

September 2022

The **Investors Mutual Future Leaders Fund** provides exposure to an actively managed portfolio of quality ASX listed Australian shares outside the Top 50. The Fund aims to provide attractive investment opportunities for investors seeking medium to long term capital growth with income.

	1 month	3 months	1 year	3 years [^]	5 Years [^]	10 years [^]	Since inception [^]
Total Return*	-9.4%	-3.1%	-19.1%	-1.4%	+1.7%	+7.6%	+8.9%
Benchmark**	-8.9%	+3.3%	-14.9%	+4.3%	+6.8%	+8.6%	+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 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 (excluding S&P/ASX50, excluding Property Trusts).

Fund Performance

- ▶ The **Future Leaders Fund** had a disappointing quarter, recording a -3.1% decline which was behind the benchmark's return of +3.3%. The benchmark's return was influenced greatly over the quarter by strong gains in electric vehicle metal related stocks (such as lithium explorers) and gains by several favoured local technology stocks, many of which are still loss-making. We remain cautious on these companies due to their high valuations, particularly for loss-making companies in a market where funding has become much more difficult.
- ▶ Global markets had a very volatile quarter, up significantly for July and most of August before dropping sharply in September as bond markets sold off and it became clear that the US Federal Reserve, and other central banks, would continue to follow through with their commitment to raise interest rates in order to bring inflation under control.
- ▶ Over the quarter the Fund benefited from strong performances from New Hope Corporation, which was up strongly on the back of a solid operational performance and a very high thermal coal price. Ridley Corp and Myer also rose significantly, reporting better than expected profits during reporting season while Mayne Pharma rallied after selling its Contract Development and Manufacturing division, Metrics Contract Services, for USD475m leaving the company in a strong net cash position.
- ▶ Infomedia fell over the quarter after the multiple backed takeover approaches it had received did not eventuate in a transaction. We remain comfortable with our position in Infomedia, which has a net cash balance sheet and a high level of recurring revenue. TPG also had a disappointing quarter after it reported slightly lower than expected new mobile subscribers and a lower than expected first half result.
- ▶ Over the quarter, we trimmed our positions in Mayne Pharma and Ridley after their share prices appreciated significantly, and we exited our position in Tassal as Cooke's revised takeover bid of \$5.23 a share was accepted. We also took advantage of lower share prices to add to our positions in Codan, GUD and Kelsian.

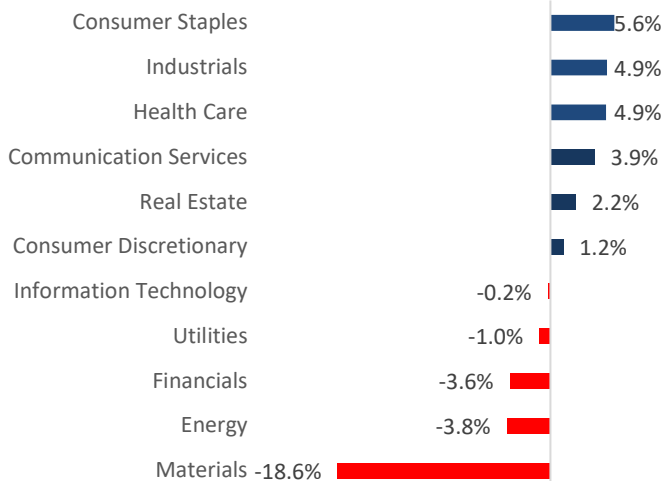
Outlook

- ▶ We expect markets to remain volatile in the near future as investors continue to assess the risk of rising interest rates and high inflation. We are seeing big swings on relatively innocuous news, highlighting investors heightened level of uncertainty.
- ▶ While company profits, in general, currently remain strong, rising interest rates will eventually lead to reduced consumer spending and lower demand, which will impact both business earnings and company valuations. We remain focused on investing in companies with predictable recurring revenues and strong market positions, which are likely to perform better in these times, while taking advantage of opportunities to invest in quality companies as they present themselves.

