

Investors Mutual Concentrated Australian Share Fund



Monthly report May 2017

Fund status: OPEN

- ▶ Global sharemarkets continued to edge higher led by the US market which continued to post new records
- ▶ The Australian sharemarket fell -2.7%, with Banks leading the falls impacted by going ex div and the new Government levy
- ▶ We continue to maintain a cautious approach given that many sectors look fully priced

	1 month	3 months	1 Year	3 years [^]	5 Years [^]	Since inception [^]
Income	+0.0%	+0.0%	+2.4%	+5.7%	+5.5%	+4.8%
Growth	-0.8%	+3.7%	+4.1%	+7.2%	+10.0%	+8.6%
Total Return*	-0.8%	+3.7%	+6.5%	+12.9%	+15.5%	+13.4%
Benchmark**	-2.7%	+1.4%	+10.8%	+6.0%	+11.7%	+8.6%

[^]% 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.

Sharemarket Commentary

Global equity markets, as measured by the MSCI World Index, gained a further +1.9% in May, becoming the 7th straight monthly increase and the longest winning streak in over a decade. US markets led the gains with the S&P500 clocking up new record highs as the market nudged forward another +1.4%, while Japan's Nikkei gained +2.4%. Conversely, Europe's Stoxx 50 was relatively flat as markets absorbed Macron's victory over Le Pen in the French Presidential elections. Despite increasing concerns over the stability of Trump's presidency, the US market ended in positive territory thanks to the release of solid US Q1 corporate earnings, a firming economic outlook as well as continuing strong share price momentum in the large technology stocks colloquially known as the FANGs (Facebook, Amazon, Netflix and Google). Furthermore, a belief that the US Federal Reserve will remain accommodative has continued to buoy equities despite valuations being at historically high levels.

The broader Australian sharemarket as measured by the ASX300 declined -2.7% over the month, led by Financials which fell -8% as bank shares de-rated when ANZ, NAB and Westpac went ex-dividend after reporting lacklustre interim results and as forward earnings were adjusted downwards to reflect the impact of the surprise impost of the Government's 6 basis point levy announced in the May Budget.

The retail sector also had a tough month with weaker consumer sentiment along with fears of the impact of Amazon entering Australia weighing on the sector. Sentiment was not helped by news of the Australian arm of UK fashion retailer Top Shop falling into administration during the month. As a result, the share prices of listed retailers such as Myer, Harvey Norman, Super Retail and JB HiFi all fell heavily during the month as short sellers made the most of the prevailing negative sentiment. The AREIT sector also came under pressure as weakness in retail fed into REITs exposed to the sector - such as Westfield, Scentre and Vicinity.

Defensive sectors had a strong month with both the Telco and Utility sectors gaining +3.5% and +1.0% respectively. Telstra rebounded +4.3% following weakness in the previous month as investors grew more comfortable with the sustainability of its dividend over the medium term.

The **IML Concentrated Share Fund** fell -0.8% over the month, which whilst disappointing was much better than the benchmark's fall of -2.7%. Our caution toward the Financials sector benefited relative performance, whilst several of our core industrial holdings such as; Telstra, Z Energy, Chorus, Technology One, SkyCity and Trade Me all had a good month.

The current correction to the Australian sharemarket was, in our view, overdue and a reality check for many sectors where the outlook remains mixed in the short term. This was illustrated in the Australian Banking sector as it rallied strongly over the last 6 months in sympathy with US banks despite a continued subdued earnings outlook and with many Resource companies share prices that needed to correct to reflect the current weakness in the prices of commodities such as iron ore and oil.

We continue to the noise surrounding markets and continue to focus on using our healthy cash balance to take advantage of any opportunities to add to our holdings in good quality shares that in our opinion remain attractively priced on a 3 to 5 year view.

