

IML SUSTAINABLE FUTURE FUND

QUARTERLY REPORT



The IML Sustainable Future Fund has a simple purpose: to invest in companies that aim to deliver attractive long-term returns for investors and a more sustainable future. Using the same investment philosophy and fundamental bottom-up research as all of IML's funds, the fund has the same focus on lower volatility and downside protection, however it only invests in companies listed on the ASX that meet its additional ESG investment criteria. The Fund uses both positive and negative ESG screening and aims for emissions intensity of at least 30% better than its benchmark.

WHY INVEST IN IML'S ESG FUND?

- Experienced Portfolio Managers & Investment Team
- The same IML quality & value investment style with an enhanced ESG and sustainability overlay
- IML approach to downside protection and consistent income
- IML has a history of influencing governance outcomes
- Investment team makes ESG recommendations (not an ESG team making investment recommendations)

FOUR STAGE ESG PROCESS

- 1** DO NO SIGNIFICANT HARM
- 2** ESG SCORING
- 3** IML CONSCIENCE VOTE
- 4** SUSTAINABLE PORTFOLIO CONSTRUCTION

31 MARCH 2024

FUND PERFORMANCE

- The Sustainable Future Fund returned +5.4% for the quarter, level with the benchmark.
- 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. The Japanese Nikkei soared +21.5% for the quarter, helped by its technology and semiconductor components. The Bank of Japan raised interest rates for the first time in 17 years, signalling an end to persistent deflation. The MSCI World and S&P500 indices were also strong, as was Europe, all up 10-13%.
- 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%. Materials dropped -6.3%, driven by falls in iron ore miners as the iron ore price fell -28.4% over the quarter.
- Many of the fund's key holdings were up significantly over the quarter including Suncorp, Brambles, NAB, Metcash, Orica, IAG and Imdex. Other key holdings CSL, Telstra and Steadfast were broadly flat, despite reporting strong results, with double digit profit increases, in February's reporting season. In contrast several Technology stocks such as Wisetech and NextDC were up 25% & 29% respectively for the quarter, despite very modest profit growth.
- We trimmed our positions in Suncorp, Medibank and NAB as their share prices appreciated during the quarter and added to Sonic Healthcare on weakness.

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.

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION ^A
Income	+0.0%	+0.0%	+2.1%	+3.8%	+3.2%
Growth	+3.1%	+5.4%	+9.0%	+6.8%	+9.3%
Total return*	+3.1%	+5.4%	+11.1%	+10.6%	+12.5%
Benchmark**	+3.3%	+5.4%	+14.2%	+14.4%	+14.3%

^APerformance per annum. Inception date: 20 December 2022 *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).

Signatory of:



STOCKS IN FOCUS

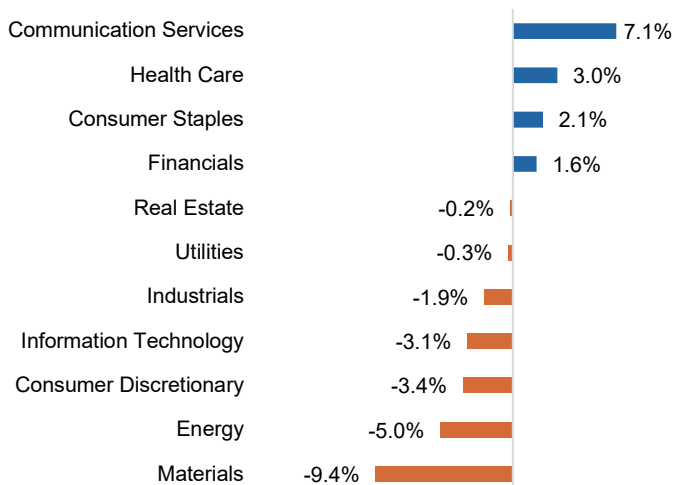
- **Orica (ORI)**, the leading global explosives company, was up +14.6% for the quarter following a positive trading update and the acquisition of a leading sodium cyanide manufacturer, Cyanco for US \$640m. To partly fund the acquisition Orica raised A\$400m in a discounted raising, in which IML participated. 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.
- **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.
- **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

ESG ACTIONS AND ACTIVE OWNERSHIP

- We met all portfolio holdings which reported during the February reporting season.
- In our Telstra management meeting we discussed the speed of their transition to renewable electricity and how this was helping to reduce power costs.
- In our Steadfast meeting we discussed capital allocation, particularly with the company pivoting to offshore acquisitions in the US and the extra risk attached.

