

# Investors Mutual Australian Smaller Companies Fund



Monthly Report April 2021

Fund status: OPEN

- ▶ Global sharemarkets enjoyed a strong month as ongoing stimulus measures continue to wash through the system
- ▶ The Fund's ex-100 benchmark enjoyed another strong month returning +5.2%, with strong performance across most sectors
- ▶ 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*	+4.9%	+11.3%	+39.2%	+6.9%	+8.7%	+13.7%
Benchmark**	+5.2%	+7.6%	+41.5%	+9.1%	+11.4%	+6.7%

<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 Small Ordinaries Index (ex LPT)

## Sharemarket Commentary

Global equity markets enjoyed another strong month, with the MSCI World Index returning +3.7%. The US S&P500 and the tech-heavy NASDAQ indices led the charge, both returning +5.3% and in so doing set new record highs throughout the month. Investors were emboldened following a streak of strong third quarter US company earnings reports, buoyed by record US household disposable income as a result of the passing of President Biden's American Rescue Plan, which included US\$1,400 stimulus payments to US households. Across the Atlantic, the mood was a little less sanguine, with Europe's Stoxx50 Index returning +1.9%, reflecting investors' concerns about the continent's slow rollout of the vaccination programme, which continues to impede economic recovery. The result of the significant amounts of stimulus supporting equity markets is increased inflationary expectations, with many companies across the globe reporting pricing pressures for inputs, which in turn are passing through to customers as price rises. Additionally, it was reported that US labour costs jumped the most in 14 years as companies boost production to cater to pent-up demand.

Commodity prices continued to benefit from resurging economic growth as a result of stimulus measures and continued COVID-induced supply constraints. The iron ore price jumped a further +13% in April and the copper price set new decade highs after it spiked a further +12% over the month. The oil price continued to consolidate around US\$60 a barrel, rising +6% over the month. The gold price enjoyed its first positive month of 2021, returning +5% as investors looked to gold as an inflationary hedge. The Australian sharemarket as measured by the S&P/ASX300 Index had a strong month, gaining +3.7% as it charges up towards its pre-pandemic high.

The Fund's ex-100 benchmark enjoyed an even stronger month, returning +5.2%. Unsurprisingly given the strength in commodity prices the Small Resources sector led the rise in the market gaining +9.5%, driven by gold and lithium miners. The Industrials segment had a more subdued, albeit solid month rising +4%. Within the Industrials sector, Financials gained +7% off the back of buoyant financial markets and robust performances from investment platform providers Netwealth and Hub24, as well as the listed funds management businesses. Insurance broker Steadfast also provided a strong 3Q 2021 trading update with year-to-date EBITA up +21%. Communication Services was strong, returning +4% including online tradie portal Hipages which saw its upgraded full year recurring revenue guidance well-received by investors, sending the share price +21% higher over the month. Similarly, Voice over Internet Protocol (VoIP) specialist MNF gained another +12% following March's strong bounce as the company continues to benefit from the significant increase in teleconferencing and online business meetings. The Technology sector rebounded strongly over April, jumping +10%, taking its lead from the NASDAQ and driven by gains in companies such as Megaport and EML Payments. On the negative side of the ledger, the Consumer Staples sector fell -1% as China-exposed stocks such as Blackmores and Bubs softened following a negative update from Blackmores. Positively, United Malt rallied on the anticipated increased demand for beer – and in turn malt – as pubs and restaurants in the US reopen progressively.

The **Investors Mutual Australian Smaller Companies Fund** had a solid month, gaining +4.9%, although just shy of the benchmark's strong return of +5.2%. Encouragingly our holdings in good quality companies such as Hipages, Home Consortium, United Malt, MNF, Event Hospitality & Entertainment, SeaLink and Steadfast all enjoyed a strong month. We trimmed our holdings in Harvey Norman, Healius and Metcash over the month following strength in their respective share prices. We used the proceeds to top up on good quality companies such as API and Brickworks and participated in the entitlement issue by SG Fleet which was used to fund the accretive acquisition of LeasePlan.