Monthly Movements

S&P 500	1.4%
Euro Stoxx 50	1.0%
Nikkei	2.4%
ASX 300 Accum	-2.7%
AUD/USD	-0.5%
Gold	0.0%
Oil	-3.1%
Iron Ore	-17.4%

Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$48m
Application	1.7582
Redemption	1.7494
Cash	19.2%
Management fee	0.993% p.a.
Holdings	10 -30 stocks
Stocks/sector limits	No
Investment horizon	4-5 years
Distributions	Semi-annually
Manager	Hugh Giddy

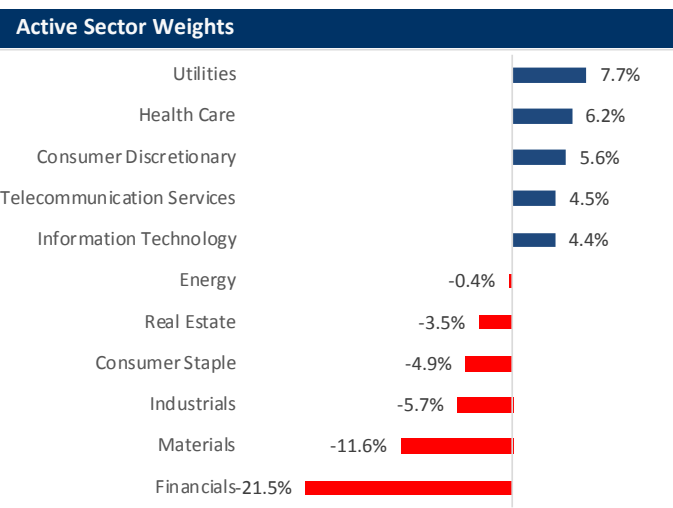
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Characteristics	Fund	Benchmark
Number of stocks	25	300
Portfolio Turnover*	15%	N/A
Annualised Tracking Error	6.26	N/A
Volatility (STD DEV) since inception	8.55	11.78
Portfolio Beta (since inception)	0.62	1

*Annualised average rolling portfolio turnover since inception, IFSA Standard

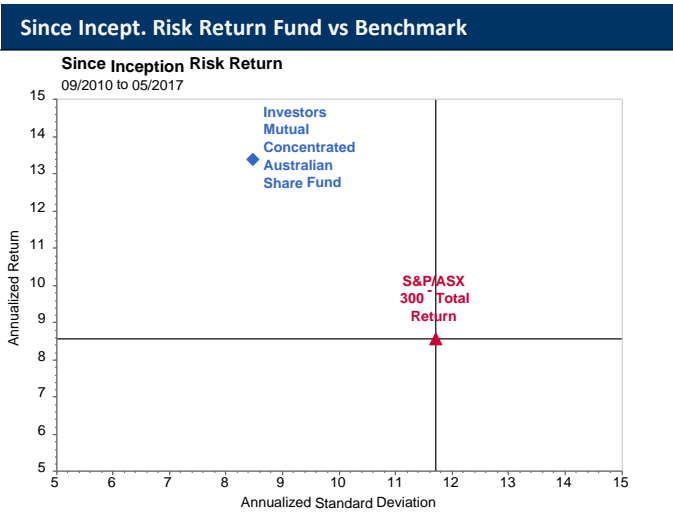
Researcher	Rating
Lonsec	Highly Recommended
Zenith	Recommended



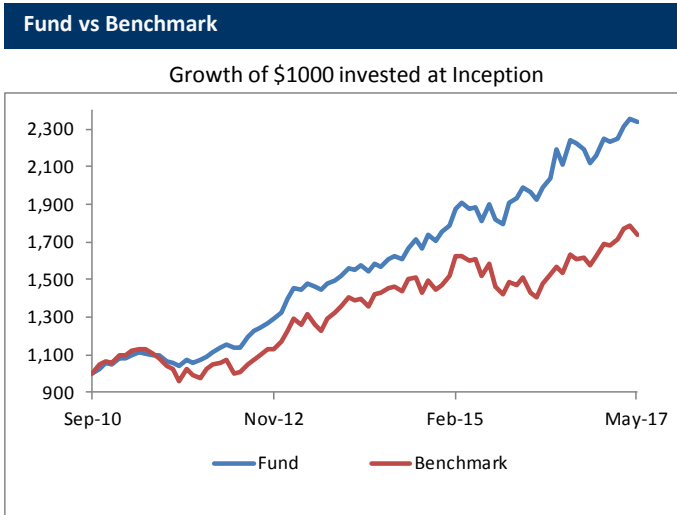
Portfolio top holdings

Portfolio top holdings	ASX Code
CSL	CSL
Spark Infrastructure	SKI
Telstra	TLS
Clydesdale	CYB
Fletcher Building	FBU
Commonwealth Bank	CBA
Z Energy	ZEL
AGL Energy	AGL
Chorus	CNU
Link Administration	LNK

Source: IML



Source: Factset



Source: IML