

Investors Mutual Concentrated Australian Share Fund



Monthly report November 2017

Fund status: OPEN

- ▶ Global sharemarkets continued their rise in November led by the US which continues to scale new record highs
- ▶ The Australian sharemarket gained +1.7%, despite lacklustre performance from the major banks
- ▶ We continue to be cautious given competitive pressures impacting many Australian companies

	1 month	3 months	1 Year	3 years [^]	5 Years [^]	Since inception [^]
Income	+0.0%	+0.0%	+2.7%	+3.1%	+5.4%	+4.6%
Growth	+2.2%	+4.7%	+7.4%	+8.6%	+7.7%	+8.1%
Total Return*	+2.2%	+4.7%	+10.1%	+11.7%	+13.1%	+12.7%
Benchmark**	+1.7%	+5.8%	+14.7%	+8.8%	+10.5%	+8.9%

[^]% 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 equity markets continued their record breaking ascent with the MSCI World Index gaining +1.8% in November with new record highs reached throughout the month. US markets proved the driver of global returns yet again with the Dow Jones Industrial Index gaining +3.8%, pushing through the 24,000 level as the broader S&P500 index gained +3.1%. Japan's Nikkei finished the month +3.3% higher, continuing its strong run on the continuation of the highly accommodative monetary policies known as Abenomics and weaker Yen. Conversely, Europe's Stoxx 50 index paused for breath following its recent rise, falling -2.8% over the month.

President Trump's tax overhaul looked to overcome a major hurdle late in the month with the US Senate narrowly approving the President's plan to cut both corporate and personal tax rates. US markets have been rallying significantly in the expectation of corporate tax rates being cut from 35% to as low as 20%. In further support for equity markets, incoming Chairman of the Federal Reserve Jerome Powell signalled his intention for a continuity of the current monetary policy as set under incumbent Chairwoman Janet Yellen. In a further boost for the Financials sector, Powell stated that current regulations for Wall Street were tough enough and could be relaxed with the intention of making them less burdensome and more efficient.

Domestically, the RBA kept rates unchanged at 1.5% for the 15th consecutive month, delivering a downward revision to the inflation trajectory, despite a modest pick up in wages growth. Highlighting the challenging conditions for Australia's heavily indebted consumer, retail sales for the September quarter disappointed, contracting -0.3%. Commodity markets were mixed, the iron ore price rebounded +16.1% to a 10 month high as Chinese rebar (steel) futures surged higher and as Chinese steel producers look to ramp up production before Chinese reforms to cut pollution are implemented. Oil gained +2.1% as OPEC and non OPEC countries agreed to extend production cuts whilst both Coal and the Base Metals fell -3.1% and -2.6% respectively.

The Australian sharemarket as measured by the ASX300 index had a solid month gaining +1.7%. The Financials index finished the month flat as ANZ, NAB and Westpac reported their results also trading ex dividend. Sentiment was further beset by the increasing likelihood of a Royal Commission of inquiry into the culture and practices of the financial sector. REITs were the best performing sector gaining +5.3% courtesy of bond yields both domestically and in the US falling sharply, along with a strong rally in Westfield. Bond price strength also helped the Utilities sector to gain +3.0% over the month. The Resources sector gained +3.1% primarily led by Energy stocks thanks to the continued strength in the oil price.

The **IML Concentrated Australian Share Fund** had a solid month gaining +2.2%, which exceed the benchmark's return of +1.7. Our underweight to the major banks benefited relative performance, as we remain less than sanguine on their earnings outlook and believe there is better value in insurers such as IAG and NAB's spinoff – Clydesdale Bank. Our holdings in stocks such as IAG, Abacus, Steadfast, Z Energy, Brambles and Westfield all had a strong month for the portfolio.

Global sharemarkets continue to trend higher as interest rates remain low and as investors continue to gain comfort that the global economy can continue to grow sustainably into 2018. While this may be so, it remains a challenging environment for many companies to grow their earnings given the intensely competitive nature of most sectors and with US interest rates set to increase further in the near future. We remain cautious as we enter 2018 with many markets at record highs and some excesses beginning to appear. We continue to focus our attention on good quality companies that we believe are well positioned to grow their earnings and dividends in the years ahead.

