

# Investors Mutual Small Cap Fund



Monthly Report October 2021

Fund status: OPEN

- ▶ Global sharemarkets enjoyed a strong month led by the US as robust Q3 earnings were released
- ▶ The ASX Small Ordinaries index returned +0.9% as IPOs and M&A continue to dominate the market
- ▶ 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 <sup>^</sup>	5 Years <sup>^</sup>	Since inception <sup>^</sup>
Total Return*	+0.7%	+10.5%	+39.9%	+11.2%	+9.1%	+10.1%
Benchmark**	+0.9%	+3.7%	+31.0%	+13.5%	+11.5%	+3.3%

<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 for this Fund is the S&P/ASX Small Ords Index.

## Sharemarket Commentary

Global equity markets rebounded strongly in October with the MSCI World index returning +5%. The gains were led by the US, with the S&P500 gaining +7%, capping its strongest month this year and returning the index to record highs following last month's -5% pull back. Despite weaker than expected GDP growth and soft results from both Amazon and Apple, given ongoing supply chain disruptions and tightening in the labour market, US Q3 reporting season proved robust with the majority of companies beating earnings expectations. Across the Atlantic the mood was equally buoyant with Europe's Stoxx50 index returning +5.2%.

Commodity markets remained volatile. The oil price gained a further +7% reaching its highest price in over three years as OPEC resisted calls to increase output. Energy markets in general continued to whipsaw with both the coal and European natural gas prices beholden to severe supply disruptions. Copper, a bellwether for global manufacturing activity, surged a further +10% driven by low inventories in both Europe and China.

The Australian sharemarket, as measured by the ASX300, finished the month flat, a lacklustre return relative to its global peers. Despite both NSW and Victoria emerging from lockdowns the market failed to find any real direction. The ASX Small Ordinaries index enjoyed a slightly better month, returning +0.9%. The tsunami of IPO's continued to dominate the small cap market, with around \$1b in deals coming to market, whilst M&A remain in full force. Small Resources led the market higher, returning +6.5% courtesy of strong performance from both the base metal and lithium plays.

Within the Industrials segment of the market, sector performance proved lacklustre. The Consumer Discretionary sector added +0.3% for the month. Several boutique retailers performed well off the back of physical store re-openings, conversely online retailer Kogan.com continued to trend lower. Additionally, the sector was blighted by hefty falls from Pointsbet and Marley Spoon following softer than anticipated trading updates. The Consumer Staples sector fared worse shedding -3.5%, largely due to weakness amongst the soft commodities plays such as Inghams, Costa and Select Harvests. The Financial sector shed -1.8%, despite the rebound in global sharemarkets, the listed asset managers remained soft, as did buy-now-pay-later provider Zip.

The **Investors Mutual Small Cap Fund** had a solid month returning +0.7%, albeit just shy of the benchmark's return of +0.9%. The Fund's limited exposure to the Resource sector, particularly the more speculative lithium plays held back relative returns, however, we remain very comfortable with this positioning. The Fund benefited from strong performance in holdings such as Clearview Wealth, Mayne Pharma and Pro-Pac Packaging, as well as Senex Energy following a takeover approach from Posco International. On the negative side, Pact fell on the announcement that higher input prices were impacting its contract manufacturing business (which is non-core) this financial year although importantly the company announced that its core packaging and materials handling businesses continue to perform well.

Over the month we took advantage of strong share price performances in the likes of Event Hospitality, and MNF to trim our holdings. We used the proceeds to top up on good quality companies such as United Malt and Pact Group, which we believe offer very good long-term value. Leading childcare operator G8 was added to the Fund.

We believe sharemarkets will continue to be influenced greatly in coming months by the volatility in interest rate markets caused by uncertainty over whether current inflationary trends are transitional or becoming embedded, and how central banks will interpret and react to the current inflationary trends. As such we continue to steer away from the riskier parts of the sharemarket and remain focused on identifying and holding good quality companies that, in our opinion, are well managed, which offer sound value and which, we believe, can do well over the next 3-5 years.

