

Investors Mutual All Industrials Share Fund



Monthly report July 2017

Fund status: OPEN

- ▶ Global markets rallied again in July led by the US and strength in Emerging economic sharemarkets
- ▶ The ASX300 had a flat month as gains in the Resources sector and Banks were offset by weakness in non-Bank industrials
- ▶ We continue to maintain a cautious approach and use any weakness to top up on our preferred stocks

	1 month	3 months	1 Year	3 years [^]	5 Years [^]	Since inception [^]
Income	+0.0%	+6.0%	+8.8%	+6.9%	+6.1%	+5.7%
Growth	-1.7%	-9.7%	-2.7%	+1.3%	+7.0%	+3.8%
Total Return*	-1.7%	-3.7%	+6.1%	+8.2%	+13.1%	+9.5%
Benchmark**	-0.9%	-3.7%	+4.9%	+7.1%	+13.4%	+8.3%

[^]% 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 Industrial Accumulation Index

Sharemarket Commentary

The MSCI World Index continued to advance gaining +2.4% over the month, its 9th consecutive month of gains. The US sharemarket continued to set record highs with the S&P500 recording a healthy gain of +2.1% and the tech heavy NASDAQ index up +3.4%. Emerging Market stockmarkets were also stronger as those economies continued to recover. Emerging market sharemarkets were also strong thanks to higher commodity prices. In contrast, Europe's Stoxx 50 and Japan's Nikkei index recorded lack lustre returns over the month as the weaker US dollar weighed on sentiment.

The US dollar (USD) fell to its lowest level in almost 2 years with the Dollar index falling -2.9% in July to be down -6.7% over the past 6 months. Recent weakness has been attributed to scepticism surrounding the Trump administration, a lack of progress on policy reform as well as speculation that the new President may be indicted for irregularities leading up to the last election. In addition, continued low US inflation has cast doubts over further interest rate increases by the Fed Reserve. The weakness in the USD is providing a boost to US exporters, whilst it is a headwind for most global exporters to the US.

The Australian dollar gained +4.1% against the weaker USD and +2.7% on a trade weighted basis. The AUD/ USD has now risen +5.5% over the past 6 months to touch the 80-cent mark again during July. Commodity prices rebounded in July with the iron ore price gaining +16.8% as investors reacted to strong Chinese construction data and a pledge by the Chinese Government to cut down on steel overcapacity. The oil price also rebounded, gaining +10.4% for the month following a recent OPEC meeting in which the cartel agreed to increase compliance with previously agreed production cuts.

Despite good gains in the Financial and Resources sectors, the Australian market finished the month flat. Over the month, the Financial sector, led by the major banks, rallied +1.3% after APRA unveiled its long awaited new capital requirements that were much less onerous than initially feared. The Resources sector surged +5.0% on higher commodity prices. These gains were offset by weakness in companies with offshore earnings such as Healthcare companies CSL and Sonic and packaging company Amcor. Defensive sectors such as the Utilities sector slipped back as the Australian 10 year bond yield spiked to +2.7% in the latter part of the month. The Telecommunications sector was also weak as the media and brokers speculated about a fall in Telstra's dividends, although the company did not confirm this. Our view is that while in the longer-term Telstra will in all probability cut its dividend to a more sustainable level of 25 to 27 cps post the NBN rollout, although in the medium term the company has sufficient balance sheet strength and strong cashflows to continue with its current high dividend payout.

The IML All Industrials Share Fund had a disappointing month falling -1.7% for the month underperforming the benchmark's return. Our caution to the major Banks held back relative performance given their strong performance over the month off the back APRA's announcement. Our positioning in the more defensive sectors such as Healthcare and Utilities also detracted from our performance for the month. Whilst many of our holdings such as CSL, Sonic, Amcor and Ansell have been de-rated by the higher Australian dollar, we believe the strong competitive position of these companies and their earnings outlook for the next 3 to 5 years has not changed significantly.

Looking ahead, we continue to use any weakness in the market to top up on some of these quality multinational stocks as we believe they remain attractive long term investments. We also continue to top up on high yielding stocks such as Shopping Centres Australia as we do not believe Australian interest rates will increase significantly any time soon. We continue to look for opportunities to top up on good quality companies at times of weakness in the sharemarket and given the high weighting of cash in the Fund we are well positioned to do this.

