

June 2022

The **Investors Mutual Australian Smaller Companies Fund** provides exposure to an actively managed portfolio of quality shares outside of the top 100 listed on the ASX. The Fund aims to provide attractive investment opportunities for investors seeking medium to long term capital growth with income.

	1 month	3 months	1 year	3 years [^]	5 Years [^]	10 years [^]	Since inception [^]
Total Return*	-10.3%	-15.5%	-10.7%	+1.8%	+3.0%	+9.4%	+12.5%
Benchmark**	-13.8%	-21.2%	-21.6%	-0.1%	+4.7%	+4.7%	+5.4%

[^]% 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 a reliable indicator 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 (excluding Property Trusts).

Fund Performance

- ▶ The **Smaller Companies Fund** had a challenging June quarter with its unit price declining -15.5% in a quarter where its benchmark fell by an even larger -21.2%. The correction in the last quarter meant the previous 9 months of gains for the Fund reversed and it finished FY 2022 returning -10.7%, which while very disappointing was significantly better than the benchmark's fall of -21.6%.
- ▶ Global markets had a tumultuous quarter as bond markets sold off heavily and Central Banks all over the world responded to rapidly rising inflation by raising their overnight interest rates. Other major global uncertainties weighing down markets – including the Ukraine-Russia war and the Covid restrictions in China – added further anxiety for investors.
- ▶ The ASX Small Ordinaries' heavy fall over the June quarter saw all sectors finish lower except for the Energy sector which eked out a small gain as the oil price traded over USD 100 a barrel. Particularly hard hit were the Information Technology and Materials sectors as investors heavily sold the more speculative stocks that had previously been in favour, as well as cyclicals more generally given growing uncertainty over the direction of the economy.
- ▶ Very few stocks escaped the broad-based sell off in small caps this quarter. Two which were among the hardest hit over the quarter were GUD, which reported a relatively small earnings downgrade due to supply chain disruption and delays in new vehicle supply, and Bega which fell heavily as investors grew concerned that higher input prices would impact margins in future. While disappointing, we continue to like the 3-5 year outlook for both these well managed, very profitable companies.
- ▶ The Fund's performance was helped by strong performances from Tassal (+33.4%) and Infomedia (+23.2%) over the quarter after both companies received takeover approaches. These approaches are just the latest of many over the last two years, highlighting the quality and attractive valuations of many companies held in the Fund. Tassal has so far had multiple takeover offers from Cooke Group, while over the quarter Infomedia had takeover approaches from three different buyers with two of these potential buyers entering the final detailed due diligence stage.

Outlook

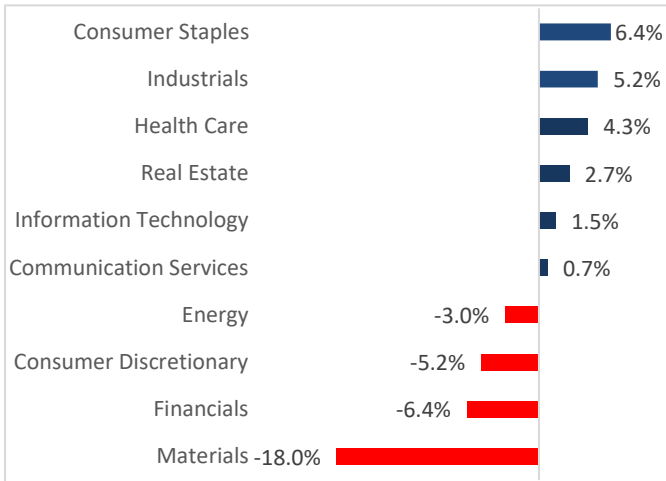
- ▶ Markets are likely to remain volatile and uncertain in the short term given growing concerns over high inflation and whether Central Banks can rein inflation in through tighter monetary policy without pushing the global economy into recession.
- ▶ The positive news for IML clients is that these market conditions have led investors to refocus on fundamentals, which suits our prudent investment style. Our portfolios have proved relatively resilient amid the recent market turmoil and we believe they are well positioned to do well in the medium to long-term as investors focus more on fundamentals.