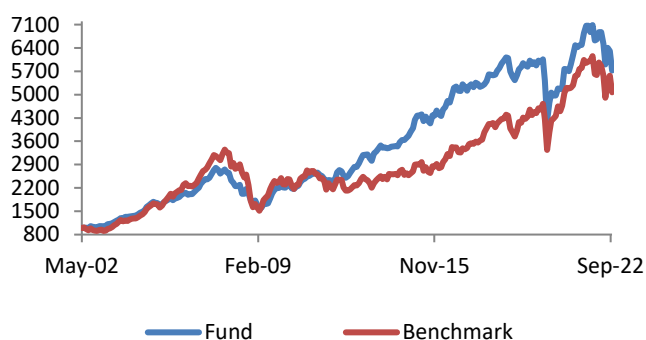
Stocks in Focus

- ▶ **Ampol** is Australia's largest fuel refiner and distributor. Its shares fell late in the quarter following a fall in refining margins in the region, though they remain above long-term averages. These margins should deliver strong cashflows to Ampol, assisting the company to reduce its debt quickly following the Z Energy acquisition. We remain comfortable with our position in Ampol given its hard to replicate asset base which underpins a strongly cash generative fuel distribution operation. This cashflow allows the company to position itself for a changing car fleet with an increasing number of EVs, while also paying dividends and pursuing capital management when appropriate.
- ▶ **TPG** is Australia's third largest telecommunication provider. Its shares fell sharply over the quarter due to a weaker than expected first half result. The soft result took the market by surprise after an upbeat investor day in June, with mobile trends notably weaker than peers Telstra and Optus in the June quarter. We remain attracted to TPG given the defensive and recurring nature of its earnings. Going forward, earnings should benefit from increasing immigration and tourism which will help grow the number of mobile subscribers as well as the proposed regional network sharing agreement with Telstra, and the migration of some NBN broadband customers to TPG's fixed wireless network.

Active Sector Weights



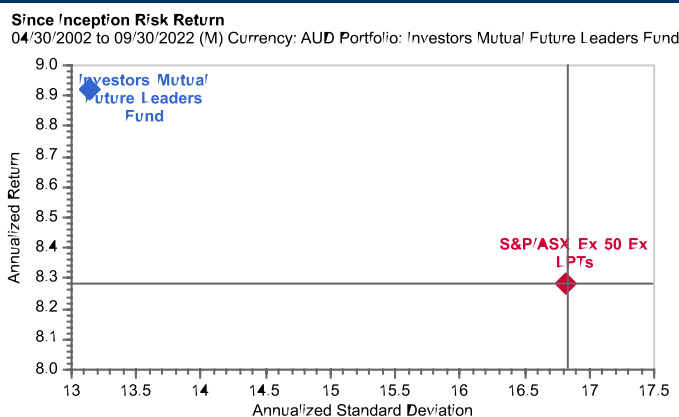
Growth of \$1,000 Invested at Inception



Top 10 Holdings

Company	ASX code
SkyCity	SKC
Aurizon	AZJ
Ampol	ALD
TPG	TPG
Bega	BGA
SG Fleet	SGF
Bank of Queensland	BOQ
A2B Australia	A2B
Codan	CDA
Australian Clinical Labs	ACL

Fund Risk-Return vs Benchmark



Since inception: 1 May 2002: Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX 300 Accumulation Index (ex S&P/ASX50, ex LPT), Source: IML,Factset

Fund Facts	
ARSN	093 182 828
APIR	IML0003AU
Inception	1 May 2002
Benchmark	S&P/ASX 300 Accumulation Index (excluding S&P/ASX50, excluding Property Trusts)
FUM	\$344 M
Investment Horizon	4-5 years
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/ Redemption	A\$5,000
Distributions	Generally semi-annual
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)
Management Fee: 0.993% p.a. of the net assets of the fund (includes GST)	
Performance Fee: 15.375% of the change in value of the Redemption Price that exceeds the change in the value of the Fund's Benchmark (includes GST)	

Portfolio Characteristics	Fund	Benchmark
No. of stocks	62	226
Portfolio turnover ¹	35%	NA
Portfolio Beta (since inception)	0.68	1.00

Franking level (%)²

FY22	FY21	FY20	FY19	FY18
20.8%	101.6%	85.5%	51.2%	30.7%

Fund Ratings

Morningstar	Silver
Zenith	Recommended
Lonsec	Recommended *Visit lonsec.com.au/logo-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.



iml.com.au



iml@iml.com.au



1300 551 132

Disclaimer: While the information contained in this report has been prepared with all reasonable care, Investors Mutual Limited accepts no responsibility or liability for any errors or omissions or misstatements however caused. This is general securities information only and is not intended to constitute a securities recommendation. This information does not account for your investment objectives, particular needs or financial situation. Past performance is not a reliable indicator of future performance. Investors Mutual Limited (AFSL 229988) is the issuer of the Investors Mutual Future Leaders Fund. Applications can only be made by reference to the current Product Disclosure Statement, or through IDPS products that include these Funds. The Product Disclosure Statement (PDS) and Target Market Determination (TMD) can be obtained by contacting Investors Mutual or at <http://www.iml.com.au/how-to-invest/pds-and-forms>. Potential investors should consider the PDS and TMD before deciding whether to invest, or continue to invest in the Fund.