

Investors Mutual Australian Smaller Companies Fund



Monthly Report July 2021

Fund status: OPEN

- ▶ Global sharemarkets were mixed over the month with strong US Q2 earnings offsetting Chinese regulatory clampdowns
- ▶ The Fund's ex-100 benchmark endured a bifurcated month - industrials were lacklustre, whilst resources were strong
- ▶ 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*	+1.9%	+2.1%	+32.8%	+5.8%	+7.5%	+13.7%
Benchmark**	+0.7%	+3.6%	+33.0%	+9.2%	+9.7%	+6.8%

[^]% 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 to be well supported in July with the MSCI World index returning +0.7%. US sharemarkets again traded at record highs thanks to the release of strong Q2 earnings, continued low interest rates and increased corporate deal making. US consumer data also highlighted that many cashed-up Americans spent with abandon in the June quarter as vaccination rates increased and lockdown restrictions eased. The US S&P500 index returned +2.4% for the month. Across the Atlantic the Stoxx50 index rose +0.8%, bolstered by strong EU economic data releases and as COVID-19 restrictions continue to ease.

It was a different story across the Emerging Markets landscape which slipped -6% for the month. The delta variant continues to impact countries with low vaccination rates, as government-enforced lockdowns and travel restrictions cast a pall of uncertainty over future growth. Additionally, China's regulatory clampdown weighed on its local bourse, with the MSCI China index shedding -14%, the largest monthly decline in nearly a decade. Fears of regulatory tightening intensified with investors fretting over the Chinese Government's ability to burden companies with new rules and regulations.

Despite the strong US economic recovery, US 10-year bond prices continued to rally with the yield falling -0.25% to 1.2%, having reached 1.75% back in April, as investors become wary of increased inflationary pressures. Similarly, the Australian 10-year bond yield fell -0.35% to 1.2%. In commodity markets, the iron ore price slid -9% after China recommitted to reducing emissions by cutting steel production. The oil price edged +2% higher despite OPEC's talks deteriorating early in the month. Copper continued its ascent +4% higher on the electrification of the economy thematic, whilst the gold price rose +4% amidst safe haven buying. The Australian sharemarket, as measured by the ASX300, returned +1.1% in July. This was led by the Resources sector which jumped +6.5% as many investors continued to seek cyclical exposure, despite the heavy pullback in the iron ore price.

The Fund's ex-100 benchmark returned +0.7%, led primarily by the Small Resources sector which jumped +7%, with base metals and lithium miners leading the charge, whilst the coal miners drove the Energy sector +6% higher. Additionally, the mining services companies were well supported in sympathy with their resource peers. The Industrial segment of the market proved lacklustre as the Financials, Healthcare and Technology sectors all recorded negative returns. Weighing on the Healthcare sector was Polynovo's -20% pullback following the release of its lower-than-expected US sales numbers. Strength within the Industrials segment of the market came from ongoing corporate deal making. Australian Pharmaceutical Industries (API) rose +26% following a conditional takeover approach from Wesfarmers, with Wesfarmers having secured an option over 19.3% of the company from a major shareholder. API holds an attractive suite of assets in the health sector, including the Priceline Pharmacy network. Currently trading at a discounted valuation, the company is clearly now in play. HomeCo also had a good month, rising +10%, following news that the company had successfully underwritten the funds required to list the HealthCo Health & Wellness REIT.

The *Investors Mutual Australian Smaller Companies Fund* had a strong month returning +1.9%, which was ahead of the benchmark's return. The Fund had positive contributions from many good quality companies in the portfolio such as API (under takeover), HomeCo, Select Harvest, A2B, Australian Clinical Labs, Myer and Z Energy all contributed to returns over the month. At its investor day in July, Z-Energy showed strong cashflows to support a sustainable dividend and a clear path to growth through the closure of its New Zealand refinery and growth in its convenience retail business. Over the month, we trimmed our holdings and took some profits in stocks such as Metcash and Brickworks while deploying the proceeds to top up positions in good quality companies such as Australian Clinical Labs and United Malt which, in our view, are trading at very compelling valuations.

Investors will now look to the August reporting season to gain a detailed insight into how most companies are faring in the current COVID situation. The Australian sharemarket continues to trade 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 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.

