

# Investors Mutual Concentrated Australian Share Fund



Monthly report February 2020

Fund status: OPEN

- ▶ Global sharemarkets endured a turbulent month as panic set in over the economic impact of the coronavirus
- ▶ The Australian sharemarket fell -7.8% in February after having reached fresh record highs earlier in the month
- ▶ We are adopting a cautious approach to the sharemarket looking to selectively use some of the Fund's cash

	1 month	3 months	1 Year	3 years <sup>^</sup>	5 Years <sup>^</sup>	Since inception <sup>^</sup>
Total Return*	-6.9%	-6.6%	+4.5%	+5.3%	+7.0%	+10.7%
Benchmark**	-7.8%	-5.2%	+8.7%	+8.6%	+6.2%	+8.6%

<sup>^</sup>% 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 (ASX300)

## Sharemarket Commentary

Global sharemarkets endured a turbulent month due to heightened investor concern about the spread of the coronavirus outside of mainland China, and the negative impact on global economic growth. The MSCI World Index fell -7.6% over the month, with the losses coming in the final week of the month as all major stockmarkets sold off heavily.

In a dramatic shift from earlier in the month when investor confidence drove the US market to a new record high, the US S&P500 fell -13% in the final week of February resulting in a monthly loss of -8.2%, with all sectors finishing lower. In similar fashion Europe's Stoxx50 and Japan's Nikkei index fell -8.4% and -8.8% respectively. The market's fear gauge, the VIX volatility index reached an intraday high of 50, its highest reading since 2011. As the concerns and selling in sharemarkets intensified, investors looked for safety in perceived safe haven assets. Thus, the US 10-year yield fell to its lowest level on record, falling 0.4% to 1.1%, whilst its Australian counterpart also fell to a record low of 0.7% over the month. The rally in global bonds was further supported by the US Fed announcing they would "act as appropriate to support the economy" in light of the evolving risks to economic activity. Other Central Banks added to this narrative - namely the Bank of Japan, the European Central Bank and the Bank of England.

The global economic impact from the virus arose from the extensive travel bans and factory closures which have ensued since the outbreak of the virus. China's factory and non-factory purchasing (PMI) data from February sank to its lowest level on record (from 51 to 35) as the closures took effect. In addition, US manufacturing data pointed to a slowdown as producers reported bottlenecks in their supply chains hampering their ability to get parts.

Domestically, as world growth forecasts were trimmed, our key commodity prices came under sustained pressure. The iron ore price fell -12% over the month on softening Chinese demand, whilst the oil price fell -13%. The AUD shed -3.7% against the USD to its lowest level in over 10 years. In a move to try and shore up investor confidence and domestic economic activity, the RBA cut interest rates by 0.25% in early March to a new record low of 0.5%.

In line with offshore sharemarkets, the Australian sharemarket - as measured by the ASX300 index - endured a difficult month falling -7.8%, after having reached an all time high only a few weeks earlier. No sector was spared the heavy sell off in the final week of February, as indiscriminate selling took hold regardless of a company's exposure to the coronavirus. Over the month, companies in the Healthcare and the Utilities sectors proved the most resilient falling -4% given the defensive qualities of their business models, whilst the Resources and Technology sectors fared the worst falling -13% and -16% respectively. The Resources sector fell in sympathy with the sell off in commodity prices, whilst the Technology sector tumbled as a number of previous market darlings such as Wisetech and Altium fell -40% and -22% respectively. The 1H20 reporting season was fairly lacklustre with earnings growth remaining elusive in many sectors and many companies cutting costs to support margins. Companies with strong franchises that managed to derive scale advantages continue to grow well, these included CSL, Telstra, Steadfast, Brambles and Aurizon.

**The Investors Mutual Concentrated Australian Share Fund** endured a challenging month falling -6.9%, faring slightly better than the benchmark's fall of -7.8%. It was a month in which just about every stock in the index finished in negative territory, despite some companies having very little exposure to the coronavirus. Our caution to the Resources and Banking sectors helped the Fund hold up better than the market, as did our aversion to much of the speculative froth in the Technology sector. The Fund's holdings in stocks such as Crown, SkyCity and in Events Hospitality had a tough month due to fears over the drop in inbound tourism negatively impacting the earnings of these companies, although all of these three companies have very strong balance sheets and will be able to navigate the current challenging times for the industry.

Clearly this is a very painful time for all sharemarket investors, after the gains of recent years. IML has been through corrections several times in our 21 year history and we will remain disciplined in our approach to investing at all times. It is impossible to say exactly when the current volatility will settle down. However, when the sharemarket does stabilise, good quality companies with real businesses and sustainable earnings and dividends – which is where IML's portfolios have always focused on - should again be sought after by investors and should recover over time.

