

Investors Mutual Future Leaders Fund



Monthly Report July 2021

Fund status: OPEN

- ▶ Global sharemarkets were mixed over the month with strong US Q2 earnings offsetting Chinese regulatory clampdowns
- ▶ The Fund's ex-50 benchmark endured a bifurcated month - industrials were lacklustre, whilst resources were strong
- ▶ 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*	+0.2%	+0.2%	+30.4%	+2.6%	+5.4%	+10.2%
Benchmark**	+0.6%	+4.4%	+33.2%	+10.7%	+11.1%	+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 sharemarkets continued to be well supported in July with the MSCI World index returning +0.7%. US sharemarkets again traded at record highs thanks to the release of strong Q2 earnings, continued low interest rates and increased corporate deal making. US consumer data also highlighted that many cashed-up Americans spent with abandon in the June quarter as vaccination rates increased and lockdown restrictions eased. The US S&P500 index returned +2.4% for the month. Across the Atlantic the Stoxx50 index rose +0.8%, bolstered by strong EU economic data releases and as COVID-19 restrictions continue to ease.

It was a different story across the Emerging Markets landscape which slipped -6% for the month. The delta variant continues to impact countries with low vaccination rates, as government-enforced lockdowns and travel restrictions cast a pall of uncertainty over future growth. Additionally, China's regulatory clampdown weighed on its local bourse, with the MSCI China index shedding -14%, the largest monthly decline in nearly a decade. Fears of regulatory tightening intensified with investors fretting over the Chinese Government's ability to burden companies with new rules and regulations.

Despite the strong US economic recovery, US 10-year bond prices continued to rally with the yield falling -0.25% to 1.2%, having reached 1.75% back in April, as investors become wary of increased inflationary pressures. Similarly, the Australian 10-year bond yield fell -0.35% to 1.2%. In commodity markets, the iron ore price slid -9% after China recommitted to reducing emissions by cutting steel production. The oil price edged +2% higher despite OPEC's talks deteriorating early in the month. Copper continued its ascent +4% higher on the electrification of the economy thematic, whilst the gold price rose +4% amidst safe haven buying. The Australian sharemarket, as measured by the ASX300, returned +1.1% in July. This was led by the Resources sector which jumped +6.5% as many investors continued to seek cyclical exposure, despite the heavy pullback in the iron ore price.

The Fund's ex-50 benchmark returned +0.6%, led primarily by the ex-50 Resources sector which jumped +7%, with base metals and lithium miners leading the charge. Mining services companies were well also supported in sympathy with their resource peers. The Industrial segment of the market proved lacklustre as the Financials, Consumer Discretionary, Communication Services and Technology sectors all recorded negative returns. The Healthcare sector was flat for the month with Polynovo's -20% pullback following the release of its lower-than-expected US sales numbers offset by Australian Pharmaceutical Industries (API) +26% gain. API rose following a conditional takeover approach from Wesfarmers, with Wesfarmers having secured an option over 19.3% of the company from a major shareholder. API holds an attractive suite of assets in the health sector, including the Priceline Pharmacy network. Currently trading at a discounted valuation, the company is clearly now in play. On the positive side of the ledger, the Utilities sector returned +15% led by Spark Infrastructure which gained +24% after a proposal to acquire the company was received from PE firm KKR and the Ontario Teacher's Pension Plan.

The *Investors Mutual Future Leaders Fund* had a relatively flat month as did the benchmark. Our caution to the ever-volatile Resources sector held back the Fund's relative performance although we remain comfortable with this positioning given the current record prices across many base metals. Our holding in Crown Resorts detracted from the Fund's performance as the share price came under pressure as the Victorian Royal Commission continued into the suitability of the company to hold its Melbourne licence and Star Entertainment Group backed out of merger talks. We continue to monitor the situation closely although remain hopeful that given the significant changes implemented at Board and senior management level as well as the company's strong property holdings will enable the company to recover. Our holdings in good quality companies such as API (under takeover), HomeCo, Incitec Pivot, Australian Clinical Labs and Z-Energy all contributed to returns over the month. We trimmed our holdings and took some profits in stocks such as Metcash and Brickworks and deployed the proceeds to top up positions in good quality companies such as Australian Clinical Labs and Bank of Qld which, in our view, are trading at very compelling valuations.