Stocks in Focus

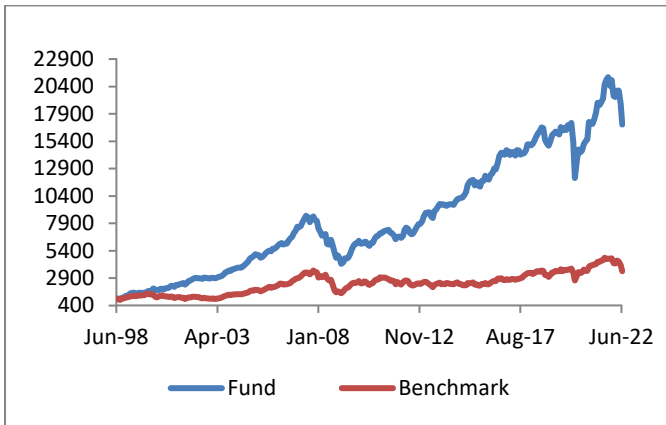
Tassal (TGR) had a very strong quarter, appreciating +33.4% after announcing multiple takeover offers from Canadian aquaculture player Cooke Group. Cooke is now a significant shareholder in the company. Tassal, which is based in Tasmania, has a very strong market position as the number one salmon producer in Australia. After investing heavily in its business over the past few years, TGR is now in a position to generate significant free cash flow. The company has also been successfully raising its prices as global demand for protein increases and salmon producers are set to benefit from this increased demand. Tassal's position as the largest salmon producer in Australia has been underpinned by Tasmania's announcement that no new fish leases will be permitted for at least the next 12 months.

Sky City (SKC) also did relatively well as its share price was relatively flat for the quarter in a quarter where the Small Ords fell by over -20%. The company's Auckland casino property has been materially impacted by Covid restrictions over the last 2 years but has bounced back after the NZ Govt announced an easing of Covid restrictions in March. The company released earnings guidance in mid-June which confirmed a stronger than expected recovery in Auckland gaming revenues and increased EBITDA guidance for financial year 2022 of NZ\$135m, which was significantly higher than expectations. SKC continues to look attractive on fundamentals, trading on a FY 2023 dividend yield of 5%, a PE multiple of 15 times and a free cash flow multiple of less than 10 times, given it has largely completed its significant capex programme.

Active Sector Weights



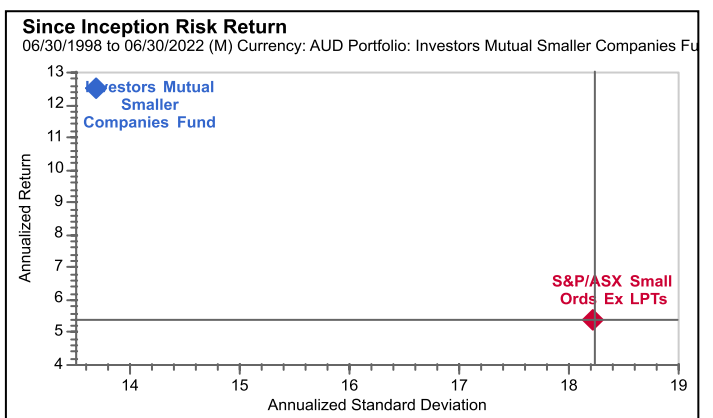
Growth of \$1,000 Invested at Inception



Top 10 Holdings

Company Name	ASX code
Tassal	TGR
Skycity	SKC
Ridley	RIC
Infomedia	IFM
A2B Australia	A2B
TPG Telecom	TPG
Pact Group	PGH
Clearview Wealth	CVW
SG Fleet	SGF
Codan	CDA

Fund Risk-Return vs Benchmark



Since inception: 30 June 1998: Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX Small Ordinaries Index (excluding Property Trusts); Source: IML,Factset

Fund Facts	
ARSN	093 182 471
APIR	IML0001AU
Inception	30 June 1998
Benchmark	S&P/ASX Small Ordinaries Index (excluding Property Trusts)
FUM	\$116 M
Investment Horizon	4-5 years
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/Redemption	A\$5,000
Distributions	Generally semi-annual
Performance Fee	Nil
Management Fee	0.993% p.a. of the net assets of the fund (includes GST)
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)

Portfolio Characteristics	Fund	Benchmark
No. of stocks	63	174
Portfolio turnover ¹	39%	NA
Portfolio Beta (since inception)	0.60	1.00

Franking level (%)²

FY22	FY21	FY20	FY19	FY18
13.5%	21.9%	71.2%	44.7%	31.5%

Fund Ratings

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

¹ 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

² As per FSC standard.



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