

AUSTRALIAN SMALLER COMPANIES FUND

QUARTERLY REPORT



31 MARCH 2024

The **Investors Mutual Australian Smaller Companies Fund** provides exposure to an actively managed portfolio of quality shares outside of the top 100 listed on the ASX. The Fund aims to provide attractive investment opportunities for investors seeking medium to long term capital growth with income.

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS^	5 YEARS^	10 YEARS^	SINCE INCEPTION^
Total return*	+5.0%	+10.4%	+25.1%	+7.2%	+6.6%	+8.7%	+12.8%
Benchmark**	+4.5%	+7.7%	+14.2%	+2.4%	+5.5%	+6.4%	+6.0%

^% Performance per annum. Inception date: 30 June 1998 *Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not a reliable indicator 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 (excluding Property Trusts)

FUND PERFORMANCE

- The **Smaller Companies Fund** had another strong quarter, up +10.4%, ahead of the benchmark's gain of +7.7%.
- The rally in global markets continued over Q1 CY24 as investors grew increasingly comfortable that global interest rates had peaked, with expectations growing that interest rates will be reduced later this year. The AI thematic also boosted returns with the Nasdaq gaining strongly, as did a resurgent Japanese market where the Bank of Japan raised interest rates for the first time in 17 years.
- The ASX 300 was up +5.4% while the ASX Small Ordinaries ex LPT index exceeded that, gaining +7.7%. Many companies, from a range of sectors, rallied after reporting interim results in February that met or exceeded expectations. Technology was the strongest sector for the quarter up +22.7%, benefitting from takeover activity and in-line with gains recorded overseas. The Consumer Discretionary sector rose +12.4%, with retailer margins proving more resilient than anticipated, while Financials gained +13.6%, helped by strong financial markets. Materials was the laggard, up +0.4%.
- For the quarter, the Fund benefitted from strong performances by many of its key holdings after they reported positive updates during reporting season including SG Fleet, Codan, Bega, Mayne Pharma, Regis Healthcare and Integral Diagnostics. Sigma Healthcare continued to rise, up +29.4%, as investor knowledge grew regarding the merger with Chemist Warehouse. Cooper Energy rallied +69% as new management continued to improve operational performance and confidence grew it would complete remediation of an old gas field on time and within the revised budget. With East Coast gas markets tight, the gas fields Cooper owns are very strategic making it an attractive long-term holding.
- Kelsian fell -16.3%, after reporting higher than expected costs. These cost issues were all transitory and with earnings underpinned by long-term contracts we believe it is well positioned going forward. Positively, the result revealed that its recent US acquisition is performing ahead of expectations and that the tender pipeline of future contract remains strong. We remain comfortable with our position in Kelsian which is attractively priced on 13 times FY25 earnings.
- During the quarter we used share price strength to trim our positions in A2B, Bega, Codan, Cooper Energy, Regis Healthcare, Ridley, Mayne Pharma, SG Fleet and Sigma while adding to our positions in Kelsian and ACL on weakness.

STOCKS IN FOCUS

- **SG Fleet (SGF)**, Australia's largest fleet leasing business, was up +30% over the quarter after a first half result that came in ahead of market expectations, driven by strong new vehicle deliveries in both its fleet and novated leasing businesses. Despite the rally, SGF continues to trade at a material discount to its listed peers on a PE of 10 times FY24 earnings.
- **Hipages (HPG)**, Australia's largest trade services marketplace, rallied +31% following a strong interim result which showed revenue growth of +17%. The value HPG delivers to 'Tradie' customers is evidenced by average revenue per user (ARPU) growth of +11%. With HPG well capitalised, and cashflow positive it is well positioned to build and monetise a complete end-to-end platform for 'Tradies'.
- Shares in intellectual property services group **QANTM (QIP)** rose +70% in the March quarter following a strong interim result with the underlying Net Profit After Tax (NPAT) up +43%. Following the result QIP received multiple takeover offers. This M&A interest vindicates our strongly held view that the company, which owns market leading IP firm Davies Collison Cave, was being grossly undervalued by the market, with QIP effectively trading on a PE of 7.3 times at the beginning of the quarter.

