

# CONCENTRATED AUSTRALIAN SHARE FUND

## QUARTERLY REPORT



31 MARCH 2024

The **Investors Mutual Concentrated Australian Share Fund** ('Fund') provides exposure to an actively managed concentrated portfolio of quality Australian shares listed on the ASX. The Fund aims to provide attractive investment opportunities for investors seeking medium-to-long-term capital growth with income.

- Investors Mutual Concentrated Australian Share Fund is the unquoted class of units
- Investors Mutual Concentrated Australian Share Fund (Quoted Managed Fund) is the quoted class of units (ASX:IMLC)

TOTAL RETURN <sup>1</sup>	1 MONTH	3 MONTH	1 YEAR	3 YEARS <sup>A</sup>	5 YEARS <sup>A</sup>	10 YEARS <sup>A</sup>	SINCE INCEPTION <sup>A,2</sup>
Concentrated Australian Share Fund	+3.1%	+4.9%	+5.8%	+7.3%	+4.9%	+7.7%	+9.1%
Benchmark <sup>3</sup>	+3.3%	+5.4%	+14.4%	+9.4%	+9.2%	+8.3%	+8.8%
Quoted Managed Fund (IMLC)	+3.0%	+4.9%					+4.2%
Benchmark <sup>3</sup>	+3.3%	+5.4%					+10.1%

<sup>A</sup>% Performance per annum. <sup>1</sup>Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

<sup>2</sup>Since inception returns from 1 September 2010 for unquoted units and from 1 August 2023 for quoted units

<sup>3</sup>The benchmark for this Fund is the S&P/ASX 300 Accumulation Index (ASX300)

### Past performance is not a reliable indicator of future performance.

Concentrated Australian Share Fund performance is the performance of the unquoted class of units and may be a useful reference point for the newer quoted class of units in the Fund. However, you should be aware that the quoted class of units in the Fund has limited performance history. The past performance for the unquoted class of units in the Concentrated Australian Share Fund is NOT the past performance of the Quoted Managed Fund. There is no guarantee that the investment objective will be realised or that the Fund will generate positive or excess return.

### FUND PERFORMANCE

- The **Concentrated Australian Share Fund** gained +4.9% for the quarter, slightly behind its benchmark's strong gain of +5.4%.
- Global markets continued rising in the first quarter of 2024. Optimism abounds, attributable to expected global rate cuts, AI excitement, and a belief that government policies will revive activity in China. The number of expected rate cuts in 2024 have reduced from 6 to 2.5 as inflation is proving sticky, but this did not impact sentiment. The Japanese Nikkei soared +21.5% for the quarter, helped by its technology and semiconductor components. The Bank of Japan raised interest rates for the first time in 17 years, signalling an end to persistent deflation. The MSCI World and S&P500 indices were also strong, as was Europe, all up 10-13%.
- Australian markets performed well but lagged their global peers. The ASX 300 was up +5.4% with growth-oriented sectors performing well as investors showed a willingness to take on more risk in the anticipation of future rate cuts. Technology was strongest, up +23.6%, with Consumer Discretionary, Financials and Real Estate all up more than +10%. Materials dropped -6.3%, driven by falls in iron ore miners as the iron ore price fell -28.4% over the quarter.
- Many of the fund's key holdings were up significantly over the quarter including Suncorp, Brambles, Metcash, Orica, The Lottery Corporation and SkyCity. Other key holdings CSL, Telstra and Steadfast were broadly flat, despite reporting strong results, with increased profits, in February's reporting season. Sonic Healthcare was down -7.0% for the quarter after it downgraded its earnings outlook as Covid revenues declined faster than anticipated. Ex-Covid revenues, Sonic's business is growing strongly and winning market share across its key markets and we believe it's well-placed for long-term future growth, so we used this opportunity to increase our holding.
- We trimmed our position in NewsCorp as it gained in value and added to Sonic Healthcare and Tabcorp on weakness.

### STOCKS IN FOCUS

- Orica (ORI)**, the leading global explosives company, was up +14.6% for the quarter following a positive trading update and the acquisition of a leading sodium cyanide manufacturer, Cyanco for US \$640m. To partly fund the acquisition Orica raised A\$400m in a discounted raising, in which IML participated. Cyanco complements Orica's existing sodium cyanide business and makes it the clear global leader, with significant synergies to be derived from combining these businesses.
- Nine Entertainment (NEC)**, Australia's largest diversified media company, dropped -13.4% after ongoing weakness in advertising markets. While advertising is at a cyclical low, it continues to grow subscription and digital revenues and with its scale advantages is well placed to benefit when ad spend rebounds. It is attractively priced on 12x FY25 PE.
- Brambles (BXB)**, the world's largest pooled pallet provider, was up +20.5% after reporting a strong result in February, with profits up 18%. The result demonstrated Brambles' pricing power and cost control, which importantly didn't come at the expense of lower volume or market share. Brambles also commented that the key US market, where it makes half its profits, is remaining rational which is positive for the outlook of Brambles' profit margins.

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### OUTLOOK

- While inflation is falling in most developed markets, we expect markets to remain volatile and trading conditions to continue to be difficult for many businesses in 2024. Services inflation is proving persistent, with new labour laws leading to large wage increases, delaying RBA rate cuts.
- We remain confident in the longer-term prospects for the companies in the Fund, believing they are well positioned for the future, particularly if any of the present market risks eventuate.

