

# Investors Mutual Australian Smaller Companies Fund



Monthly Report November 2021

Fund status: OPEN

- ▶ Global sharemarkets finished lower as the emergence of a new Covid variant affected market sentiment
- ▶ The Fund's ex-100 benchmark had a mixed month finishing -0.2% lower
- ▶ We continue to use volatility to top up on 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*	-3.6%	-0.6%	+19.4%	+10.4%	+7.7%	+13.8%
Benchmark**	-0.2%	-1.6%	+18.3%	+13.7%	+11.5%	+6.8%

<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 endured a volatile end to the month, with the MSCI World index finishing November -1.6% lower. Investors were concerned that the emergence of a new Covid variant, Omicron, could derail the global economic recovery as several Governments around the world responded with new travel restrictions. News that the US Federal Reserve could start removing its stimulus programmes earlier than previously expected also weighed on equity markets. Fed Chairman Powell told lawmakers it is time to drop the word 'transitory' as inflation becomes more persistent. The US S&P500 index slid -0.7% for the month, masking the -4% fall in the final week of November, whilst Europe's Stoxx 50 index and Japan's Nikkei fell -4.3% and -3.7% respectively.

Commodity markets felt the brunt of uncertainty surrounding Omicron, particularly the price of oil which fell -16% as concerns intensified as to how Governments would react to the new variant. The price of iron ore slid -7%, whilst copper, often a bell weather for global manufacturing activity, fell -4%.

After several months of very strong returns, the Fund's ex-100 benchmark endured a volatile month, finishing -0.2% lower, just ahead of the broader ASX300 index which was down -0.5%. Sector performance was mixed, with the Energy sector falling -6% in sympathy with the softer oil price. Despite lower prices for many base metals, the small cap Materials sector continued to rally fuelled by strength in the spodumene price and general enthusiasm for anything related to the EV theme. The industrials segment of the market was fairly flat for the month, as several companies warned of the increased costs due to the disruptions caused by the ongoing impact of Covid-related movement restrictions, including increased supply chain costs and higher raw material costs. The Technology sector was up +6%, despite a sell off at the end of the month in line with the global tech sector. Financials shed -3% with the BNPL provider Zip falling -20% and the fund managers, which were weaker in sympathy with the broader market.

The *Investors Mutual Australian Smaller Companies Fund* had a disappointing month shedding -3.6% behind the benchmark's return of -0.2%. The Fund's limited exposure to the Resources and Technology sectors held back relative returns, however we remain very comfortable with this positioning given the inherent volatility in these sectors. The Fund's performance was impacted by weakness in its holdings in packaging stocks Pact Group and ProPac which both fell after both companies confirmed that this year's results would be negatively impacted by higher input and shipping costs. While these factors will hurt first half FY22 profits, margins should recover in the second half as price increases to mitigate these higher costs take effect and we remain comfortable with both stocks given their strong positioning in their respective segments. On the positive side, the Fund's holding in United Malt had a solid month after delivering its FY21 result in line with guidance and an improving outlook with brewery volumes recovering as lockdowns end.

We took advantage of strong share price performances of companies such as Event Hospitality and Incitec Pivot to take part profits, while using the proceeds to top up our holdings in Pact and Codan on weakness as both companies look very good value at current levels.

In the short-term, investors continue to cast a wary eye over the possibility of new restrictions being imposed by Governments as the new Covid variant continues to grab the media's attention. However, as we head toward 2022, we believe sharemarkets will be primarily influenced by the direction of interest rates as central banks continue to mull over whether current inflationary trends are transitory or becoming embedded. As such, we continue to steer away from the riskier parts of the sharemarket and remain focused on identifying and holding what we assess to be good quality companies, that we believe are well managed, which offer sound value, and which 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	-0.7%
Euro Stoxx 50	-4.3%
Nikkei	-3.7%
ASX Small Ords EXLPT	-0.2%
AUD/USD	-5.6%
Gold	+2.0%
Oil	-16.4%
Iron Ore	-7.0%

## Fund information

APIR	IML0001AU
Inception	30 Jun 1998
Size	\$146 M
Application	\$1.9705
Redemption	\$1.9607
Cash	2.9%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

