

# Investors Mutual All Industrials Share 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 Australian sharemarket 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	3 years <sup>^</sup>	5 Years <sup>^</sup>	Since inception <sup>^</sup>
Income	+0.0%	+0.6%	+1.7%	+5.4%	+7.0%	+5.8%
Growth	-1.0%	+1.5%	+23.9%	-2.6%	-2.5%	+2.5%
Total Return*	-1.0%	+2.1%	+25.6%	+2.8%	+4.5%	+8.3%
Benchmark**	-0.3%	+5.1%	+28.1%	+8.6%	+8.3%	+8.5%

<sup>^</sup>% 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 Industrial Accumulation Index

## 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%.

The Australian sharemarket, as measured by the ASX300, returned +1.1% in July. This was primarily driven by the Resources sector which jumped +6.5%. The Industrial segment of the market fell -0.3% as the Financials, Communication Services and Technology sectors all recorded negative returns. On the positive side of the ledger, the Consumer Staples sector returned +1.5%, supported by robust share price performance from Metcash, Coles and Woolworths as the Government-imposed lockdowns drove consumers out of the restaurants and back to the joys of home cooking. The Real Estate and Utilities sectors returned +0.9% and +1.6% respectively, as long duration cash flow generative assets continue to benefit from the pullback in longer dated yields. Additionally, the Spark Infrastructure share price gained +24% after a proposal to acquire the company was received from PE firm KKR and the Ontario Teachers' Pension Plan.

The **Investors Mutual All Industrials Share Fund** had a disappointing month falling -1.0%, behind its benchmark's return of -0.3%. The Fund's performance was held back by disappointing performances of some core stocks including Orica and IAG although we remain confident on the medium-term outlook for these companies as they recover from COVID-induced issues. The share price of Crown Resorts came under increasing pressure over the month 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 industrial companies such as Amcor, Spark Infrastructure and AusNet all performed well over the month. We trimmed our holdings to realise part profits in stocks such as Coles which rallied strongly over the month while deploying the proceeds to add to our positions in good quality companies such as AusNet and Orica 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	39.3%
FY18	34.0%
FY19	35.2%
FY20	57.9%
FY21	124.1%

\*As per IFSA Standard

## Monthly Movements

S&P 500	+2.4%
EuroStoxx50	+0.8%
Nikkei	-5.2%
ASX 300 Ind	-0.3%
AUD/USD	-2.1%
Gold	+3.6%
Oil	+1.6%
Iron Ore	-8.6%

## Fund information

APIR	IML0004AU
Inception	1 May 2002
Size	\$192 M
Application	\$1.6148
Redemption	\$1.6068
Cash	3.5%
Mngmnt fee	0.993% p.a.
Investment horizon	4-5 years
Distribution	Semi-annually
Managers	Anton Tagliaferro Michael O'Neill

# Investors Mutual All Industrials Share Fund

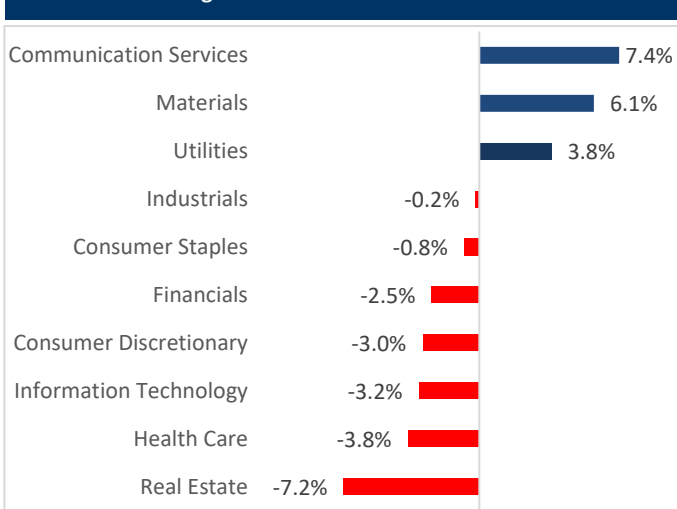
Monthly Report July 2021



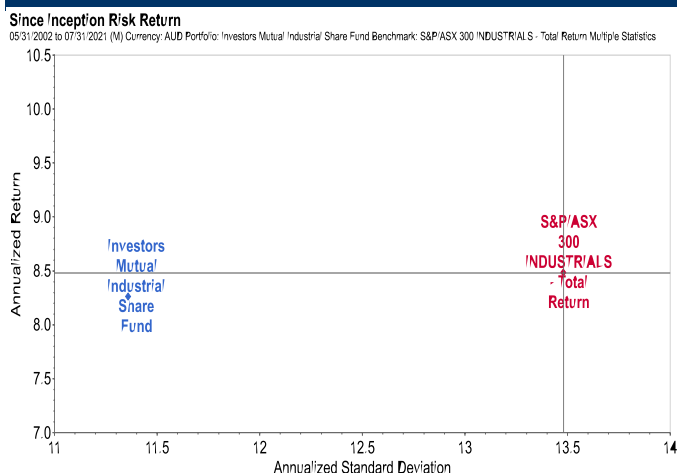
Characteristics	Fund	Benchmark
Number of stocks	48	236
Portfolio Turnover*	15%	N/A
Annualised Tracking Error	4.14	N/A
Volatility (STD DEV) since inception	11.36	13.48
Portfolio Beta since inception	0.81	1.00

\*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\*



\*Benchmark = S&P/ASX 300 Industrial Accumulation Index, Source: Factset

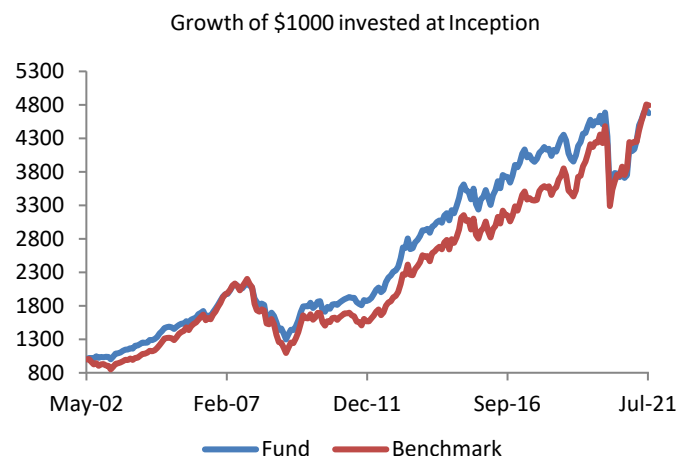
Researcher	Rating
Morningstar	Bronze
Lonsec	Contact IML for the most recent rating
Zenith	Recommended

## Portfolio top holdings

Company Name	ASX Code
National Australia Bank	NAB
Westpac	WBC
Telstra	TLS
CSL	CSL
Insurance Australia Group	IAG
Aurizon	AZJ
AusNet	AST
Tabcorp	TAH
Amcor	AMC
Suncorp	SUN

Source: IML

## Since Incept. Cumulative Perf. Fund vs Benchmark\*



\*Benchmark = S&P/ASX 300 Industrial Accumulation Index, Source: IML



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