

# AUSTRALIAN SMALLER COMPANIES FUND

## QUARTERLY REPORT



30 JUNE 2025

The **Investors Mutual Australian Smaller Companies Fund** provides exposure to an actively managed portfolio of quality shares outside of the top 100 listed on the ASX. The Fund aims to provide attractive investment opportunities for investors seeking medium to long term capital growth with income.

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS^	5 YEARS^	10 YEARS^	SINCE INCEPTION^
Total return*	+2.1%	+4.6%	+11.0%	+13.4%	+11.4%	+8.1%	+12.6%
Benchmark**	+1.0%	+8.7%	+12.0%	+10.8%	+7.4%	+7.7%	+6.0%

^% Performance per annum. Inception date: 30 June 1998 \*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 Small Ordinaries Index (excluding Property Trusts)

### FUND PERFORMANCE

- The **Smaller Companies Fund** delivered a positive return over the quarter, up +4.6%, albeit behind a very strong benchmark performance of +8.7%. Investors' appetite for risk increased over the quarter as the threat of a global tariff war seemingly receded. For the financial year the fund performed solidly, up +11.0%, but finished behind its benchmark, which was up +12.0%.
- Markets plummeted early in the quarter after the "Liberation Day" US tariff announcements on 2 April and then rebounded sharply as many tariffs were delayed or walked back. Confidence continued to build over the quarter as interest rates were cut in many countries and investors largely overlooked conflict and geopolitical instability in Europe and the Middle East. All major global indices rose, led by the Nasdaq which climbed +18.0% as large US technology stocks recovered from a poor start to the year.
- The ASX 300 and ASX Small Ordinaries were also strong, up +9.5% and +8.6% respectively. Energy was the strongest small cap sector, up +21.9%, with uranium stocks continuing to climb on increasing global interest in nuclear energy. Industrials was close behind, up +19.0%, led by defence stocks which rose as global defence spending increased. Healthcare was the only negative sector, dropping -4.3%, partly due to US tariff uncertainty and policy changes.
- Many of the Fund's holdings performed well including Electro Optic Systems, up +117.6%, Kelsian, up +41.4%, Austal, up +49.9%, Tabcorp, up +21.2% and Ridley Corporation, up +17.3%. Amotiv, -9.9%, and SkyCity, -28.0%, both disappointed, falling after downgrading earnings forecasts, mostly due to a weak NZ economy. We expect both companies' earnings to recover as economic conditions improve. Trajan, -16.4%, fell after an operational update was received negatively by investors.
- Over the quarter we trimmed our positions in Electro Optic Systems, EVT Limited, Generation Development Group, Kelsian, Regis Healthcare, OohMedia and Tabcorp as their share prices rose strongly. We took advantage of weak share prices to increase our holdings in Collins Foods and Readytech. We also opened a new position in founder-led business Cobram Estates, the world's leading vertically integrated premium olive oil producer. We view Cobram as a long term structural growth story as global olive oil demand increases in the face of lower production in the main olive growing region of southern Europe.

### STOCKS IN FOCUS

- Education and local government software provider ReadyTech (RDY) had a disappointing quarter, falling -11.5% as investors reacted to news it did not win a major contract. Our subsequent engagement with the company suggests that its pipeline has since recovered and business momentum has improved heading into fiscal year 2026. RDY has grown its revenue by double digits since its IPO in 2019, trades at a material discount to comparable software peers and remains a high conviction position for the Fund.
- Electro Optic Systems (EOS), the remote weapons system manufacturer, was up +117.6% as investor interest in defence stocks exposed to drone or counter-drone capability surged and the company announced a major contract win for its new Slinger counter-drone product. While we took advantage of the share price strength to take profits, we remain positive on the prospects for EOS's industry-leading technology.
- Animal nutrition supplier Ridley (RIC) rose +17.3% following its acquisition of Dyno Nobel's fertiliser distribution business. We participated in the capital raise to fund the acquisition and see scope for RIC's management team to materially improve the performance of the acquired business, which had suffered from a lack of focus under Dyno ownership.

