

30 JUNE 2023

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*	+3.2%	+2.4%	+4.9%	+7.6%	+0.9%	+7.5%	+9.0%
Benchmark**	+0.8%	+2.3%	+14.7%	+9.6%	+5.7%	+9.8%	+8.5%

[^]% 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 (excluding S&P/ASX50, excluding Property Trusts)

FUND PERFORMANCE

- The **Future Leaders Fund** had a solid quarter, up +2.4%, slightly ahead of its benchmark's return of +2.3%. While the Fund's performance was strong over the second half of the year, up +9.7%, a difficult first six months of the year saw the Fund lag the benchmark over the year to June, returning +4.9%, behind the benchmark's +14.7%. For the year the benchmark's gains were boosted by a strong rally in resources stocks, particularly lithium miners, and richly-priced tech stocks. We are cautious of the current pricing for many miners given the uncertain outlook for global economic growth and wary of many of the tech stocks given their high valuations, preferring to skew the portfolio to reasonably-priced industrials with more resilient businesses.
- Global markets were up for the quarter with the MSCI World Index +6.7%, led by the Nasdaq, +13%. Upgraded guidance from US chipmaker Nvidia early in the quarter led to a strong rally in the US tech sector. Gains became more widespread late in the quarter as optimism grew that the rate-rising cycle was near its end, with economic data revealing the US economy is proving more resilient than feared.
- The ASX 300 lagged global markets, rising +1.0% for the quarter, as the strong lead from overseas markets was tempered by a RBA rate hike which made local investors more cautious, compounded by a raft of negative retailer updates. For the Mid and Small Cap Index, Technology gained +13.5% amid general optimism towards tech stocks, while weakness amongst the retailers led the Consumer Discretionary sector lower. Strength in the mid-cap miners, particularly lithium players, helped the Materials sector record only a slight decline over the quarter, in contrast to heavy falls experienced by many small resources companies.
- For the quarter the Fund benefitted from several strong performances as many stocks recovered from oversold levels. Codan, Aurizon, Adbri, SG Fleet and HMC Capital all posted gains. Kelsian rose significantly after settling a US acquisition, opening up a substantial new market opportunity for the business. Austal also gained after winning a new contract with the US Navy, potentially worth up to US\$3bn, while press speculation around takeover interest in the company also contributed.
- For the quarter the main detractors were Pact, as explained below, and Bega which fell after providing guidance that its FY24 profits would be flat on FY23, due to higher farmgate milk prices impacting the profitability of its commodity bulk milk division.
- Over the quarter we took advantage of share price strength to take part profits and trim our positions in Codan, A2B Australia, Integral Diagnostics and Southern Cross Media (following a raid of the register by fellow radio operator ARN at a 42% premium). While we added to our positions in ACL, Hipages and Readytech on share price weakness.

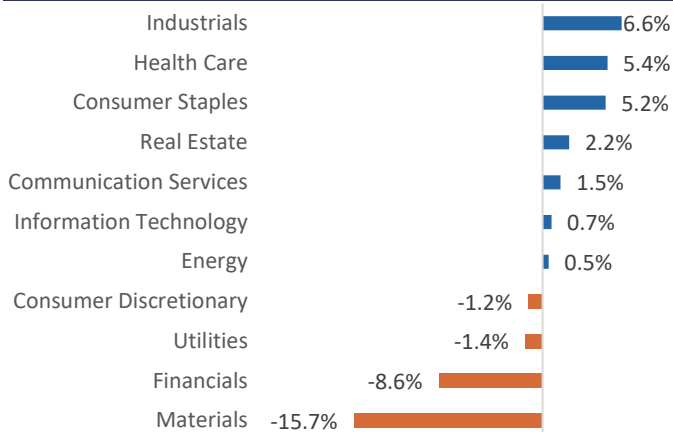
OUTLOOK

- Economies still face significant issues, setting a challenging backdrop for companies. Consumer demand has slowed but is still robust compared to pre-Covid trends. Inflation is proving persistent, with wage gains and house prices ticking up. Further interest rate rises are probable. We continue to act cautiously, focusing on well-established companies with strong competitive advantages and recurring earnings that are likely to perform well in a range of economic conditions.
- Market volatility is likely to continue into the new financial year, so we are also closely watching a number of companies, waiting for any opportunity to buy them at attractive prices.