Investors will now look to the August reporting season to gain a detailed insight into how most companies are faring in the current COVID situation. The Australian sharemarket continues to trade 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 remain focused on good quality companies which are well-managed, where valuations remain justifiable, and which we believe 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	+2.4%
EuroStoxx 50	+0.8%
Nikkei	-5.2%
ASX Small-Mid Index	+0.6%
AUD/USD	-2.1%
Gold	+3.6%
Oil	+1.6%
Iron Ore	-8.6%

Fund information	
APIR	IML0003AU
Inception	1 May 2002
Size	\$485 M
Application	\$1.1362
Redemption	\$1.1306
Cash	3.9%
Mngmnt fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

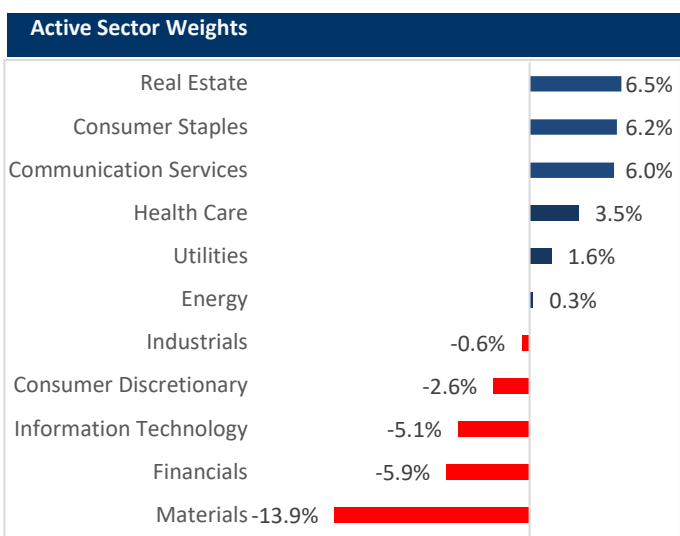
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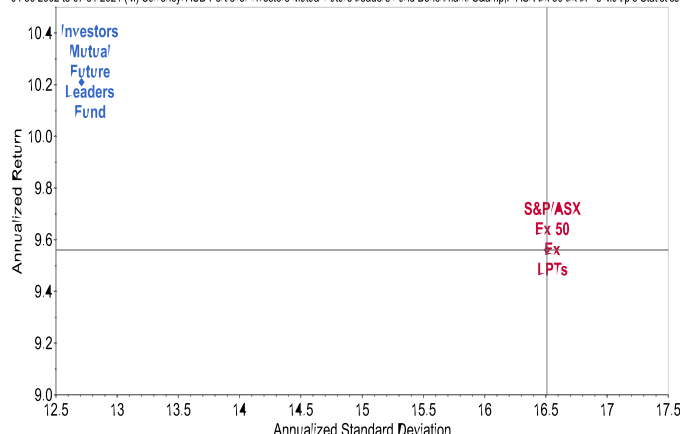
Characteristics	Fund	Benchmark
Number of stocks	76	277
Portfolio Turnover*	41%	N/A
Annualised Tracking Error	8.34	N/A
Volatility (STD DEV) since inception	12.71	16.51
Portfolio Beta (since inception)	0.67	1.00

*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*

Since Inception Risk Return
04/30/2002 to 07/31/2021 (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

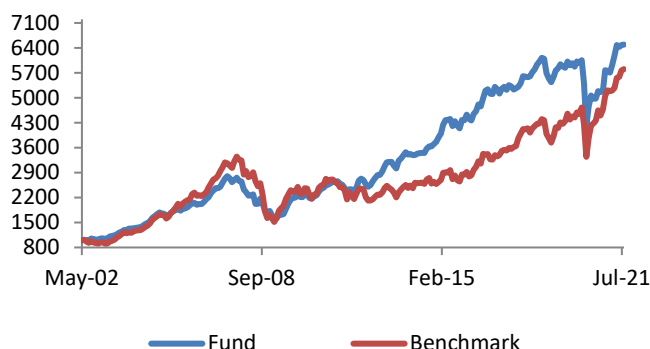
Portfolio top holdings

Portfolio top holdings	ASX Code
Pact	PGH
Tabcorp	TAH
Australian Pharmaceutical Industries	API
SG Fleet	SGF
Crown	CWN
AusNet	AST
Home Consortium	HMC
TPG Telecom	TPG
Skycity Entertainment	SKC
Nine Entertainment	NEC

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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