to the new variant. The price of iron ore slid -7%, whilst copper, often a bell weather for global manufacturing activity, fell -4%.

The broader Australian sharemarket as measured by the ASX300 index endured a volatile month, finishing -0.5% lower, largely the result of weakness amongst the major banks. Conversely, the Fund's ex-50 benchmark managed to edge out a positive return of +0.4%. Sector performance was mixed, with the Energy sector falling -7% in sympathy with the softer oil price. Despite lower iron ore and base metal prices, the Materials sector rebounded strongly with many of the mid-cap miners staging a relief rally on news that Chinese steel mills are preparing for an easing of production cuts. Also, ongoing speculation within the rare earths and EV battery plays drove the lithium and nickel miners higher. The industrials segment of the market was down -1.4% for the month, as several companies warned of increased costs due to the disruptions caused by the ongoing impact of Covid-related movement restrictions, including increased supply chain costs and higher raw material costs. The Technology sector was up +6%, despite a sell off at the end of the month, in line with the global tech sector. Financials shed -6% with BNPL provider Zip falling -20% and the listed fund managers, which all fell in sympathy with the broader market. Bank of Queensland fell -13% with the banks under increasing pressure as net interest margins compress due to record low interest rates and fierce competition in mortgage pricing.

The **Investors Mutual Future Leaders Fund** had a disappointing month shedding -2.8%, behind the benchmark's return of +0.4%. The Fund's limited exposure to the Resources and Technology sectors held back relative returns, however we remain very comfortable with this positioning given the inherent volatility in these sectors. The Fund's performance was affected by weakness in its holdings in packaging stocks Pact Group and ProPac which both fell after both companies confirmed that this year's results would be negatively impacted by higher input and shipping costs. While these factors will hurt first half FY22 profits, margins should recover in the second half as price increases to mitigate these higher costs take effect and we remain comfortable with both stocks given their strong positioning in their respective segments. The Fund's holdings in Crown and AusNet both contributed positively after both companies received higher revised takeover bids from Blackstone and Brookfield respectively. Nine Entertainment shares rallied +7% off the back of a strong trading update which highlighted solid growth for its streaming service Stan and its Domain Holdings stake.

In the short-term, investors continue to cast a wary eye over the possibility of new restrictions being imposed by Governments as the new Covid variant continues to grab the media's attention. However, as we head toward 2022, we believe sharemarkets will be primarily influenced by the direction of interest rates as central banks continue to mull over whether current inflationary trends are transitional or becoming embedded. As such, we continue to steer away from the riskier parts of the sharemarket and remain focused on identifying and holding what we assess to be good quality companies, that we believe are well managed, which offer sound value, and which can do well over the next 3-5 years.

Level of Franking (%)*	
FY17	27.3%
FY18	30.7%
FY19	51.2%
FY20	85.5%
FY21	101.6%

\*As per IFSA Standard

Monthly Movements	
S&P 500	-0.7%
EuroStoxx50	-4.3%
Nikkei	-3.7%
ASX Small-Mid Index	+0.4%
AUD/USD	-5.6%
Gold	+2.0%
Oil	-16.4%
Iron Ore	-7.0%

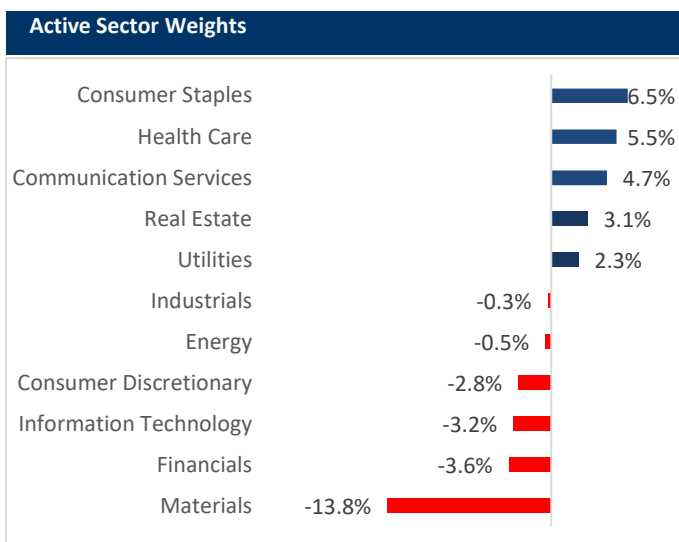
Fund information	
APIR	IML0003AU
Inception	1 May 2002
Size	\$491 M
Application	\$1.2027
Redemption	\$1.1967
Cash	2.2%
Mngmnt fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

