

Investors Mutual Future Leaders Fund



Monthly report February 2021

Fund status: OPEN

- ▶ Global sharemarkets endured a fairly volatile month with an uptick in bond yields unnerving some investors
- ▶ The Fund's ex-50 benchmark gained just +0.3% with the spike in bond yields offsetting a solid 1H21 reporting season
- ▶ 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	3years [^]	5 Years [^]	Since inception [^]
Total Return*	+3.6%	+2.4%	+9.1%	+2.0%	+6.3%	+9.9%
Benchmark**	+0.3%	+2.9%	+22.0%	+7.9%	+13.0%	+9.1%

[^]% 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

A surge in bond yields late in the month caused volatility in global equity markets as investors grew increasingly wary about the potential for higher inflation. Yields on US 10-year bonds experienced one of their largest monthly spikes in modern times, rising 0.5% to a 12-month high of 1.4%. There are growing fears that central banks may have to raise interest rates earlier than expected, driven by the recovery in global economic activity, optimism about the COVID-19 vaccine rollout, the passing of President Biden's US\$1.9 trillion stimulus package, and the significant amount of easy money sloshing through the system.

Despite shedding -3% in the final week of the month, the MSCI World Index still finished the month up +2.4%. Similarly, the US S&P500 Index finished the month +2.7% higher, setting a new record high before inflationary fears sent ripples through the market. The tech-heavy NASDAQ Index finished the month only slightly higher after shedding -7% during a difficult final week of the month.

In Australia, the 10-year bond yield jumped over +0.7% to 1.9%, its highest level in nearly two years. Commodities all ended higher thanks to US\$ weakness and optimism over world growth as COVID-19 is brought under control. The iron ore price rallied a further +10%, while oil gained +18% over the month, returning to pre-pandemic levels, spurred on by the announcement of Saudi production cuts and improving demand. Similarly, the copper price jumped +16% on expectations of increasing demand. However, the gold price finished the month down -6%. The broader Australian sharemarket as measured by the S&P/ASX300 Index finished the month up +1.5%, with the rise in bond yields offsetting a solid reporting season for the first half of financial year 2021.

The Fund's ex-50 benchmark had a more muted month, finishing +0.3% higher, with mixed performances across the sectors. The Financial sector enjoyed a strong month, gaining +5%, supported by rising yields as well as positive trading updates from a number of companies. These included Virgin Money UK, which gained +39% as investors become increasingly encouraged by its asset quality combined with the ample provisioning. 'Buy now pay later' provider Zip Co had a very strong month, despite falling -25% late in the month as bond yields rose. The Consumer Staples sector had a solid month, with soft commodity plays including Bega Cheese and Costa finishing higher following positive updates. In contrast, infant formula companies including Bubs and Synlait fell in response to a weak update from A2 Milk, which faces ongoing challenges in its Chinese daigou sales channels. The ex-50 Resources sector eked out a gain of +0.4%, with strength in the Energy sector offsetting weakness among the gold miners, which fell in sympathy with the gold price. On the negative side of the ledger, the IT sector finished -5% lower, as higher bond yields weighed on the ritzy valuations of many tech favourites such as Megaport, Appen, WiseTech and Altium, which all sold off heavily.

The **Investors Mutual Future Leaders Fund** enjoyed a strong month, gaining +3.6%, ahead of the benchmark's essentially flat return. Our holdings in good quality companies such as Pact Group, Pro-Pac Packaging, Nine Entertainment and Tabcorp were all strong over the month following solid interim results. We trimmed our positions in strongly-performing stocks such as Home Consortium, Integral Diagnostics and Virgin Money UK over the month, using the proceeds to top up our holdings in good quality companies such as AusNet and Healius.

Following the release of results for the first half of financial year 2021, the sharemarket remains focused on the speed and strength of the economic recovery and the impact on inflation going forward. With many parts of the economy, such as retail sales and house prices, showing continued strength, sharemarkets will continue to monitor inflationary expectations, bond markets and central bank intentions. Any signs of inflation in published data moving forward will have an impact on sharemarkets.

While the worst of the COVID disruptions appears to be abating in many parts of the world, the strength of the recovery and the direction of interest rates remain closely watched. As such, we continue to focus on good quality companies which are well-managed and which we believe can do well over the next 3 - 5 years and which represent sound long-term value.