### OUTLOOK

- While uncertainty remains around US tariffs and the global economy, markets continued to gain in confidence over the quarter. We are cognisant that markets appear to be brushing aside the risk of major trade dislocations or a US economic slowdown resulting from tariff changes (real or threatened) and maintain a cautious view on the global economy.
- Locally, economic data continues to show a relatively low-growth economy while recent interest rate cuts are helping to support both discretionary spending and the share market. Despite the broader market gains, many small cap companies' share prices are proving very volatile in the short term which is creating opportunities for patient long term investors to buy quality companies at reasonable prices. Our focus on high quality businesses with defensive, recurring earnings positions the portfolio well for the long term.

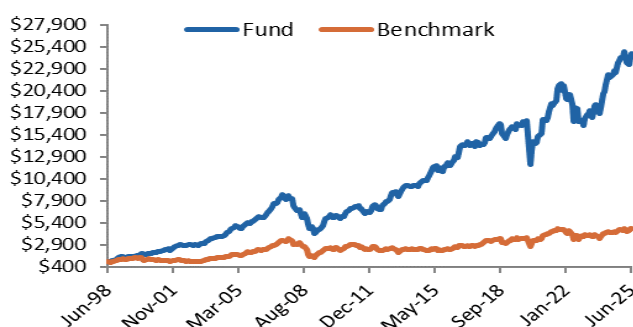
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ACTIVE SECTOR WEIGHTS		TOP 10 HOLDINGS		ASX CODE
Industrials	6.3%	Kelsian		KLS
Consumer Staples	6.1%	Integral Diagnostics		IDX
Health Care	5.8%	Cuscal		CCL
Information Technology	4.4%	Australian Clinical Labs		ACL
Communication Services	3.6%	Ooh!Media		OML
Real Estate	2.0%	Readytech		RDY
Utilities	1.6%	Clearview Wealth		CVW
Financials	-2.2%	TPG Telecom		TPG
Energy	-3.6%	Ridley Corporation		RIC
Consumer Discretionary	-6.1%	Amotiv		AOV
Materials	-22.5%			

### GROWTH OF \$1,000 INVESTED AT INCEPTION

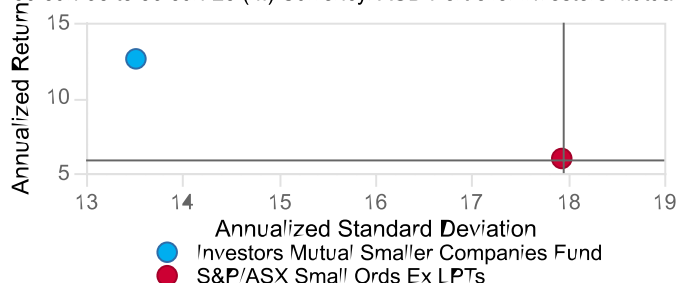


Since inception: 30 June 1998; Cumulative performance of the Fund vs its benchmark; Benchmark = S&P/ASX Small Ordinaries Index (excluding Property Trusts), Source: IML, Factset

### FUND RISK-RETURN VS BENCHMARK

#### Since Inception Risk Return

30-Jun-98 to 30-Jun-25 (M) Currency: AUD Portfolio: Investors Mutual



FUND FACTS		PORTFOLIO CHARACTERISTICS			FUND	BENCHMARK
ARSN	093 182 471	No. of stocks			59	176
APIR	IML0001AU	Portfolio turnover <sup>1</sup>			63%	NA
Inception	30 June 1998	Portfolio Beta (since inception)			0.61	1.00
Benchmark	S&P/ASX Small Ordinaries Index (excluding Property Trusts)	FRANKING LEVEL (%) <sup>2</sup>				
FUM	\$118M	FY25	FY24	FY23	FY22	FY21
Investment Horizon	4-5 years	59.1%	115.0%	79.9%	13.5%	21.9%
Minimum Initial Investment	A\$50,000	FUND RATINGS				
Minimum Additional Investment/ Redemption	A\$5,000	Morningstar	Silver			
Distributions	Generally semi-annually	Zenith	Recommended			
Performance Fee	Nil	Lonsec	Recommended <sup>*Visit <a href="https://lonsec.com.au/logo-disclosure">lonsec.com.au/logo-disclosure</a> for important information about this rating</sup>			
Management Fee	0.993% p.a. of the net assets of the fund (includes net effect of GST)	Genium	Recommended			
Asset Classes and Allocation Range	Aust Equities (80-100%) Cash (0-20%)	<sup>1</sup> 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. <sup>2</sup> As per FSC standard.				



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