Monthly Movements

S&P 500	+3.1%
Euro Stoxx 50	-2.8%
Nikkei	+3.3%
ASX 300 Accum	+1.7%
AUD/USD	-1.0%
Gold	+0.8%
Oil	+2.1%
Iron Ore	+16.1%

Fund information

APIR	IML0010AU
Inception	1 Sep 2010
Size	\$71m
Application	\$1.7652
Redemption	\$1.7564
Cash	19.3%
Mngmnt 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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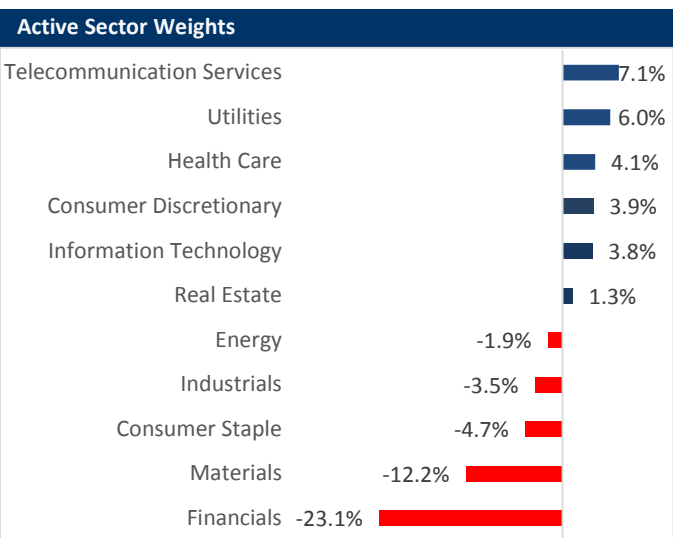


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Characteristics	Fund	Benchmark
Number of stocks	26	300
Portfolio Turnover*	11%	N/A
Annualised Tracking Error	6.32	N/A
Volatility (STD DEV) since inception	8.39	11.37
Portfolio Beta (since inception)	0.62	1

*Annualised average rolling portfolio turnover since inception, IFSA Standard

Researcher	Rating
Lonsec	Highly Recommended
Zenith	Recommended

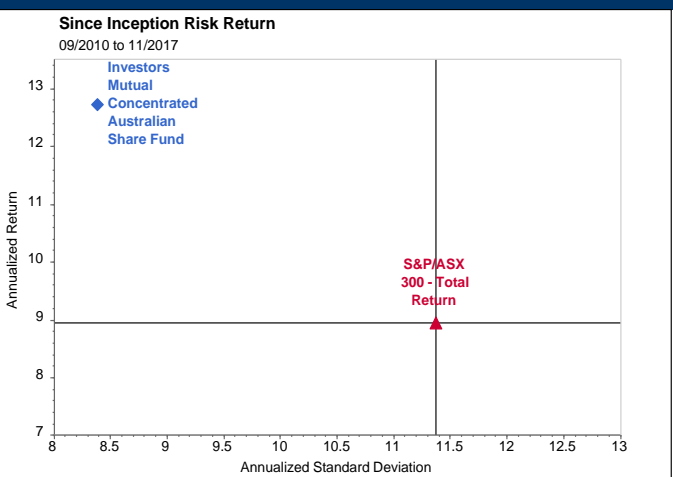


Portfolio top holdings

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

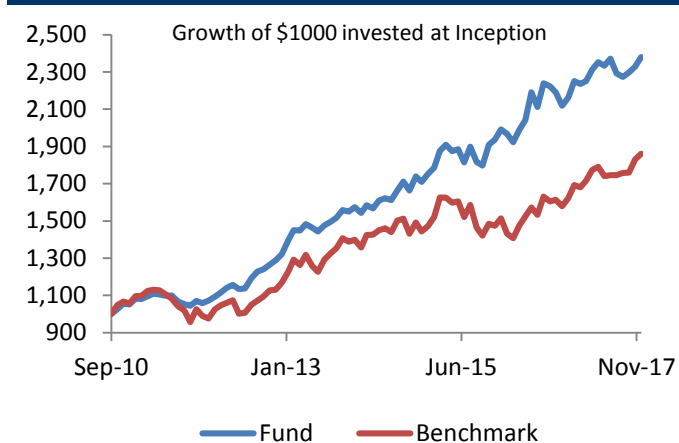
Source: IML

Since Incept. Risk Return Fund vs Benchmark*



*Benchmark = S&P/ASX 300 Accumulation Index, Source: Factset

Since Incept. Cumulative Perf. Fund vs Benchmark*



*Benchmark = S&P/ASX 300 Accumulation Index, Source: IML



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