

Investors Mutual Future Leaders 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 Fund's ex-50 benchmark returned +0.5% 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 [^]	5 Years [^]	Since inception [^]
Total Return*	+0.1%	+8.9%	+36.7%	+7.5%	+6.7%	+10.6%
Benchmark**	+0.5%	+3.2%	+28.4%	+14.6%	+12.9%	+9.6%

[^] 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 (ex. S&P/ASX50, ex LPT)

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 Fund's ex-50 benchmark similarly muted returning +0.5% for the month. The tsunami of IPO's continued to dominate the small and mid-cap market, with around \$1b in deals coming to market, whilst M&A remain in full force. Ex-50 Resources led the market higher, returning +3.7% courtesy of strong performance from both the base metal miners and lithium plays.

Within the Industrials segment of the market, sector performance proved lacklustre. The Consumer Discretionary sector shed -0.9% for the month. Several boutique retailers performed well off the back of physical store re-openings although the sector was weighed down by hefty falls from Star Entertainment in light of money laundering allegations, while Pointsbet and Domino's Pizza also fell after soft trading updates. The Consumer Staples sector fared worse shedding -1.5%, largely due to weakness amongst the soft commodities plays such as Inghams, Costa and Select Harvests. The Financial sector shed -1.4%, despite the rebound in global sharemarkets, the listed asset managers remained soft, as did buy-now-pay-later provider Zip. The Healthcare sector was dragged lower by Ansell shares which reached a 52-week low as COVID-led demand for PPE equipment abates amidst the widespread vaccination take-up.

The **Investors Mutual Future Leaders Fund** was flat for the month returning +0.1%, behind the benchmark's return of +0.5%. 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	27.3%
FY18	30.7%
FY19	51.2%
FY20	85.5%
FY21	101.6%

*As per IFSA Standard

Monthly Movements	
S&P 500	+7.0%
EuroStoxx50	+5.2%
Nikkei	-1.9%
ASX Small-Mid Index	+0.5%
AUD/USD	+4.0%
Gold	+1.5%
Oil	+7.5%
Iron Ore	-2.3%

Fund information	
APIR	IML0003AU
Inception	1 May 2002
Size	\$510 M
Application	\$1.2377
Redemption	\$1.2315
Cash	2.4%
Mngmnt fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Simon Conn Marc Whittaker

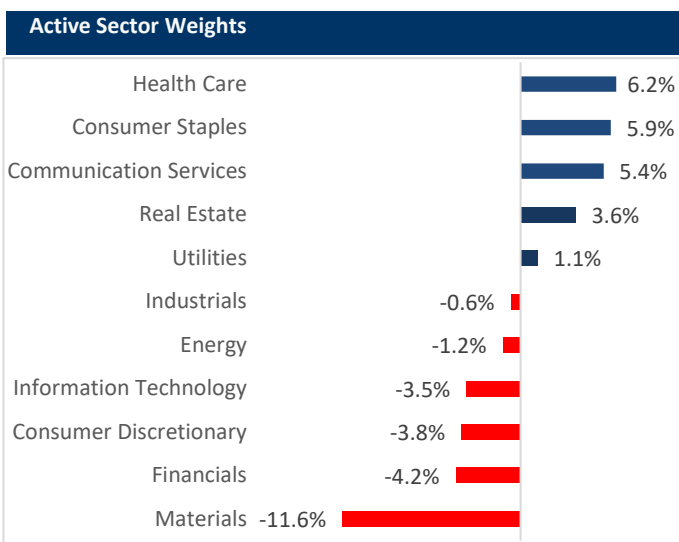
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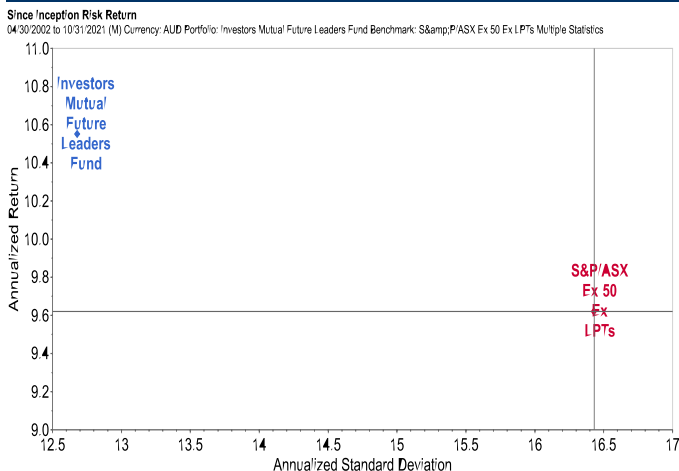


Characteristics	Fund	Benchmark
Number of stocks	84	224
Portfolio Turnover*	42%	N/A
Annualised Tracking Error	8.36	N/A
Volatility (STD DEV) since inception	12.68	16.43
Portfolio Beta (since inception)	0.67	1.00

*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 300 Accumulation Index (ex. S&P/ASX50, ex LPT), Source: Factset

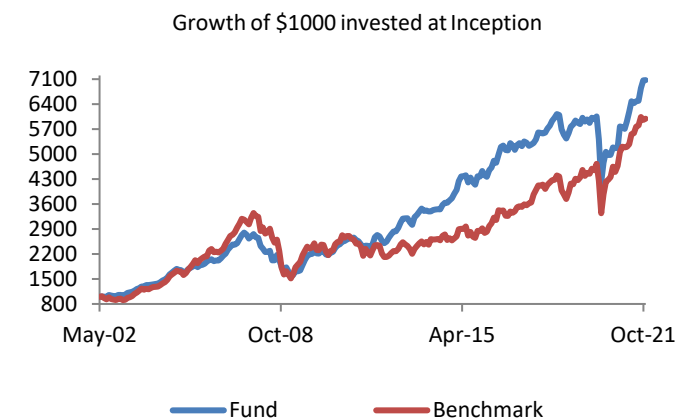
Researcher	Rating
Morningstar	Silver
Lonsec	Contact IML for the most recent rating
Zenith	Recommended

Portfolio top holdings

Portfolio top holdings	ASX Code
Australian Pharmaceutical Industries	API
AusNet	AST
Crown	CWN
Pact	PGH
TPG Telecom	TPG
Bega Cheese	BGA
SG Fleet	SGF
Home Consortium	HMC
Clearview Wealth	CVW
Skycity Entertainment	SKC

Source: IML

Since Incept. Cumulative Perf. Fund vs Benchmark*



*S&P/ASX 300 Accumulation Index (ex. S&P/ASX50, ex LPT), Source: IML



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