STOCKS IN FOCUS

- **Codan (CDA)**, the communications and metal detection supplier, moved +47% higher over the quarter. This followed a solid investor update which set out the growing global opportunity for its emerging communications business, supported by increased investment in mission critical communications infrastructure by the military and first responders. While the earnings outlook for its metal detection business is improving, as the company continues to execute its growth agenda outside Africa.
- **Aurizon (AZJ)**, Australia's largest rail freight operator, rose +17% after the market recognised that higher bond rates would deliver materially higher earnings for the company's Queensland regulated rail network in the new regulatory period, which started on 1 July 2023. Also helping were improving coal volumes, after severe wet weather impacted volumes in the first half.
- **Pact Group (PGH)**, the ANZ leader in rigid plastic packaging, fell after reporting that its FY23 results will be negatively impacted by poor weather in NZ and slower demand from retail and agricultural customers. Pact is focused on improving its balance sheet and has a program underway looking at asset sales and cost reductions. We continue to believe Pact's core rigid business remains at the forefront of plastic resin reuse and that the company has a solid outlook. This was validated late in the quarter when it signed Aldi as a re-use customer for its home brands, adding another significant customer to its re-use program.

ACTIVE SECTOR WEIGHTS

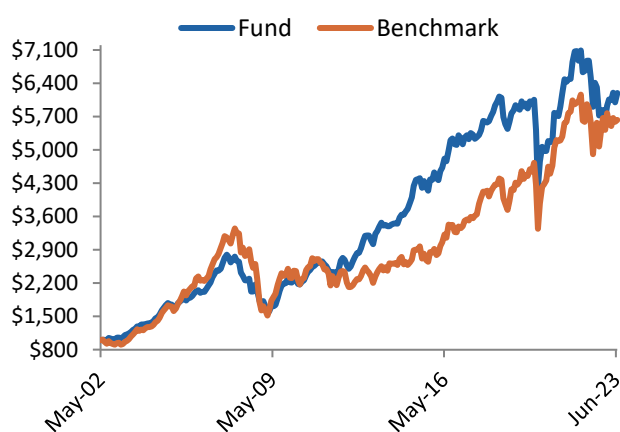


TOP 10 HOLDINGS

ASX CODE

Aurizon	AZJ
A2B Australia	A2B
Ampol	ALD
Codan	CDA
SG Fleet	SGF
Skycity	SKC
Australian Clinical Labs	ACL
G.U.D.	GUD
Kelsian	KLS
TPG Telecom	TPG

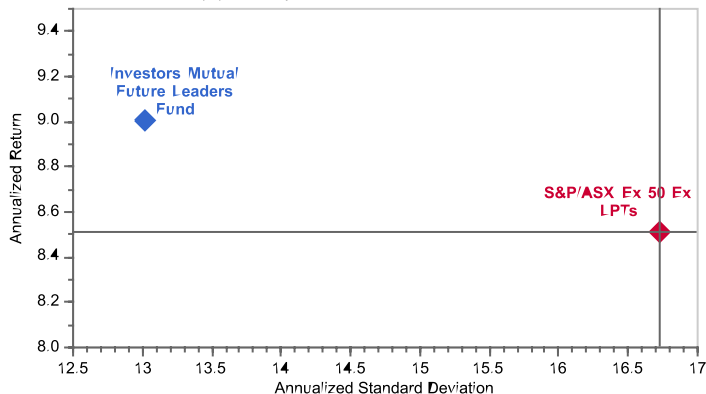
GROWTH OF \$1,000 INVESTED AT INCEPTION



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

FUND RISK-RETURN VS BENCHMARK

Since Inception Risk Return
04/30/2002 to 06/30/2023 (M) Currency: AUD Portfolio: Investors Mutual Future Leaders Fund Bench



FUND FACTS

ARSN	093 182 828
APIR	IML0003AU
Inception	1 May 2002
Benchmark	S&P/ASX 300 Accumulation Index (ex S&P/ASX50, exc Property Trusts)
FUM	\$315 M
Investment Horizon	4-5 years
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/ Redemption	A\$5,000
Distributions	Generally semi-annual
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	60	225
Portfolio turnover ¹	15%	NA
Portfolio Beta (since inception)	0.67	1.00

FRANKING LEVEL (%)²

FY23	FY22	FY21	FY20	FY19
101.9%	20.8%	101.6%	85.5%	51.2%

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. Applicants can only be made by reference to the current Product Disclosure Statement, or through IDPS products that include the Fund. Potential investors should consider the Product Disclosure Statement (PDS) and Target Market Determination (TMD) before deciding whether to invest, or continue to invest in the Fund. The PDS and TMD are available at www.iml.com.au