

Investors Mutual Future Leaders Fund



Monthly report October 2020

Fund status: OPEN

- ▶ Global sharemarkets finished the month lower following a sell-off in the final week as further lockdowns were announced
- ▶ The Fund's ex-50 benchmark had a strong month, returning +3.7%, boosted by M&A activity
- ▶ We continue to adopt a cautious approach to the sharemarket while looking to selectively deploy some of the Fund's cash

	1 month	3 months	1 Year	3years^	5 Years^	Since inception^
Total Return*	+0.2%	+4.0%	-11.9%	-0.9%	+3.4%	+9.3%
Benchmark**	+3.7%	+7.2%	+4.9%	+6.5%	+10.4%	+8.7%

^% 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

Amidst a significant uptick in volatility in the final week of the month, global equity markets finished the month lower, with the MSCI World Index falling -2.7% for the month, following September's -3% loss. All major bourses finished October in the red, unsettled by rising COVID cases through the US and Europe, the reintroduction of new lockdown measures throughout Europe and uncertainty arising from a contested US election. The US S&P500 fell -2.7% over the month, courtesy of a -6% fall in the final week. The tech-heavy Nasdaq index finished -2.3% lower over the month, with the Tech giants leading the sell-off after reporting earnings that failed to impress, coupled with cautious earnings guidance citing renewed pandemic risks. Across the Atlantic, Europe's Stoxx50 and the UK's FTSE100 index shed -7.3% and -4.8% respectively as European Governments reintroduced strict lockdown measures.

Domestically, the Federal Budget highlighted the significant impact of the pandemic on the nation's finances, with a projected deficit of \$214 billion for 2020-21, augmented by a fiscal stimulus package that was more generous than widely expected. Complementing the fiscal spend, the RBA cut rates by 0.15% in early November, taking the cash rate down to a new record low of 0.10%, whilst announcing a further \$100 billion in asset purchases as part of their QE programme.

Despite the -5% slide in the final week of the month, the Australian sharemarket as measured by the ASX300 held on to finish October with a positive return of +1.9%. M&A activity was a significant driver with the likes of Coca-Cola Amatil, Link Administration and AMP all receiving conditional bids from offshore suitors.

The **Fund's ex-50 benchmark** performed strongly over the month, up +3.7%, supported by most sectors finishing in positive territory. The IT sector continued its ascent, returning a further +9% over the month, as the *fear of missing out* trade continued to buoy the likes of Afterpay and WiseTech, and the takeover offer for Link significantly boosted its share price. The Consumer Staples sector also had a good month returning +9%, as Coca-Cola Amatil's share price rallied following a takeover approach. The Financials sector also enjoyed a strong month returning +7%, also boosted by the takeover bid for AMP. Virgin Money UK rebounded +27%, with the competitive pressures on net interest margins easing, coupled with an improving environment for bad debt provisioning. In addition, HUB24 gained +24% after announcing a bid for Xplore Wealth at a significant 200% premium to the pre-bid price.

The **Investors Mutual Future Leaders Fund** had a lacklustre month gaining +0.2%, well below the benchmark's strong return of +3.7%. Our continued caution to much of the speculative froth within the Tech sector held back relative returns, however the sector remains significantly overvalued in our view and we continue to find much better value elsewhere. Some of the Fund's core holdings had a lacklustre month with Event Hospitality and Entertainment and Crown Resorts both under pressure. We remain comfortable with our holdings in these good quality companies at what we believe are very attractive prices. On a positive note, many of our holdings in good quality companies such as Pro-Pac Packaging, Home Consortium, Virgin Money UK, Metcash and Steadfast all enjoyed a strong month. In addition, Nine Entertainment continues to benefit from improving TV ad spend and increasing subscriptions for Stan.

Over the month we used strength in the share prices of Sky City, Steadfast and AusNet to trim our holdings as these companies rallied strongly. We used this cash opportunistically to add to our holdings in good quality companies such as Regis Healthcare, Crown and Tabcorp at what we assess as bargain basement prices for these well-established companies as their share prices continue to wallow over what are, in our view, relatively short-term issues.

With risk taking greatly encouraged by central banks' ultra-low interest rate policies, we continue to stay disciplined and focused on companies that, in our view, have a strong franchise, experienced and capable management and a resilient business that can generate healthy cash flows over the next few years. While the portfolio's performance has lagged the sharemarket in recent times, we remain very comfortable with the overall quality of the stocks and the positioning of the portfolio and continue to look for opportunities to add to our holdings when we believe prices look highly attractive.