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	+2.4%
Euro Stoxx 50	+0.8%
Nikkei	-5.2%
ASX Small Ords EXLPT	+0.7%
AUD/USD	-2.1%
Gold	+3.6%
Oil	+1.6%
Iron Ore	-8.6%

Fund information	
APIR	IML0001AU
Inception	30 Jun 1998
Size	\$159 M
Application	\$1.8573
Redemption	\$1.8481
Cash	4.8%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

Investors Mutual Australian Smaller Companies Fund

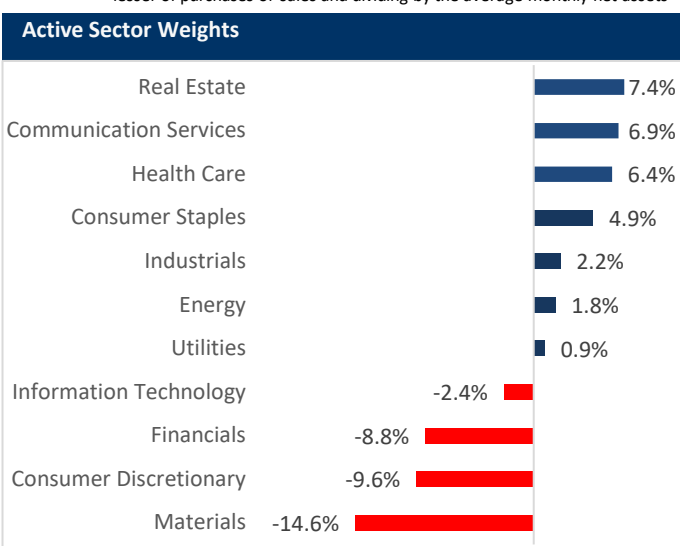


Monthly Report July 2021

Characteristics	Fund	Benchmark
Number of stocks	69	176
Portfolio Turnover*	48%	N/A
Annualised Tracking Error	10.94	N/A
Volatility (STD DEV) since inception	13.47	18.09
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



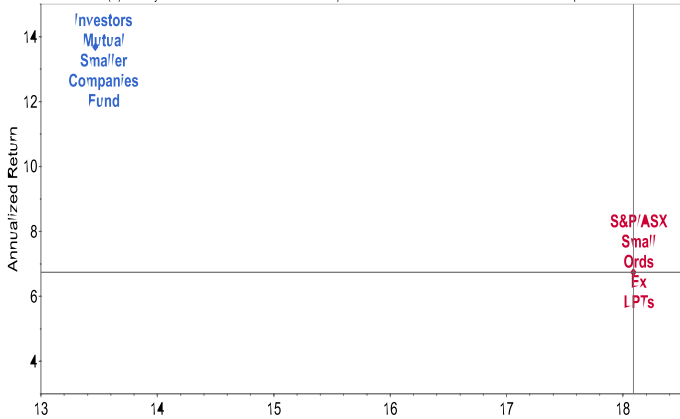
Portfolio top holdings

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

Source: IML

Since Incept. Risk Return - Fund vs Benchmark*

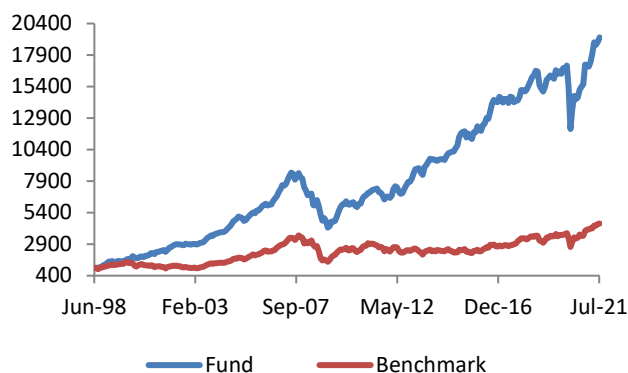
Since Inception Risk Return
06/30/1998 to 07/31/2021 (M) Currency: AUD Portfolio: Investors Mutual Smaller Companies Fund Benchmark: S&P/ASX Small Ords Ex LPTs Multiple Statistics



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



iml.com.au 1300 551 132 iml@iml.com.au

Disclaimer: While the information contained in this report has been prepared with all reasonable care, Investors Mutual Limited accepts no responsibility or liability for any errors or omissions or misstatements however caused. This is general securities information only and is not intended to constitute a securities recommendation. This information does not account for your investment objectives, particular needs or financial situation. Past performance is not indicative of future performance. Investors Mutual Limited (AFSL 229988) is the issuer of the Investors Mutual Australian Smaller Companies Fund. Applications can only be made by reference to the current Product Disclosure Statement or through IDPS products that include these Funds. The Product Disclosure Statement can be obtained by contacting Investors Mutual or at <http://www.iml.com.au/how-to-invest/pds-and-forms>. Potential investors should consider the Product Disclosure Statement before deciding whether to invest, or continue to invest in the Fund.