

Investors Mutual Concentrated Australian Share 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 Australian sharemarket had a lacklustre month despite the benefits of NSW and Victoria emerging from lockdown
- ▶ 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	3years^	5 Years^	Since inception^
Total Return*	-0.8%	+4.3%	+22.3%	+6.0%	+6.5%	+10.0%
Benchmark**	+0.1%	+0.8%	+28.6%	+12.3%	+11.0%	+9.2%

^% 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 300 Accumulation Index (ASX300)

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%.

Given increasing inflationary trends, bond markets endured a volatile month as investors attempted to predict central bank policy in the wake of accelerating CPI data. Both the US and Australian yield curves experienced significant flattening with short-dated bond yields rising meaningfully on the expectation that central banks will have to act more swiftly than previously expected to stem inflationary pressures. Commodity markets remained volatile. The oil price gained a further +7.5% 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 Resources sector was soft over the month with stock prices of the likes of BHP, Rio and Fortescue enduring another challenging month in sympathy with the softening iron ore price. Within the industrials segment of the market, sector performance was mixed. Healthcare was buoyed by sector heavyweight CSL, with headwinds in plasma collection beginning to abate as economies reopen. The Consumer Discretionary sector gained +0.6% for the month, albeit with mixed performance. A number of the boutique retailers performed well off the back of physical store re-openings, encouragingly before the Christmas rush. However, the sector was weighed down by hefty falls from Star Entertainment in light of money laundering accusations, Pointsbet following a soft trading update on its lofty US expansion plans and a soft trading update from Domino's Pizza, which had enjoyed a stellar run courtesy of the lockdowns. Conversely, the Consumer Staples sector finished the month lower, largely as a result of Woolworths and the Endeavour Group intimating the challenges of navigating COVID-related disruptions through their supply chains, a major obstacle for many companies as festive season volumes are expected to ramp up.

The **Investors Mutual Concentrated Australian Share Fund** had a lacklustre month, shedding -0.8% compared to the benchmark's flat return. The Fund's holdings in Aurizon and Brambles experienced weakness over the month, over what we believe are short-term issues. During the month Aurizon announced the acquisition of One Rail Freight – a move which was viewed negatively by investors. We assess the One Rail acquisition as one which is being done at an attractive valuation and which is transformative for the company. The One Rail acquisition will allow Aurizon to grow its bulk business and gain exposure to commodities other than coal whilst also expanding the company's operations into both South Australia and the Northern Territory. Brambles sold off following the company's Q1 trading update which emphasised the company's increasing investment in the digitisation of their pallet pooling system to optimise operational efficiencies and allow for significant cost savings in the years ahead. On the positive side of the ledger, the Fund benefited from strong performances from holdings such as Orica, CSL, Event Hospitality, Metcash and Nine Entertainment. During the month the Fund exited its position in Sonic Healthcare, which had appreciated as other investors realised the COVID testing boom had vastly improved the balance sheet and boosted profits, in our view this is likely to be temporary.

We believe the 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 react. 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.

Monthly Movements

S&P 500	+7.0%
EuroStoxx50	+5.2%
Nikkei	-1.9%
ASX300 Accum	+0.1%
AUD/USD	+4.0%
Gold	+1.5%
Oil	+7.5%
Iron Ore	-2.3%

Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$214 M
Application	\$1.9464
Redemption	\$1.9366
Cash	8.2%
Mngmnt fee	0.993% p.a.
Holdings	10-30 Stocks
Stocks/sector limits	No
Investment horizon	4-5 years
Distribution	Semi-annually
Manager	Hugh Giddy

