Investors Mutual All Industrials Share Fund

Monthly Report February 2021

INVESTORS MUTUAL LTD

Fund status: OPEN

- Global sharemarkets endured a fairly volatile month with an uptick in bond yields unnerving some investors
- The Australian sharemarket finished modestly higher, with the Industrials Index flat for the month
- 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^	5 Years^	Since inception^
Income	+0.0%	+0.8%	+3.2%	+7.3%	+7.6%	+5.9%
Growth	+3.1%	+1.6%	-4.7%	-6.3%	-2.4%	+2.1%
Total Return*	+3.1%	+2.4%	-1.5%	+1.0%	+5.2%	+8.0%
Benchmark**	-0.0%	+0.1%	+1.3%	+5.8%	+8.5%	+8.0%

^% 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

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. The result saw the Reserve Bank of Australia ratchet up its quantitative easing programme late in the month by targeting longer-dated bonds in a bold move as the RBA looked to flatten the yield curve. Commodities all ended higher thanks to US$ weakness and optimism over world growth as COVID-19 is brought under control.

The 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. Only two sectors finished the month in positive territory. The Resources sector gained +7% in lockstep with higher commodity prices. The Financials sector was up +5% as trading updates from Westpac, ANZ and NAB were well-received, predominantly on improving bad debt charges. On the negative side of the ledger, the IT sector finished -8% lower, as higher bond yields weighed on the ritzy valuations of many tech favourites such as Afterpay, Appen and Altium, which all sold off heavily. The Consumer Staples sector finished the month -5% lower, with supermarket stocks coming under pressure as their results started to reflect a slowdown from peak-COVID sales. Additionally, soft commodity plays such as A2 Milk, Bubs, and Synlait sold off heavily on weaker sales numbers through their Chinese daigou channels. Reporting season was generally positive, with many companies bouncing back following the challenges of COVID. We were encouraged by many companies that used the pandemic as an opportunity to lower their cost bases and report higher margins.

The ***Investors Mutual All Industrials Share Fund*** enjoyed a strong month, gaining +3.1%, well ahead of the benchmark, which was flat for the month. The Fund benefited from our caution to the overvalued Technology sector, which experienced a heavy selloff late in the month. Pleasingly, many of our holdings in good quality companies were buoyed over the month by robust company updates. These included Virgin Money UK, Tabcorp, Nine Entertainment, and Pact Group. On a disappointing note, Orica endured a tough month after reporting a soft trading update affected by COVID-induced mine closures, slower coal exports to China and translation effects resulting from the strong $A. In our opinion these are short-term impositions and volumes will rebound, and we took the opportunity to add to our holding on share price weakness. Over the month we trimmed our positions in stocks such as Event Hospitality & Entertainment, Orora, and Virgin Money UK, which all rallied strongly. We used the proceeds to top up our holdings in good quality companies such as AusNet, Sonic Healthcare and Orica.

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 appear 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	55.9%
FY17	39.3%
FY18	34.0%
FY19	35.2%
FY20	57.9%

*As per IFSA Standard

Monthly Movements	
S&P 500	+2.8%
Euro Stoxx 50	+4.6%
Nikkei	+4.8%
ASX 300 Ind	+1.5%
AUD/USD	+0.9%
Gold	-6.5%
Oil	+18.3%
Iron Ore	+10.1%

Fund information	
APIR	IML0004AU
Inception	1 May 2002
Size	$188 M
Application	$1.4813
Redemption	$1.4739
Cash	4.7%
Mngmnt fee	0.993% p.a.
Investment horizon	4-5 years
Distribution	Semi-annually
Managers	Anton Tagliaferro Michael O'Neill

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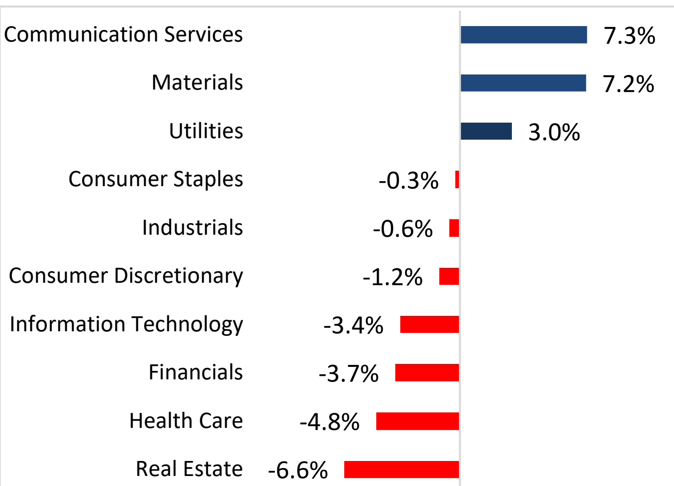
Characteristics	Fund	Benchmark
Number of stocks	42	238
Portfolio Turnover*	27%	N/A
Annualised Tracking Error	4.13	N/A
Volatility (STD DEV) since inception	11.41	13.58
Portfolio Beta since inception	0.81	1.00

*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

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

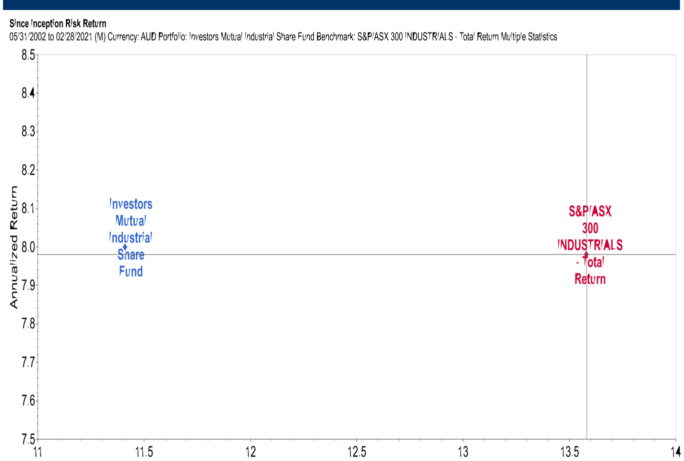
Active Sector Weights



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

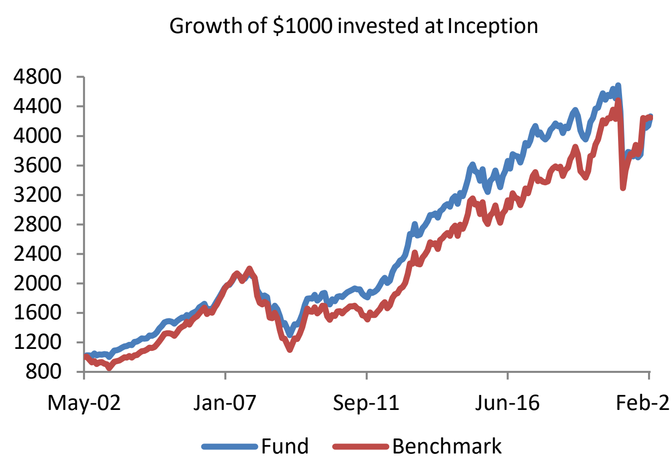
Source: IML

Since Incept. Risk Return Fund vs Benchmark*



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

Since Incept. Cumulative Perf. Fund vs Benchmark*



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

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