

# Investors Mutual Australian Smaller Companies Fund



Monthly Report May 2021

Fund status: OPEN

- ▶ Global sharemarkets enjoyed a solid month as stimulus measures and vaccination programmes underpin the recovery
- ▶ The Fund's ex-100 benchmark finished the month flat, despite a strong performance from the resources sector
- ▶ 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*	-1.0%	+7.9%	+27.7%	+5.8%	+7.7%	+13.6%
Benchmark**	-0.0%	+5.4%	+27.2%	+7.7%	+10.5%	+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 is the S&P/ASX Small Ordinaries Index (ex LPT)

## Sharemarket Commentary

Global equity markets finished their fourth consecutive month higher, with the MSCI World Index returning +1.1% as ongoing confidence in the global economic recovery grows as vaccination programmes accelerate. While the US S&P500 Index held on to its gains for the month, returning +0.7%, the tech-heavy NASDAQ Index came under increasing pressure, shedding -1.4% as investors' inflationary concerns and the prospect of higher bond yields weighed on fully-priced tech valuations. Indeed, US inflation accelerated at its fastest annual pace in over a decade as the economic recovery kicked into gear. Across the Atlantic the mood was similarly positive as economies emerge from lockdowns in time for the summer tourism season, with European bourses enjoying a solid month, the EuroStoxx50 Index returning +2.3%.

Domestically, the mood remained upbeat following the release of the Federal Budget, with government fiscal largesse continuing to aid the post-COVID recovery. Commodity prices were strong through the month, with the iron ore price gaining +7.8% and holding its level above US\$200 per tonne despite Chinese overtures about punishing "excessive speculation" in commodity markets. The oil price gained a further +3% as stockpiles built up during the pandemic continue to run down as economies reopen. Increasing inflationary concerns courtesy of the magnitude of economic stimulus and continued low interest rates also helped the gold price gain +7.5% for the month, to finish above US\$1,900 an ounce.

The Australian sharemarket, as measured by the S&P/ASX300 Index, pushed through to record highs, returning +2.3%, courtesy of the feel-good factor from the 'big-spending' budget, higher commodity prices and positive offshore markets.

The Fund's ex-100 benchmark had a flat month, returning 0.0%. The Small Resources sector led the gains over the month, offsetting general weakness in the industrial segment of the market. The Small Resources sector gained +4% thanks to the gold mining sector rallying strongly on higher gold prices, in addition to the Energy sector on buoyant oil prices. Within the Industrials segment the mood was muted, down -1.1%. The Financials sector gained +1.4%, supported by the listed fund managers, along with IOOF which gained +8% following the announcement that IOOF had completed its takeover of MLC. On the negative side of the ledger, the Technology sector was under pressure, falling -5%, with the share prices of companies such as EML Payments, Nearmap and recent IPO Nuix all falling considerably on stock-specific issues. Similarly, the Healthcare sector shed -1% as many loftily valued 'medtech' names such as PolyNovo and Nanosonics sold off in tandem with their tech counterparts. The Consumer Staples sector also endured a challenging month falling -4% as Costa fell -27% after a weak 1H trading update, citing labour cost inflation and inclement weather affecting its South Australian citrus business. Additionally, embattled baby formula producers Bubs and Synlait endured another tough month, in tandem with A2 Milk, which faces ongoing challenges in its Chinese daigou sales channels.

The **Investors Mutual Australian Smaller Companies Fund** had a lacklustre month, shedding -1.0%. Our caution to the speculative Technology sector held the portfolio in good stead while our caution to many of the small resources companies held back our relative performance.

Our holdings in Regis Healthcare, MNF and Infomedia all had a negative month and detracted from performance although we maintain our confidence in the long-term outlook for these companies. On the other hand, our holdings in good quality companies such as Integral Diagnostics and HomeCo contributed positively to the portfolio's performance. Over the month we trimmed our holdings in stocks such as Event Hospitality & Entertainment, Healius and Sealink Travel Group into strength following a rally in their respective share prices. We used the proceeds to top up on good quality companies such as Australian Pharmaceutical Industries, Brickworks, Infomedia, and Z Energy, all of which based on our analysis are significantly undervalued.