# Investors Mutual Australian Smaller Companies Fund

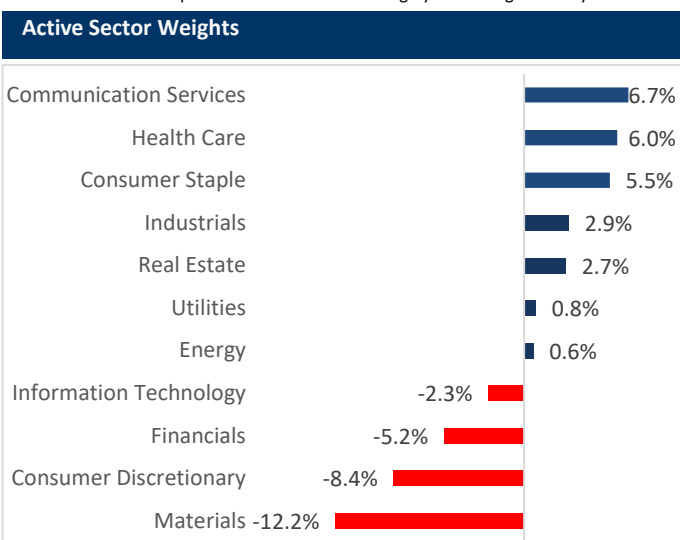


Monthly Report November 2021

Characteristics	Fund	Benchmark
Number of stocks	66	176
Portfolio Turnover*	45%	N/A
Annualised Tracking Error	10.92	N/A
Volatility (STD DEV) since inception	13.46	17.99
Portfolio Beta (since inception)	0.60	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



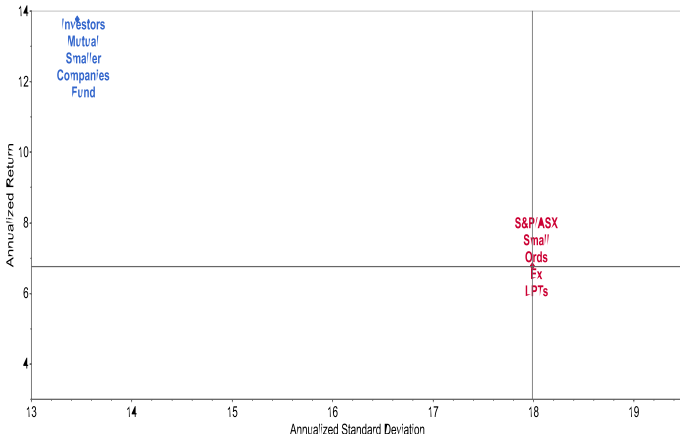
### Portfolio top holdings

Portfolio top holdings	ASX Code
Australian Pharmaceutical Industries	API
Pro-Pac Packaging	PPGDA
A2B Australia	A2B
Clearview Wealth	CVW
Bega	BGA
Skycity	SKC
Z Energy	ZEL
Pact	PGH
TPG	TPG
SG Fleet	SGF

Source: IML

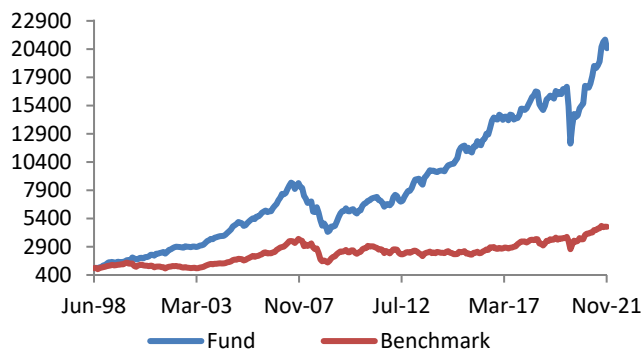
### Since Incept. Risk Return - Fund vs Benchmark\*

Since Inception Risk Return  
06/30/1998 to 11/30/2021 (M) Currency: AUD Portfolio: Investors Mutual Smaller Companies Fund Benchmark: S&P/ASX Small Ords Ex LPTs Multiple Statistics



### 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](http://iml.com.au) 1300 551 132 [iml@iml.com.au](mailto: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.