Sharemarkets around the world, including Australia's, continue to remain well supported as economic growth continues to rebound from COVID lows while central banks continue to hold interest rates at record low levels, despite increasing signs of rising inflationary expectations. Having said this, there are some clear signs of imbalances in some parts of the economy as well as several speculative excesses appearing in parts of the sharemarket. We continue to focus on good quality companies which are well-managed and whose valuation remains justifiable and which we believe 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	+5.3%
Euro Stoxx 50	+1.9%
Nikkei	-1.3%
ASX Small Ords EXLPT	+5.2%
AUD/USD	+1.4%
Gold	+4.5%
Oil	+5.8%
Iron Ore	+13.3%

## Fund information

APIR	IML0001AU
Inception	30 Jun 1998
Size	\$166 M
Application	\$1.9470
Redemption	\$1.9372
Cash	5.3%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Manager	Simon Conn Marc Whittaker

# Investors Mutual Australian Smaller Companies Fund

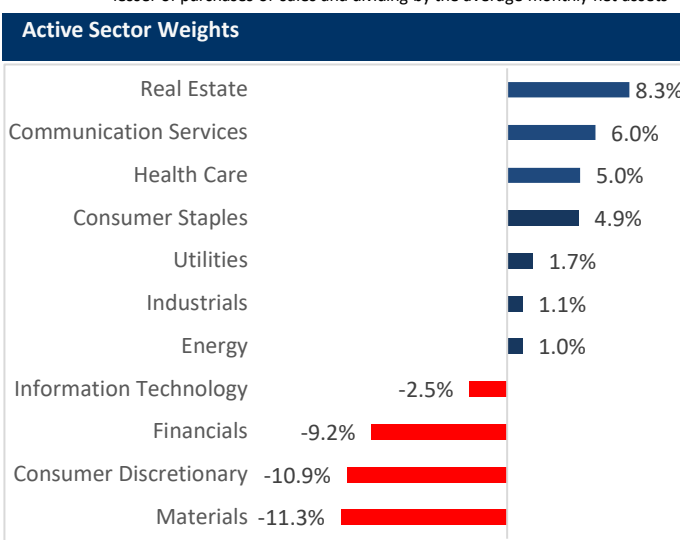


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Characteristics	Fund	Benchmark
Number of stocks	69	177
Portfolio Turnover*	48%	N/A
Annualised Tracking Error	10.98	N/A
Volatility (STD DEV) since inception	13.54	18.18
Portfolio Beta (since inception)	0.59	1.00

\*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

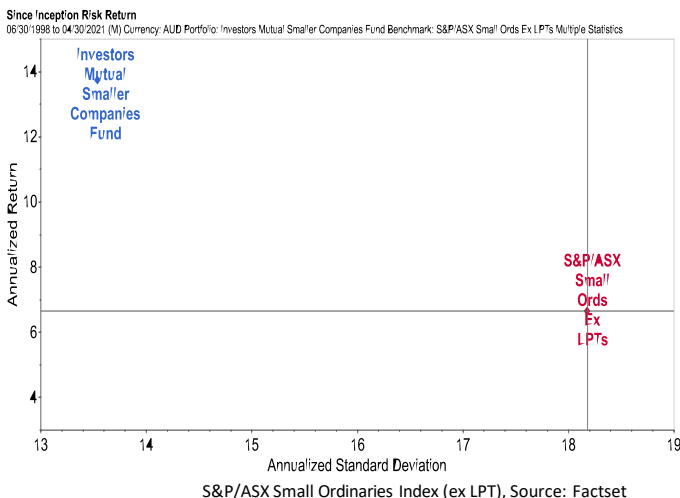


### Portfolio top holdings

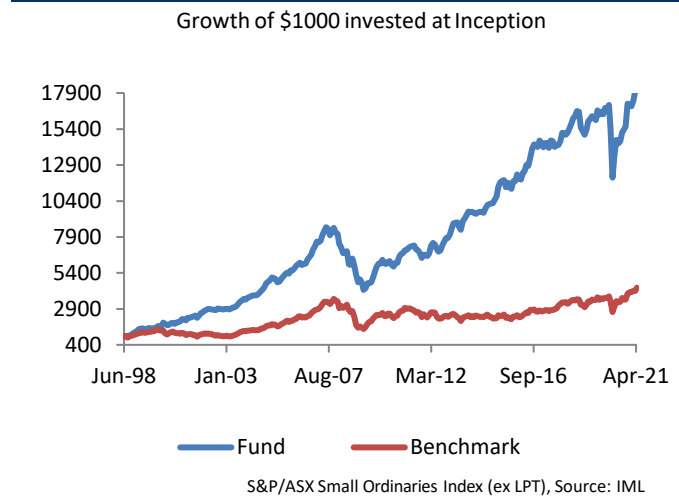
Portfolio top holdings	ASX Code
Pact	PGH
SG Fleet	SGF
Skycity Entertainment	SKC
Pro-Pac Packaging	PPG
Event Hospitality and Entertainment	EVT
Australian Pharmaceutical Industries	API
Home Consortium	HMC
A2B Australia	A2B
Metcash	MTS
Bega Cheese	BGA

Source: IML

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



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



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