Sharemarkets around the world, including Australia's, remain well-supported as economic growth continues to rebound from COVID lows and central banks continue to hold interest rates at record low levels, despite increasing signs of rising inflationary expectations. The Australian sharemarket is now trading at 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 focus on good quality companies which are well-managed, where valuations remain justifiable and which we firmly 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	+0.7%
Euro Stoxx 50	+2.3%
Nikkei	+0.2%
ASX Small Ords EXLPT	-0.0%
AUD/USD	+0.2%
Gold	+7.5%
Oil	+3.1%
Iron Ore	+7.8%

## Fund information

APIR	IML0001AU
Inception	30 Jun 1998
Size	\$163 M
Application	\$1.9269
Redemption	\$1.9173
Cash	4.9%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

# Investors Mutual Australian Smaller Companies Fund



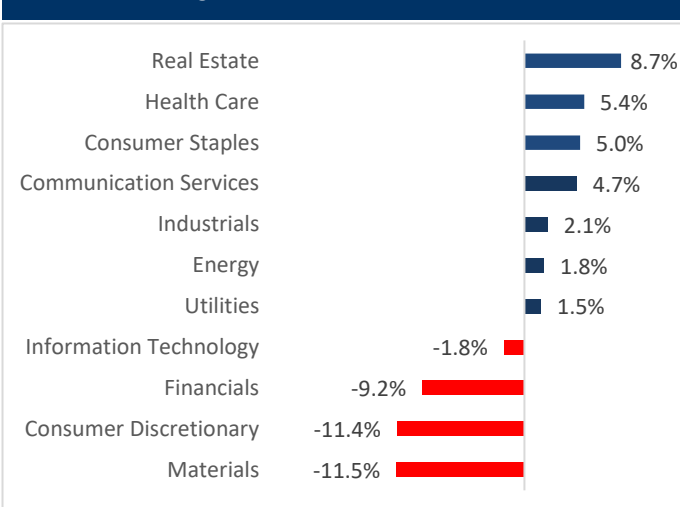
Monthly Report May 2021

Characteristics	Fund	Benchmark
Number of stocks	69	176
Portfolio Turnover*	48%	N/A
Annualised Tracking Error	10.97	N/A
Volatility (STD DEV) since inception	13.52	18.15
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

## Active Sector Weights



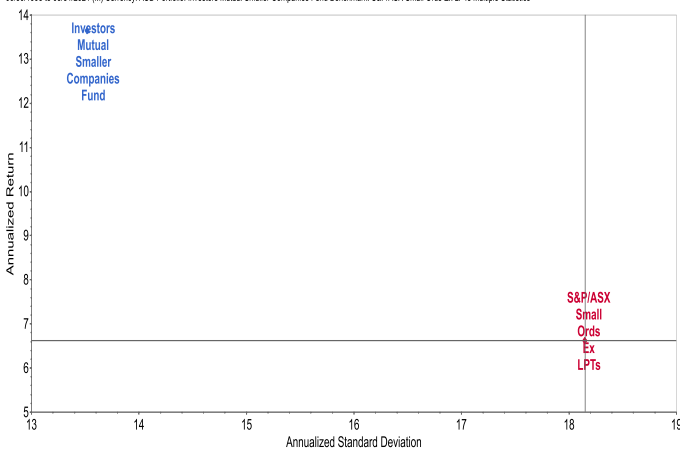
## Portfolio top holdings

Portfolio top holdings	ASX Code
Pact	PGH
SG Fleet	SGF
SkyCity	SKC
Pro-Pac Packaging	PPG
Australian Pharmaceutical Industries	API
A2B	A2B
Metcash	MTS
Event Hospitality & Entertainment	EVT
Integral Diagnostics	IDX
Bega Cheese	BGA

Source: IML

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

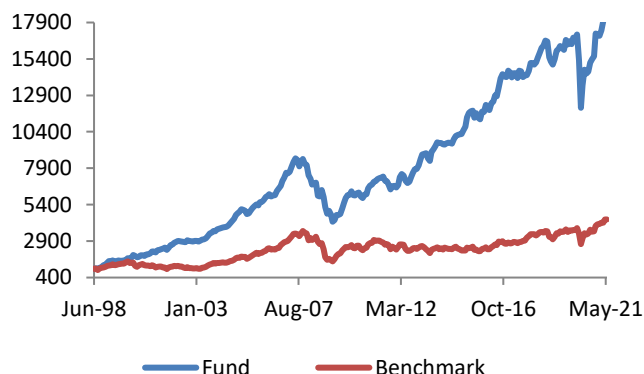
Since Inception Risk Return  
06/30/1998 to 05/31/2021 (M) Currency: AUD Portfolio: Investors Mutual Smaller Companies Fund Benchmark: S&P/ASX Small Ords Ex LPTs Multiple Statistics



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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