Investors Mutual Concentrated Australian Share Fund

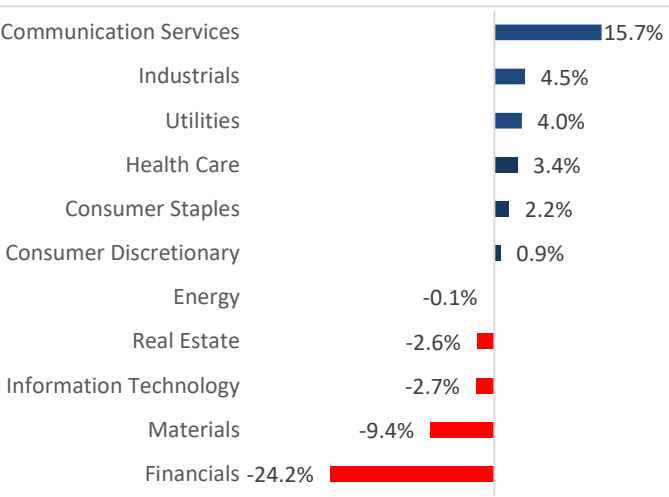


Monthly Report October 2021

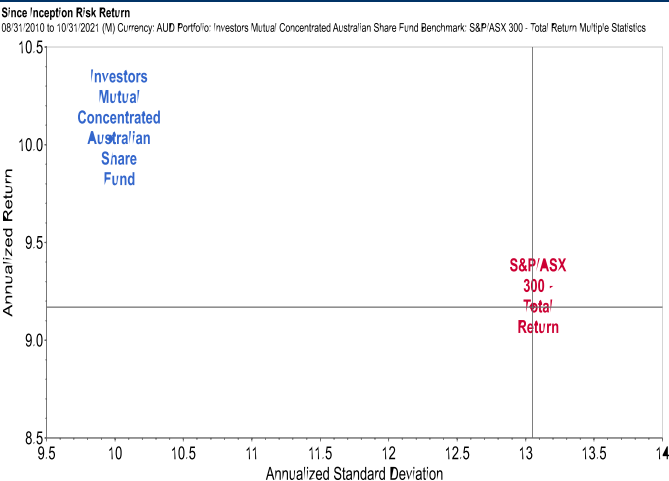
Characteristics	Fund	Benchmark
Number of stocks	29	300
Portfolio Turnover*	12%	N/A
Annualised Tracking Error	6.75	N/A
Volatility (STD DEV) since inception	9.97	13.05
Portfolio Beta (since inception)	0.66	1.00

*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

Active Sector Weights



Since Incept. Risk Return Fund vs Benchmark*



*Benchmark = S&P/ASX 300 Accumulation Index, Source: Factset

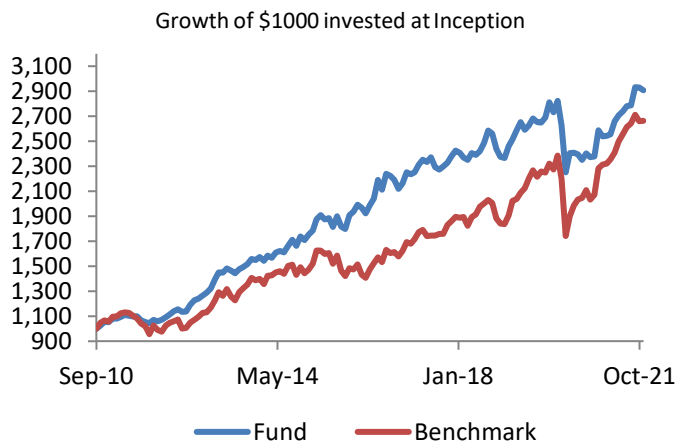
Researcher	Rating
Morningstar	Gold
Zenith	Recommended
Lonsec	Contact IML for the most recent rating

Portfolio top holdings

Company	ASX Code
CSL	CSL
Tabcorp	TAH
Telstra	TLS
Aurizon	AZJ
AusNet	AST
Metcash	MTS
Chorus	CNU
Brambles	BXB
Orica	ORI
Steadfast	SDF

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*



*Benchmark = S&P/ASX 300 Accumulation Index, 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 Concentrated Australian Share 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.