IML SUSTAINABLE FUND PORTFOLIO

ACTIVE SECTOR WEIGHTS



PORTFOLIO EMISSIONS (BELOW BENCHMARK)

68.9%*

* Carbon emissions for the Fund are calculated each month and updated against the disclosed emissions for each company. Currently for the prior 12-month period to 14 December 2022. Calculations are made and monitored through IML's portfolio management system, in line with The Global GHG Accounting and Reporting Standard for the Financial Industry. Data may be sourced from third parties which report historic numbers and we assume that these are accurate and reflective of current numbers. There is a risk that the emissions reported by third parties may be inaccurate or change materially from time to time. Please read our Carbon Emissions Calculation Policy available on our website for more information.

PORTFOLIO CHARACTERISTICS FUND BENCHMARK

No. of stocks	26	300
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)	

FUND FACTS

ARSN	663 590 243
APIR	IML1194AU
Inception	20 December 2022
Benchmark	S&P/ASX 300 Accumulation Index
Investment Horizon	4-5 years
Min Initial Investment	A\$50,000
Min 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)

MORE ABOUT THE SUSTAINABLE FUTURE FUND

[FUND WEBPAGE](#)

[IML RESPONSIBLE INVESTMENT POLICY](#)

[CARBON EMISSIONS CALCULATION POLICY](#)

[IML CONSCIENCE VOTE POLICY](#)

ALL FUND HOLDINGS

SECTOR

Abacus Storage King	Real Estate
BHP	Materials
Brambles	Industrials
Charter Hall Retail REIT	Real Estate
Commonwealth Bank	Financials
Contact Energy	Utilities
CSL	Health Care
Domain Australia	Communication Services
EVT	Communication Services
Fletcher Building	Industrials
Imdex	Materials
Insurance Australia	Financials
Medibank Private	Financials
Metcash	Consumer Staples
Mirvac	Real Estate
National Australia Bank	Financials
Orica	Materials
ResMed Inc.	Health Care
Sonic Healthcare	Health Care
Steadfast	Financials
Suncorp	Financials
Telstra	Communication Services
TPG Telecom	Communication Services
Wesfarmers	Consumer Discretionary
Westpac Banking	Financials
Woolworths	Consumer Staples



iml.com.au



trading@iml.com.au



1300 551 132

This publication (the material) has been prepared and distributed by Natixis Investment Managers Australia Pty Limited AFSL 246830 for the IML Sustainable Future Fund (the "Fund") and may include information provided by third parties. Investors Mutual Limited (IML) AFSL 229988 is the Responsible Entity of the Fund. Although Natixis Investment Managers Australia Pty Limited believe that the material is correct, no warranty of accuracy, reliability or completeness is given, including for information provided by third parties, except for liability under statute which cannot be excluded. This information is general securities information only and does not take into account your personal investment objectives or needs. Applications can only be made by reference to the current Product Disclosure Statement, or through IDPS products that include the Fund. Before deciding to acquire or continue to hold an investment in the Fund, you should consider the information contained in the Product Disclosure Statement in conjunction with the Target Market Determination, available at www.iml.com.au. Past performance is not a reliable indicator of future performance and that no guarantee of performance, the return of capital or a particular rate of return is provided. It may not be reproduced, distributed or published, in whole or in part, without the prior written consent of Natixis Investment Managers Australia Pty Limited and IML.