OUTLOOK

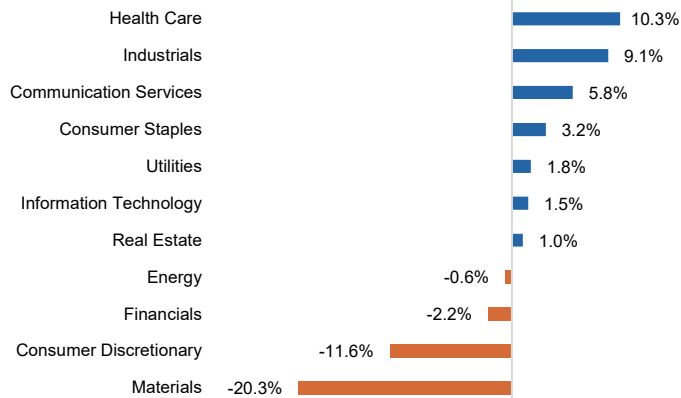
- We expect market volatility to persist and meaningful revenue growth to continue to be hard for companies to generate in 2024 as cost pressures remain a challenge for businesses and cost-of-living pressures weigh on the consumer.
- We continue to focus on well-established companies with strong competitive advantages and recurring earnings that are reasonably priced and likely to perform well in a range of economic conditions, while actively looking for new opportunities

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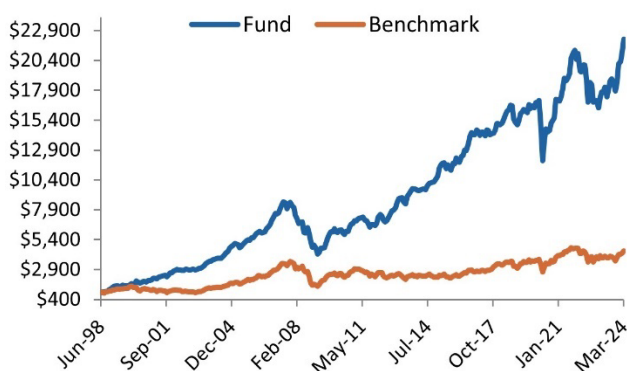
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ACTIVE SECTOR WEIGHTS



GROWTH OF \$1,000 INVESTED AT INCEPTION

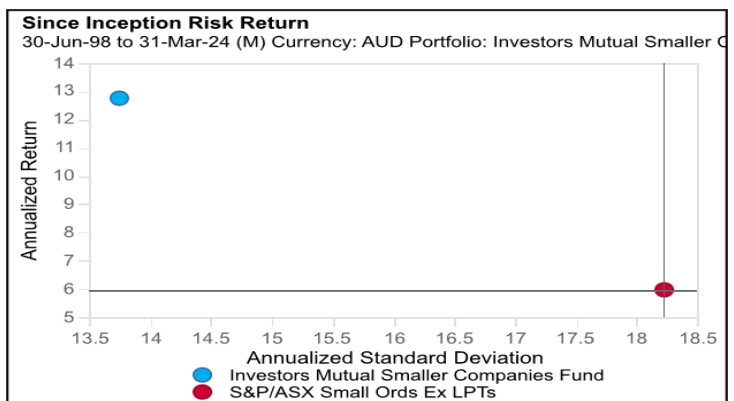


Since inception: 30 June 1998; Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX Small Ordinaries Index (excluding Property Trusts). Source: IML, Factset

TOP 10 HOLDINGS

	ASX CODE
SG Fleet	SGF
Skycity Entertainment	SKC
Qantm Intellectual Property	QIP
Clearview Wealth	CVW
Australian Clinical Labs	ACL
Readytech	RDY
EQT	EQT
Sigma Healthcare	SIG
Probiotec	PBP
Kelsian	KLS

FUND RISK-RETURN VS BENCHMARK



FUND FACTS

ARSN	093 182 471
APIR	IML0001AU
Inception	30 June 1998
Benchmark	S&P/ASX Small Ordinaries Index (excluding Property Trusts)
FUM	\$ 96M
Investment Horizon	4-5 years
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/ Redemption	A\$5,000
Distributions	Generally semi-annual
Performance Fee	Nil
Management Fee	0.993% p.a. of the net assets of the fund (includes net effect of GST)
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)

PORTFOLIO CHARACTERISTICS

	FUND	BENCHMARK
No. of stocks	64	175
Portfolio turnover ¹	24%	NA
Portfolio Beta (since inception)	0.61	1.00

FRANKING LEVEL (%)²

FY23	FY22	FY21	FY20	FY19
79.9%	13.5%	21.9%	71.2%	44.7%

FUND RATINGS

Morningstar	Silver
Zenith	Recommended
Lonsec	Recommended *Visit lonsec.com.au/logo-disclosure for important information about this rating

¹ 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.
² As per FSC standard.



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