

Investors Mutual Australian Smaller Companies Fund



Monthly report January 2021

Fund status: OPEN

- ▶ Global sharemarkets endured a fairly volatile month with speculative excesses becoming increasingly evident
- ▶ The Fund's ex-100 benchmark finished the month with a slightly positive return
- ▶ 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 [^]
Total Return*	-0.7%	+9.0%	-0.5%	+4.0%	+7.3%	+13.4%
Benchmark**	+0.2%	+14.0%	+7.7%	+6.5%	+11.8%	+6.4%

[^]% 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 Small Ordinaries Index (ex LPT)

Sharemarket Commentary

After starting the year in positive fashion, global sharemarkets came under pressure in the back half of January, and the MSCI World Index finished the month in negative territory. The US S&P500 Index retraced from record highs to finish -1.0% lower, while Europe's Stoxx50 Index shed -1.9% as bond yields around the world rose on expectations of higher economic activity and inflationary expectations as the COVID-19 vaccine rollout continued across the globe. Market sentiment was also affected as some high-profile short squeezes of US stocks such as GameStop and AMC Entertainment saw the share prices of these companies balloon after retail punters charged in *en masse*. This reminded investors about the speculative excesses currently abounding in many sections of the sharemarket as zero interest rates, Central Bank money printing via QE and huge fiscal stimulus programmes have encouraged excessive risk-taking by many market participants.

Commodity prices were mixed over the month. The oil price rebounded a further +7% following a surprise production cut from the Saudis, acting independently from OPEC, to help support the oil price amid faltering global demand. The iron ore price came under pressure following a near +40% rise in the final quarter of 2020, with increased supply coming online from Brazil, coupled with China's scrap steel market reopening. Gold also had a soft month falling -3%.

The Australian sharemarket as measured by the S&P/ASX300 Index suffered a similar fate to its global peers, selling off in the latter part of the month to finish January fairly flat. The Fund's ex-100 benchmark was also fairly flat for the month, gaining +0.2%. The Small Resources sector shed -1.9%, with many of the miners falling in sympathy with softness in the prices of iron ore and gold. In addition, despite the higher oil price, the Energy sector fell sharply in the back half of the month, to finish -8% lower. Within the Industrials segment, sector performances were mixed over the month. The Technology sector fell -3%, with many of the more speculative and concept stocks such as those in the payment solutions space sold off. Similarly, the Healthcare sector shed -2% as several more speculative names fell heavily, specifically 'med-tech' companies such as PolyNovo and Nanosonics. On the positive side of the ledger, the Consumer Discretionary sector rallied +2% over the month off the back of a solid trading update from Super Retail Group and positive sentiment surrounding Harvey Norman, which have continued to benefit from the current surge in consumer spending. The Consumer Staples sector also enjoyed a solid month, benefiting from robust share price performances from the soft commodity producers, in sympathy with more agreeable global food indices. In addition, Bega Cheese enjoyed a strong month, gaining +10% after investors reacted positively to the settlement of Bega's acquisition of Lion Dairy & Drinks.

The **Investors Mutual Australian Smaller Companies Fund** had a lacklustre month, shedding -0.7%, behind the benchmark's gain of +0.2%, as a few core stocks like Pact, Pro-Pac and API slipped over the month on low volumes. Over the month we took part profits in companies such as News Corp and NRW, using the proceeds to top up our holdings in good quality companies such as Healius and Hipages, while also initiating a new position in diversified materials company Brickworks.

Investors will now look to February reporting season to gain detailed insights into how most companies are faring in the current COVID-affected economy. The impact of the virus will reverse at some stage. The challenge is to understand the timing of when a normalisation may occur, and how this will affect the earnings of various companies, as some sectors have clearly benefited greatly at the expense of others. In light of the uncertain economic outlook going forward, we continue to focus on good quality companies which are well-managed and which we believe represent good value and can do well over the next 3 - 5 years.