Level of Franking (%)*

FY16	14.2%
FY17	27.3%
FY18	30.7%
FY19	51.2%
FY20	85.5%

*As per IFSA Standard

Monthly Movements

S&P 500	+2.8%
Euro Stoxx 50	+4.6%
Nikkei	+4.8%
ASX Small-Mid Index	+0.3%
AUD/USD	+0.9%
Gold	-6.5%
Oil	+18.3%
Iron Ore	+10.1%

Fund information

APIR	IML0003AU
Inception	1 May 2002
Size	\$471 M
Application	\$1.0407
Redemption	\$1.0355
Cash	4.8%
Mngmnt fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Manager	Simon Conn Marc Whittaker

Investors Mutual Future Leaders Fund

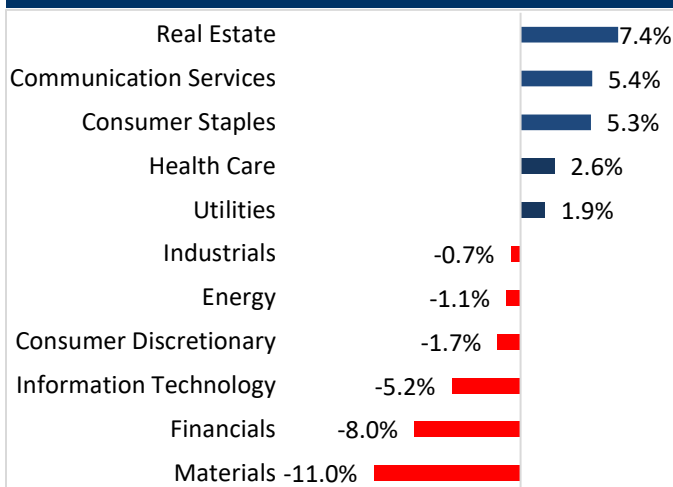
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Characteristics	Fund	Benchmark
Number of stocks	79	227
Portfolio Turnover*	44%	N/A
Annualised Tracking Error	8.37	N/A
Volatility (STD DEV) since inception	12.78	16.65
Portfolio Beta (since inception)	0.67	1.00

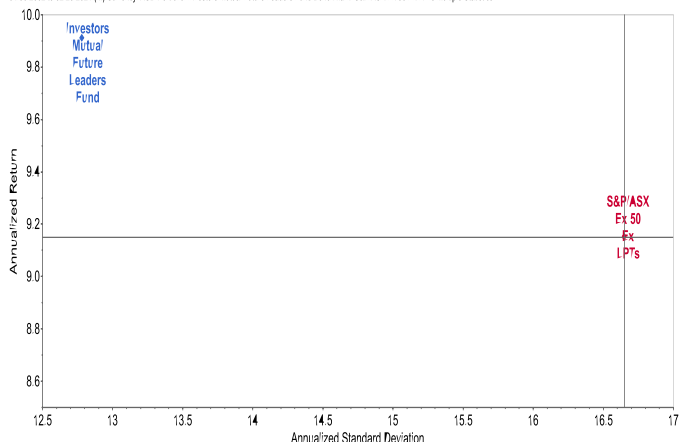
*Annual portfolio turnover over the last 12 months is computed by taking the lesser of purchases or sales and dividing by the average monthly net assets

Active Sector Weights



Since Incept. Risk Return - Fund vs Benchmark*

Since Inception Risk Return
04/30/2002 to 02/28/2021 (M) Currency: AUD Portfolio: Investors Mutual Future Leaders Fund Benchmark: S&P/ASX Ex 50 Ex LPTs Multiple Statistics



*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

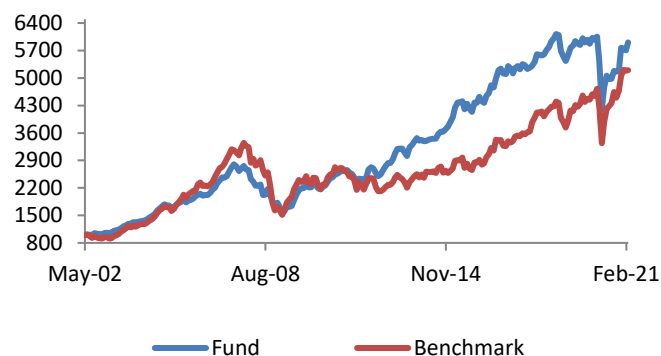
Portfolio top holdings

Portfolio top holdings	ASX Code
Pact	PGH
Crown	CWN
Tabcorp	TAH
Event Hospitality and Entertainment	EVT
SG Fleet	SGF
Nine Entertainment	NEC
AusNet	AST
Australian Pharmaceutical Industries	API
Home Consortium	HMC
Southern Cross Media	SXL

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*

Growth of \$1000 invested at Inception



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



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