

31 MARCH 2024

The **Investors Mutual Equity Income Fund** provides exposure to a diversified portfolio of quality Australian shares for investors seeking a regular and relatively high-income stream and lower levels of volatility compared to the ASX300, along with some capital growth over time.

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS [^]	5 YEARS [^]	10 YEARS [^]	SINCE INCEPTION [^]
Income	+1.6%	+1.6%	+6.9%	+6.8%	+7.1%	+7.7%	+8.2%
Growth	+1.6%	+3.6%	+3.1%	+3.6%	-1.0%	-0.7%	+0.0%
Total return*	+3.2%	+5.2%	+10.0%	+10.4%	+6.1%	+7.0%	+8.2%
Benchmark**	+3.3%	+5.4%	+14.4%	+9.4%	+9.2%	+8.3%	+8.3%

[^]% Performance per annum. Inception date 1 January 2011 *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 300 Accumulation Index (ASX300).

FUND PERFORMANCE

- The **Equity Income Fund** returned +5.2% for the quarter, slightly behind its benchmark's 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.
- 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%.
- Many of the fund's key holdings were up significantly over the quarter including Suncorp, Virgin Money, Brambles, Metcash, Orica, NAB, IAG 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.
- Volatility was elevated during the quarter with uncertainty in inflation and interest rate expectations, together with the February company reporting period. The Fund opportunistically used the market fluctuations to supplement its dividend income with option premium written around some of its core holdings including Aurizon, Brambles, IAG and Santos.

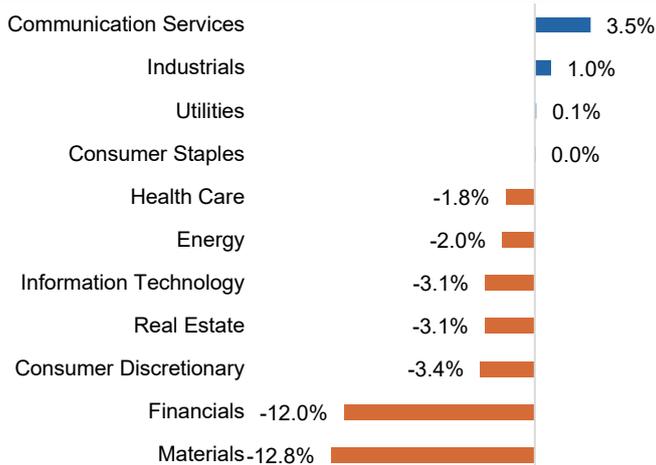
STOCKS IN FOCUS

- **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.

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.

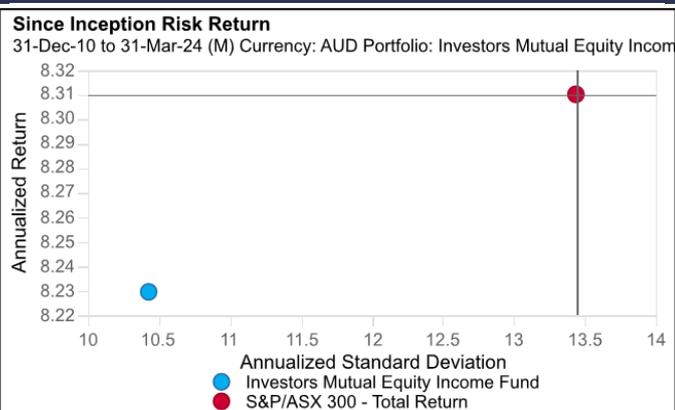
ACTIVE SECTOR WEIGHTS



TOP 10 HOLDINGS

Company Name	ASX CODE
Telstra	TLS
National Australia Bank	NAB
BHP	BHP
Brambles	BXB
Westpac Banking Corporation	WBC
CSL	CSL
Charter Hall Retail REIT	CQR
Amcor PLC	AMC
Steadfast	SDF
Sonic Healthcare	SHL

FUND RISK-RETURN VS BENCHMARK



Since inception: 1 January 2011; Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX 300 Accumulation Index, Source: IML, Factset

SECURITY CATEGORY

Security Category	Effective Exposure
Ordinary Shares	+83.1%
Call Options	-17.3%
Put Options	+0.6%
Effective cash	+33.6%

PORTFOLIO CHARACTERISTICS

Portfolio Characteristic	FUND	BENCHMARK
No. of stocks	34	300
Portfolio turnover ¹	11%	NA
Portfolio Beta (since inception)	0.7	1.00

FUND FACTS

ARSN	107 095 438
APIR	IML0005AU
Inception	1 January 2011
Benchmark	S&P/ASX 300 Accumulation Index
FUM	\$ 524M
Investment Horizon	4-5 years
Minimum Initial Investment	A\$50,000
Minimum Additional Investment/ Redemption	A\$5,000
Distributions	Quarterly
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 (50-100%) Cash (0-50%)

FRANKING LEVEL (%)²

FY23	FY22	FY21	FY20	FY19
46.4%	45.9%	28.8%	36.2%	39.6%

FUND RATINGS

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

¹Annual 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.
²As per FSC standard

Long-term investors in the Value and Income Fund which was restructured and renamed the Equity Income Fund on 1 January 2011 please see page 3.

The Value and Income Fund was restructured and renamed the Equity Income Fund on 1 January 2011 where the strategy of the Fund was changed to not hold international shares and to focus on its current strategy of generating income for unitholders. If the performance of the two funds are combined the results would be as follows:

	Fund Return	Benchmark
Since Inception^ 1 May 2004	7.5%	8.8%

^% Performance per annum. Fund returns are calculated net of management fees and assuming all distributions are re-invested. Past performance is not a reliable indicator of future performance. Fund returns are the Value and Income Fund prior to 31 December 2010 and the Equity Income Fund from 1 January 2011. The benchmark is the UBS Bank Bill+2% benchmark prior to 31 December 2010 and S&P/ASX 300 Accumulation Index from 1 January 2011.



iml.com.au



trading@iml.com.au



1300 551 132

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