Level of Franking (%)*

FY16	14.0%
FY17	25.8%
FY18	31.5%
FY19	44.7%
FY20	71.2%

*As per IFSA Standard

Monthly Movements

S&P 500	-1.0%
Euro Stoxx 50	-1.8%
Nikkei	+0.8%
ASX Small Ords EX LPT	+0.2%
AUD/USD	-0.6%
Gold	-1.3%
Oil	+7.9%
Iron Ore	-0.3%

Fund information

APIR	IML0001AU
Inception	30 Jun 1998
Size	\$159 M
Application	\$1.7491
Redemption	\$1.7403
Cash	6.3%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Manager	Simon Conn Marc Whittaker

Investors Mutual Australian Smaller Companies Fund

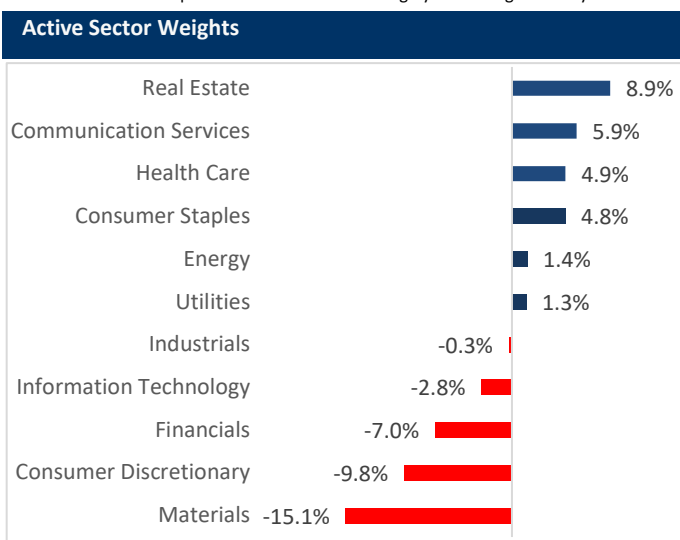


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Characteristics	Fund	Benchmark
Number of stocks	71	180
Portfolio Turnover*	44%	N/A
Annualised Tracking Error	11.02	N/A
Volatility (STD DEV) since inception	13.57	18.26
Portfolio Beta (since inception)	0.59	1.00

*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	Silver
Lonsec	Contact IML for the most recent rating
Zenith	Recommended



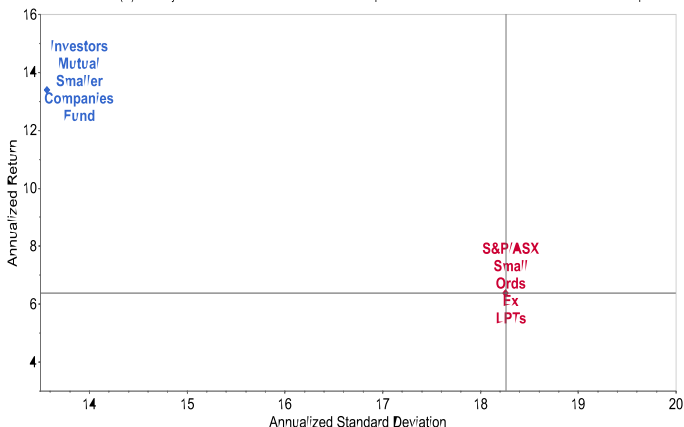
Portfolio top holdings

Portfolio top holdings	ASX Code
Pact Group	PGH
Skycity Entertainment	SKC
Australian Pharmaceutical Industries	API
Pro-Pac Packaging	PPG
Home Consortium	HMC
Bega Cheese	BGA
Event Hospitality and Entertainment	EVT
SG Fleet	SGF
A2B Australia	A2B
Southern Cross Media	SXL

Source: IML

Since Incept. Risk Return - Fund vs Benchmark*

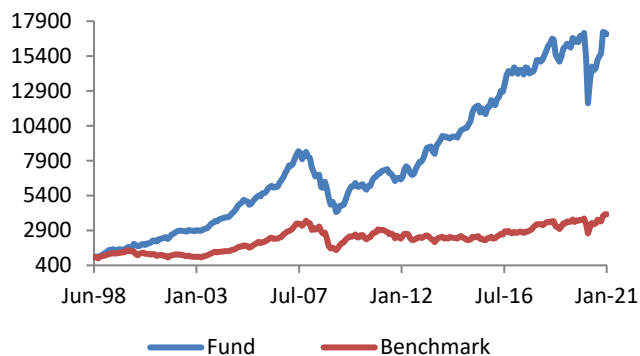
Since Inception Risk Return
06/30/1998 to 01/31/2021 (M) Currency: AUD Portfolio: Investors Mutual Smaller Companies Fund Benchmark: S&P/ASX Small Ords Ex LPT's Multiple Statistic



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

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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