

# Investors Mutual Australian Smaller Companies Fund



Monthly Report August 2021

Fund status: OPEN

- ▶ Global sharemarkets continued their advance buoyed by the ongoing economic recovery and continued low interest rates
- ▶ The ASX Small Ordinaries index was similarly strong, buoyed by robust FY21 earnings results released in August
- ▶ 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 <sup>^</sup>	Since inception <sup>^</sup>
Total Return*	+6.7%	+10.1%	+36.0%	+7.3%	+7.9%	+13.9%
Benchmark**	+4.6%	+8.5%	+29.3%	+9.8%	+11.0%	+7.0%

<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 is the S&P/ASX Small Ordinaries Index (ex LPT)

## Sharemarket Commentary

Global sharemarkets continued their advance with the MSCI World Index returning +2.7% for August. All major sharemarkets were strong, buoyed by expectations that the global economic recovery would continue to benefit corporate profitability as the world reopens following the rollout of the COVID-19 vaccine. Sharemarkets took their lead from the US, with the S&P500 returning +3.0%, its seventh consecutive monthly advance, following a strong Q2 reporting season. Across the Atlantic, the mood was equally buoyant with sharemarkets cheering a recovery in travel and consumer spending, with Europe's Stoxx50 and the UK's FTSE 100 returning +2.6% and +2.1% respectively.

On the domestic front, the RBA held firm signalling its intent to step down its QE programme in September, which provided support to the AUD. Commodity prices were volatile during the month with the price of Australia's largest export, iron ore, falling -21%. Iron ore is now down -45% since its July high of US\$237/ tonne as investors become increasingly concerned about the trajectory of the Chinese economy, emissions-related production cuts and a pullback in Chinese steel mill production. Additionally, the oil, copper and gold prices were soft in August while coal and spodumene (the main output produced by Lithium miners) continued to gain.

The Australian sharemarket as measured by the ASX300 enjoyed another positive month returning +2.6%. The gains were led by the Industrials sector as FY21 reporting season hit full swing in August. Most companies have been buoyed in the last 12 months as accommodative fiscal and monetary stimulus helped the Australian and global economies recover strongly from the lockdown measures imposed. In aggregate, net profits rose over +30% from FY20 levels, although a great deal of this was due to the Resource sector thanks to very strong commodity prices. The majority of companies were reticent to provide much in terms of guidance for the year ahead given the uncertain outlook in Australia due to current lockdowns, as well as the volatile commodity outlook.

Across the Fund's ex-100 benchmark, sector performance was generally strong, apart from a softer performance by the small cap mining and energy sectors. The Packaging sector performed well as the share prices of stocks such as Pact and Pro-Pac Packaging benefited from the release of better-than-expected results and cash flows reflecting strong volumes and margins thanks, in part, to increasing demand for consumer goods. The Communication Services sector also had a strong month with media and advertising companies such as Southern Cross Media, oH! Media and HT&E releasing well-received FY21 results. Investors were encouraged by the quick rebound in these companies' respective advertising markets as well as the improvement in their balance sheets as they rapidly reduce their debt. Similarly, HiPages - Australia's leading online platform connecting consumers with tradies - released a strong result, which showed 34,000 tradies are now using the site which helped to push FY21 revenue well ahead of expectations. Additionally, cloud communications software provider MNF released a result at the top end of guidance, with strong growth in recurring revenue. The Financials sector had a good month buoyed by a positive set of results from Clearview Wealth, EQT and Steadfast. Similarly, within the Consumer Staples sector soft commodities producers were strong with the likes of Bega Cheese, Ridley Corp and Tassal all releasing solid FY21 results.

The **Investors Mutual Australian Smaller Companies Fund** enjoyed a very strong month returning +6.7%, which was well ahead of the benchmark's return of +4.6%. The Fund's gains were thanks to strong performances from many companies in the portfolio such as Pro-Pac Packaging, Clearview Wealth, Bega Cheese, MNF and Australian Clinical Labs which all had a good month following the release of FY21 earnings. Additionally, Ampol's proposed takeover of NZ's Z Energy benefited the Fund's performance. Over the month, we trimmed our holdings in stocks such as Events Hospitality, Select Harvest, and Metcash as these companies rallied. We used the proceeds top-up our holdings in Tassal Group and Bega Cheese which in our view are trading at attractive valuations. During the month we also participated in the IPO for Healthco Health and Wellness REIT, which, in our view, was attractively priced.

The Australian sharemarket continues to trade at close to 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. To this end we remain very comfortable with how the Fund is currently positioned.