Level of Franking (%)*	
FY17	29.0%
FY18	28.0%
FY19	50.1%
FY20	105.9%
FY21	116.2%

\*As per IFSA Standard

Monthly Movements	
S&P 500	+7.0%
EuroStoxx50	+5.2%
Nikkei	-1.9%
ASX 300 Accum	+0.1%
AUD/USD	+4.0%
Gold	+1.5%
Oil	+7.5%
Iron Ore	-2.3%

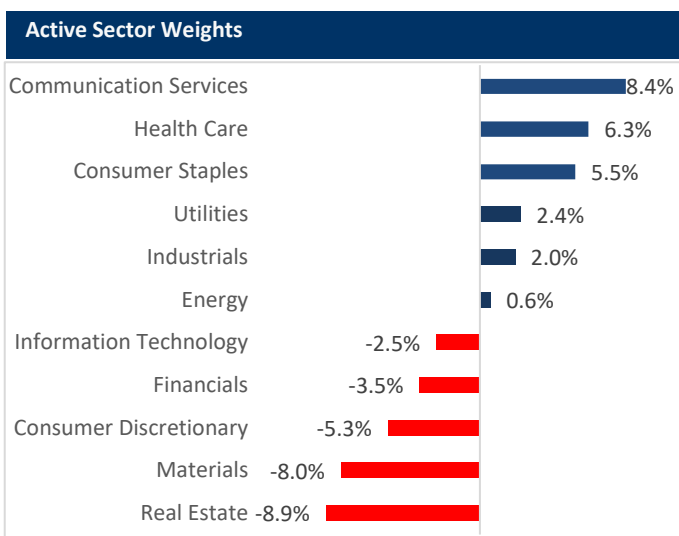
Fund information	
APIR	IML0006AU
Inception	1 Feb 2007
Size	\$39 M
Application	\$1.7414
Redemption	\$1.7328
Cash	2.5%
Mngmnt fee	1.15% p.a
Investment horizon	4-5 years
Distribution	Semi-annually
Managers	Simon Conn Marc Whittaker

# Investors Mutual Small Cap Fund

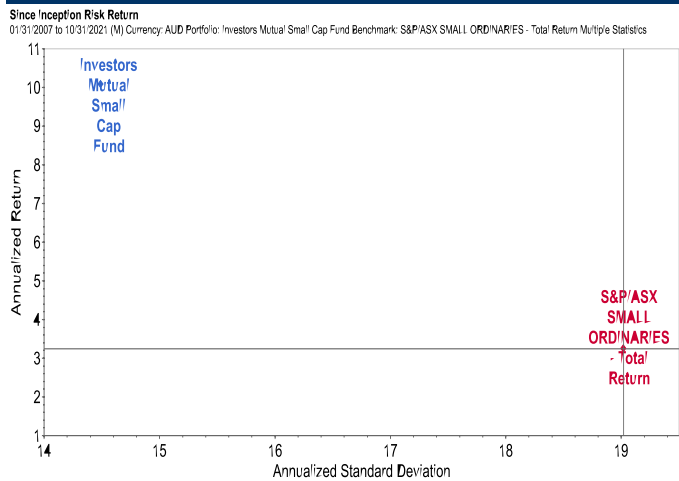
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Characteristics	Fund	Benchmark
Number of stocks	73	200
Portfolio Turnover*	45%	N/A
Annualised Tracking Error	9.74	N/A
Volatility (STD DEV) since inception	14.53	19.07
Portfolio Beta (since inception)	0.66	1.00

\*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.



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



\*S&P/ASX Small Ords Index., Source: Factset

Researcher	Rating
Morningstar	Bronze
Zenith	Recommended

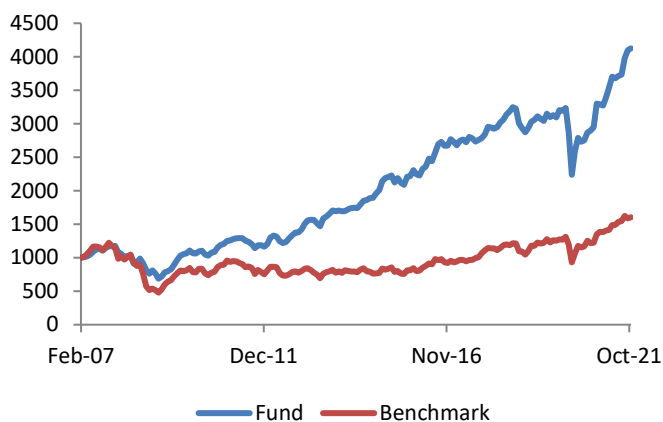
### Portfolio top holdings

Portfolio top holdings	ASX Code
Australian Pharmaceutical Industries	API
A2B	A2B
Pro-Pac	PPG
Clearview	CVW
Pact	PGH
Crown	CWN
Z Energy	ZEL
TPG Telecom	TPG
Bega Cheese	BGA
SG Fleet	SGF

Source: IML

### Since Inception Cumulative Perf. Fund vs Benchmark\*

Growth of \$1000 invested at Inception



\*S&P/ASX Small Ords Index., Source: Factset