Level of Franking (%)*	
FY13	99.5%
FY14	99.4%
FY15	66.1%
FY16	55.9%
FY17	39.3%

*As per IFSA Standard

S&P 500	2.1%
Euro Stoxx 50	0.3%
Nikkei	-0.5%
ASX 300 Accum	0.0%
AUD/USD	4.1%
Gold	2.0%
Oil	10.4%
Iron Ore	16.8%

Fund information	
APIR	IML0004AU
Inception	1 May 2002
Size	\$281m
Application	\$1.7854
Redemption	\$1.7764
Cash	12.3%
Management fee	0.993%
Investment horizon	4-5 years
Distributions	Semi-annually
Managers	Anton Tagliaferro Michael O'Neill

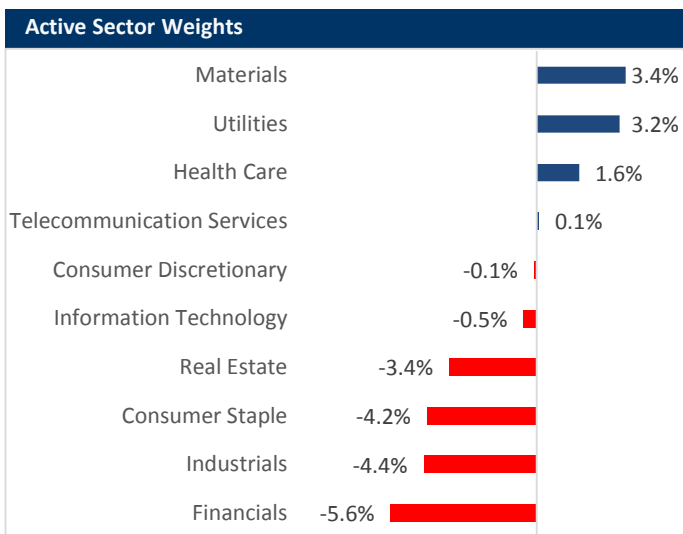
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Characteristics	Fund	Benchmark
Number of stocks	44	244
Portfolio Turnover*	24%	N/A
Annualised Tracking Error	4.11	N/A
Volatility (STD DEV) since inception	10.37	12.89
Portfolio Beta since inception	0.77	1

*Annualised rolling portfolio turnover (avg. over 10 years), IFSA Standard

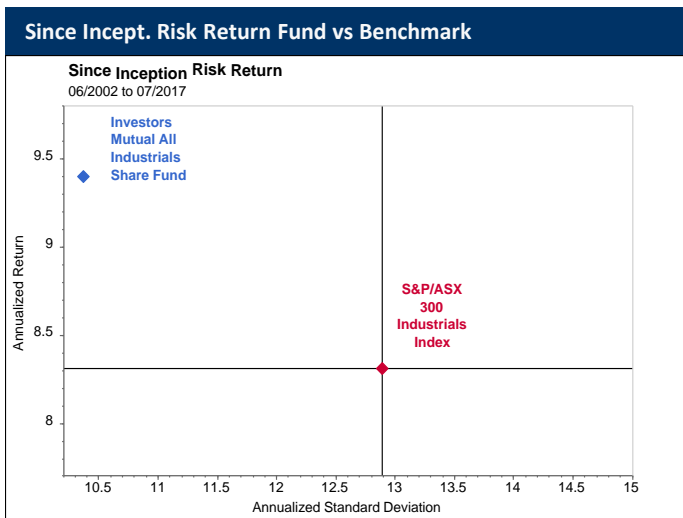
Researcher	Rating
Morningstar	Bronze
Lonsec	Highly Recommended
Zenith	Recommended



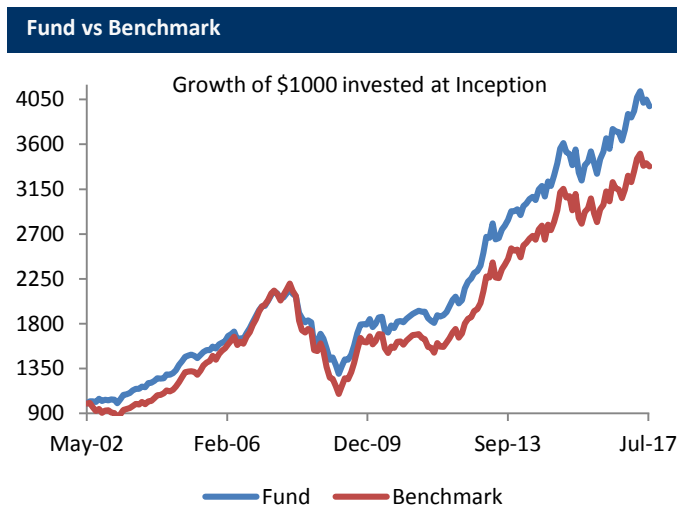
Portfolio top holdings

Portfolio top holdings	ASX Code
Westpac Banking Corporation	WBC
National Australia Bank	NAB
Commonwealth Bank	CBA
CSL Limited	CSL
Insurance Australia Group	IAG
Telstra Corporation	TLS
Ancor Limited	AMC
Wesfarmers Limited	WES
Fletcher Building	FBU
Clydesdale Bank	CYB

Source: IML



Source: Factset



Source: IML