# Investors Mutual Future Leaders Fund

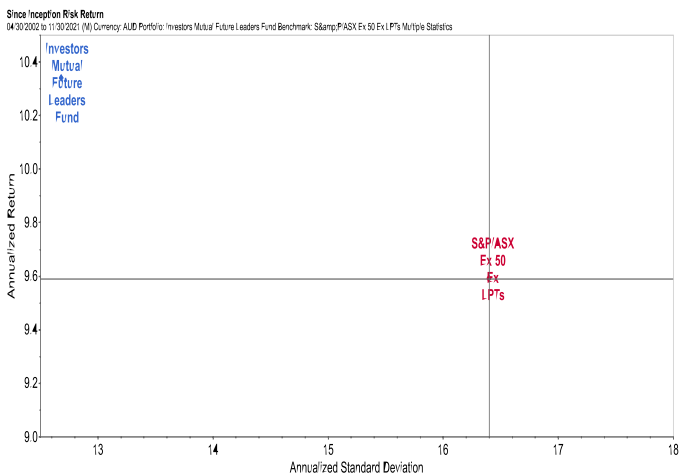
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Characteristics	Fund	Benchmark
Number of stocks	83	224
Portfolio Turnover*	42%	N/A
Annualised Tracking Error	8.37	N/A
Volatility (STD DEV) since inception	12.68	16.40
Portfolio Beta (since inception)	0.67	1.00

\*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



### Since Incept. Risk Return - Fund vs Benchmark\*



\*S&P/ASX 300 Accumulation Index (ex. S&P/ASX50, ex LPT), Source: Factset

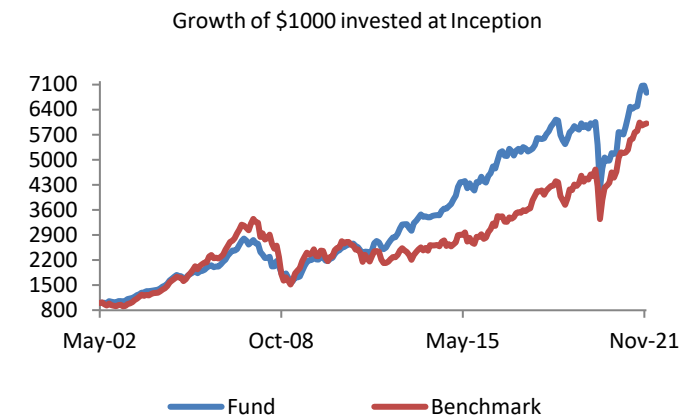
Researcher	Rating
Morningstar	Silver
Lonsec	Contact IML for the most recent rating
Zenith	Recommended

### Portfolio top holdings

Portfolio top holdings	ASX Code
Crown	CWN
AusNet	AST
Australian Pharmaceutical Industries	API
TPG	TPG
Pact	PGH
Bega	BGA
SG Fleet	SGF
Nine Entertainment	NEC
Clearview Wealth	CVW
A2B Australia	A2B

Source: IML

### Since Incept. Cumulative Perf. Fund vs Benchmark\*



\*S&P/ASX 300 Accumulation Index (ex. S&P/ASX50, ex LPT), Source: IML