### FUND FACTS

CONCENTRATED AUSTRALIAN SHARE FUND	
ARSN	145 759 879
Benchmark	S&P/ASX 300 Accumulation Index
Investment Horizon	4-5 years
FUM	\$ 237M
Distributions	Generally semi-annual
Management Fee	0.993% p.a. of the net assets of the fund (includes net effect of GST)
Performance Fee	10.25% (includes net effect of GST) of investment returns made in excess of 2% above the Benchmark.
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)
APIR	IML0010AU
Inception	1 September 2010
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/ Redemption	A\$5,000
QUOTED MANAGED FUND	
APIR	IML1283AU
ASX ticker	IMLC
Inception	1 August 2023

PORTFOLIO CHARACTERISTICS	FUND	BENCHMARK	FRANKING LEVEL (%) <sup>2</sup>				
No. of stocks	25	300	FY23	FY22	FY21	FY20	FY19
Portfolio turnover <sup>1</sup>	6%	NA	89.7	84.9	79.7	54.5	31.4
Portfolio Beta (since inception)	0.64	1.00					

<sup>1</sup>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.

<sup>2</sup>As per FSC standard.

### FUND RATINGS\*

Morningstar	Gold
Zenith	Recommended
Lonsec	Recommended *Visit <a href="https://lonsec.com.au/logo-disclosure">lonsec.com.au/logo-disclosure</a> for important information about this rating

\*Current ratings apply to the managed fund only, not the quoted fund

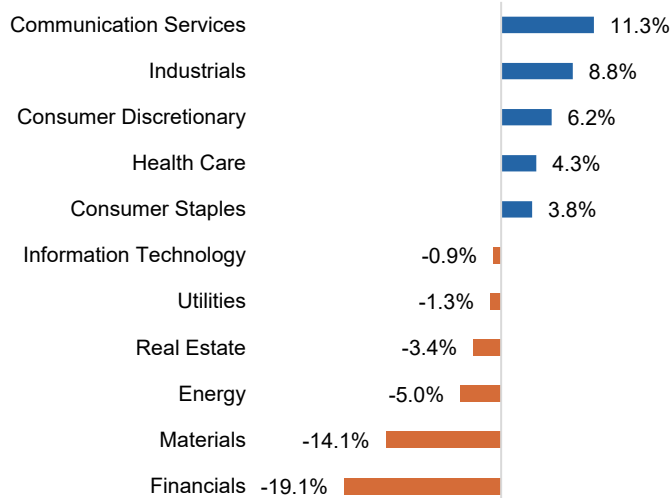
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### PORTFOLIO DATA

#### ACTIVE SECTOR WEIGHTS

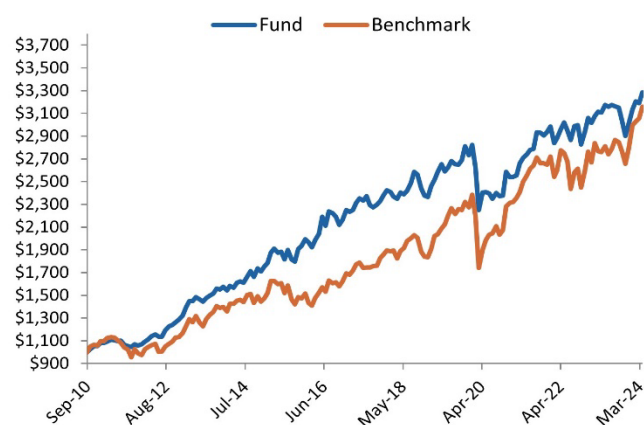


#### TOP 10 HOLDINGS

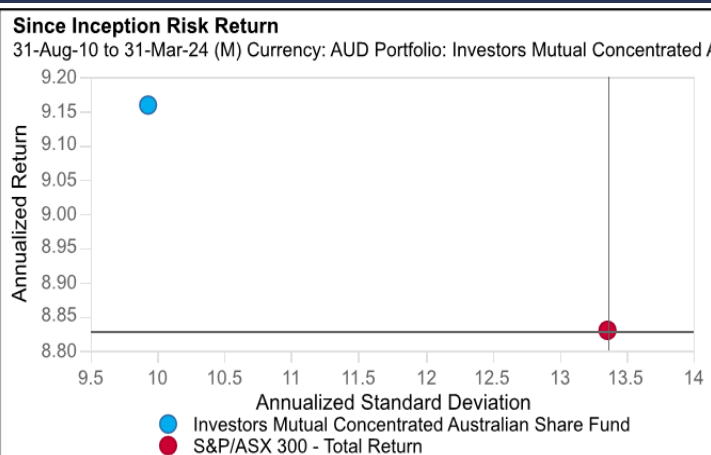
#### ASX CODE

CSL	CSL
Aurizon	AZJ
The Lottery Corporation	TLC
Telstra	TLS
Metcash	MTS
Orica	ORI
Brambles	BXB
Chorus	CNU
Steadfast	SDF
Tabcorp	TAH

#### GROWTH OF \$1,000 INVESTED AT INCEPTION



#### FUND RISK-RETURN VS BENCHMARK



Since inception: 1 September 2010; Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX 300 Accumulation Index, Source: IML,Factset

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