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	-2.7%
Euro Stoxx 50	-7.3%
Nikkei	-0.9%
ASX Small-Mid Index	+3.7%
AUD/USD	-2.0%
Gold	-0.3%
Oil	-8.5%
Iron Ore	-1.7%

Fund information	
APIR	IML0003AU
Inception	1 May 2002
Size	\$443 M
Application	\$0.9200
Redemption	\$0.9154
Cash	6.9%
Mngmnt fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually Simon Conn
Manager	Marc Whittaker

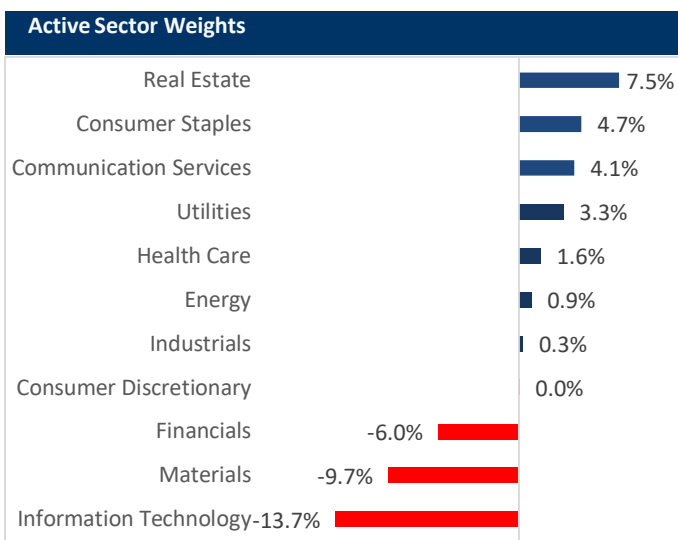
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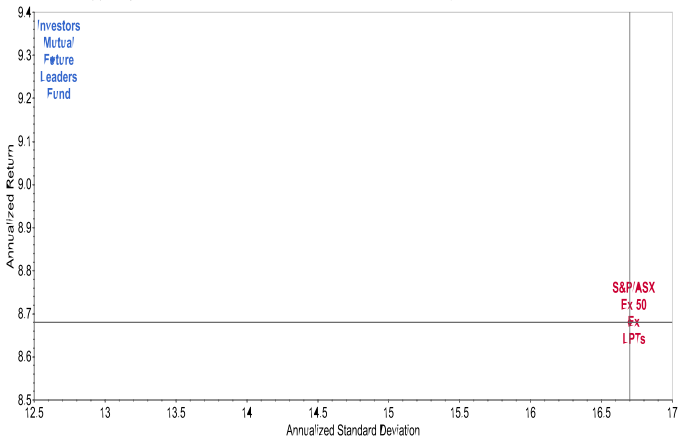
Characteristics	Fund	Benchmark
Number of stocks	83	229
Portfolio Turnover*	38%	N/A
Annualised Tracking Error	8.34	N/A
Volatility (STD DEV) since inception	12.63	16.70
Portfolio Beta (since inception)	0.66	1.00

*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 10/31/2020 (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

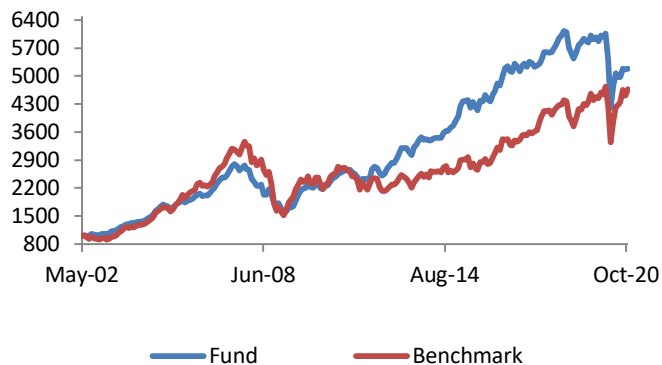
Researcher	Rating
Morningstar	Silver
Lonsec	Contact IML for the most recent rating
Zenith	Recommended

Portfolio top holdings

Portfolio top holdings	ASX Code
Pact Group	PGH
Crown Resorts	CWN
Home Consortium	HMC
Australian Pharmaceutical Industries	API
Tabcorp	TAH
AusNet	AST
Integral Diagnostics	IDX
Nine Entertainment	NEC
Skycity Entertainment	SKC
Tassal	TGR

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*



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



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