## Level of Franking (%)\*

FY17	25.8%
FY18	31.5%
FY19	44.7%
FY20	71.2%
FY21	21.9%

\*As per IFSA Standard

## Monthly Movements

S&P 500	+3.0%
Euro Stoxx 50	+2.6%
Nikkei	+3.0%
ASX Small Ords EXLPT	+4.6%
AUD/USD	-0.6%
Gold	-0.6%
Oil	-4.4%
Iron Ore	-20.6%

## Fund information

APIR	IML0001AU
Inception	30 Jun 1998
Size	\$168 M
Application	\$1.9821
Redemption	\$1.9723
Cash	5.6%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

# Investors Mutual Australian Smaller Companies Fund

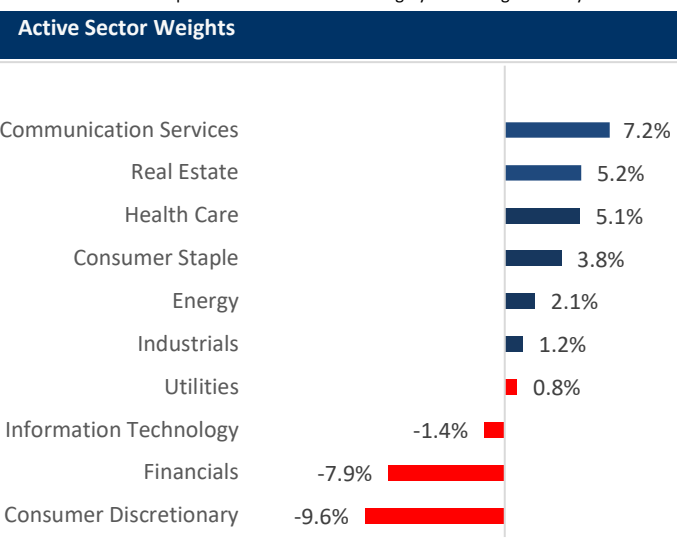


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Characteristics	Fund	Benchmark
Number of stocks	67	176
Portfolio Turnover*	48%	N/A
Annualised Tracking Error	10.92	N/A
Volatility (STD DEV) since inception	13.50	18.08
Portfolio Beta (since inception)	0.60	1.00

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

\*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



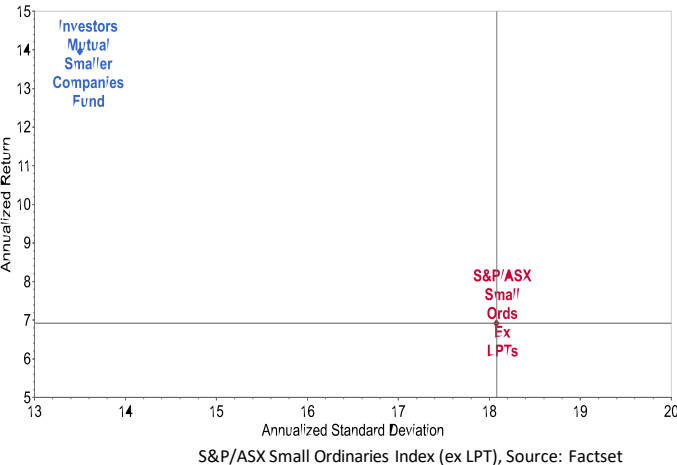
### Portfolio top holdings

Portfolio top holdings	ASX Code
Pact	PGH
Australian Pharmaceutical Industries	API
Pro-Pac	PPG
Skycity Entertainment	SKC
Readytech	RDY
SG Fleet	SGF
Z Energy	ZEL
Home Co	HMC
A2B	A2B
MNF	MNF

Source: IML

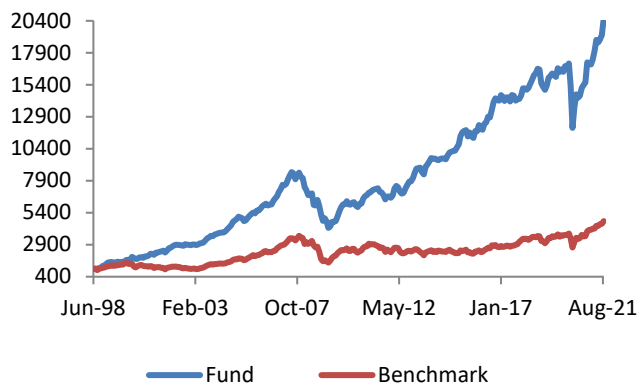
### Since Incept. Risk Return - Fund vs Benchmark\*

Since Inception Risk Return  
06/30/1998 to 08/31/2021. (M) Currency: AUD Portfolio: Investors Mutual Smaller Companies Fund Benchmark: S&P/ASX Small Ords Ex LPTs Multiple Statistics



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

Growth of \$1000 invested at Inception



S&P/ASX Small Ordinaries Index (ex LPT), Source: IML



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