### Monthly Movements

S&P 500	-8.2%
Euro Stoxx 50	-8.4%
Nikkei	-8.8%
ASX 300 Accum	-7.8%
AUD/USD	-3.7%
Gold	+1.6%
Oil	-13.4%
Iron Ore	-12.4%

### Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$185 M
Application	\$1.8098
Redemption	\$1.8008
Cash	19.6%
Mngmnt fee	0.993% p.a.
Holdings	10-30 Stocks
Stocks/sector limits	No
Investment horizon	4-5 years
Distribution	Semi-annually
Manager	Hugh Giddy

# Investors Mutual Concentrated Australian Share Fund

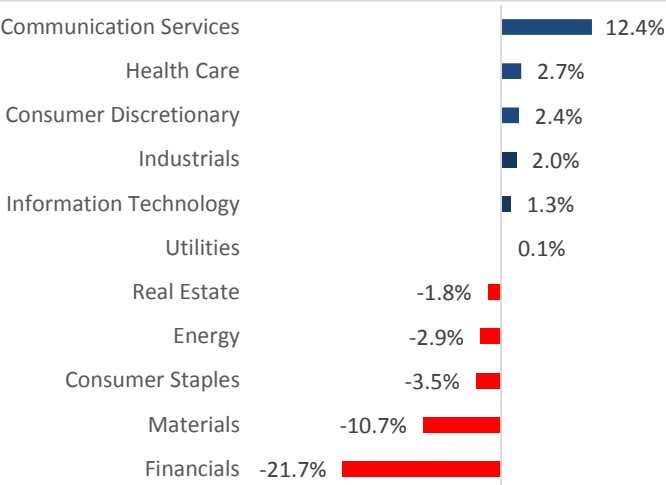
Monthly report February 2020



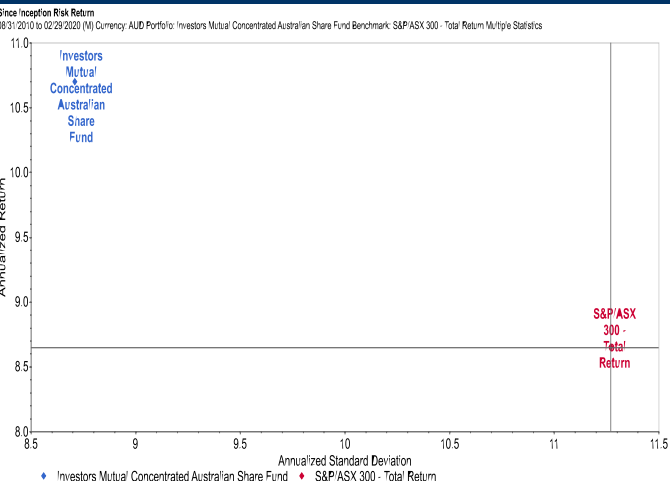
Characteristics	Fund	Benchmark
Number of stocks	28	300
Portfolio Turnover*	17%	N/A
Annualised Tracking Error	6.34	N/A
Volatility (STD DEV) since inception	8.71	11.27
Portfolio Beta (since inception)	0.64	1.00

\*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

## Active Sector Weights



## Since Incept. Risk Return Fund vs Benchmark\*



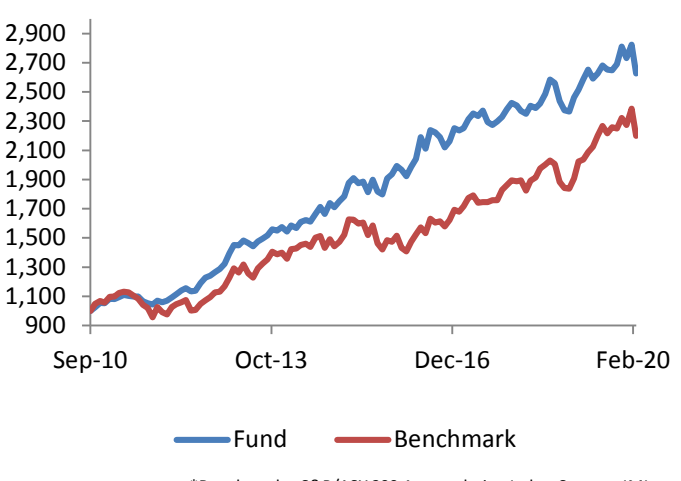
Researcher	Rating
Lonsec	Contact IML for the most recent rating
Zenith	Recommended
Morningstar	Silver

## Portfolio top holdings

ASX Code	ASX Code
CSL	CSL
Telstra	TLS
Aurizon	AZJ
Tabcorp	TAH
Chorus	CNU
Unibail-Rodamco-Westfield	URW
Brambles	BXB
Event Hospitality and Entertainment	EVT
Crown Resorts	CWN
Steadfast	SDF

Source: IML

## Since Incept. Cumulative Perf. Fund vs Benchmark\*



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