



5 January 2024

## IML Funds' 31 December 2023 Distributions

We are pleased to advise that on 5 January 2024 all IML funds will pay their distributions to investors for the half year ended 31 December 2023, as shown in the table below.

IML FUND	APIR	31 DECEMBER DISTRIBUTION (CPU)
Investors Mutual Australian Share Fund	IML0002AU	6.0000
Investors Mutual All Industrials Share Fund	IML0004AU	3.0000
Investors Mutual Concentrated Australian Share Fund	IML0010AU	2.5000
Investors Mutual Future Leaders Fund	IML0003AU	1.5000
Investors Mutual Australian Smaller Companies Fund	IML0001AU	2.0000
Investors Mutual Small Cap Fund	IML0006AU	2.0000
Investors Mutual Equity Income Fund	IML0005AU	1.5000
Investors Mutual Private Portfolio Fund	IML2681AU	3.0000
IML Sustainable Future Fund	IML1194AU	2.0000

As in previous years when the funds' unit prices are quoted ex-distribution, the unit prices will have fallen by the amount of the distributions paid (as outlined above).

The December quarterly reports and commentaries for each of our funds will be published by mid-January 2024.

## Market commentary and investment performance

After falling for much of 2022, most stock markets rallied strongly in 2023. Investors overall appeared unconcerned by rising interest rates, US regional bank insolvencies, Chinese property weakness, and two significant wars. The S&P 500 returned +26.3% for calendar year 2023.

The gains in the US market were led by the so-called 'Magnificent 7' US mega-cap tech stocks as investor excitement about AI (artificial intelligence) reached a fever pitch. Most economies proved surprisingly resilient throughout the year as employment levels remained strong and consumers used their accumulated savings, built up during Covid, to sustain their spending.

The Australian share market also enjoyed a strong year, though it didn't see the heady gains enjoyed in the US. The ASX was boosted by strong gains by iron ore miners with BHP, Rio Tinto and Fortescue all posting double-digit returns for the year. Many other commodity prices came down from high levels during the year, particularly lithium, causing the lithium stocks to fall sharply, reversing the significant gains they recorded in 2022.

Performance for IML's funds was mixed. Our small cap funds posted strong, double-digit returns, well ahead of their benchmarks, with several of our quality small cap industrials recovering after a challenging 2022.

Our large cap funds had a disappointing year. While all funds posted positive returns for the year, they lagged their benchmarks. Our caution towards iron ore miners (which were all up more than 15%, with Fortescue up more than 50%) hurt our performance relative to the index. Iron ore is currently trading at twice the marginal cost, which we believe is unsustainably high long-term. Our large cap performance was also negatively impacted by disappointing performances from some key holdings, in particular Sky City.

Our focus on well-established, profitable companies with competitive advantage and recurring earnings meant that we generated good dividend income across our funds and will be paying distributions to all unit holders. Distributions are broadly in line with previous years.

### **Outlook**

While inflation appears to be falling in most developed markets, we expect markets to remain volatile and trading conditions to continue to be difficult for many businesses in 2024. Bullish commentators appear to think interest rate cuts are not far away in Australia, but it's important to note that while goods price rises have moderated significantly, services inflation is more persistent. Unless the economy weakens abruptly, interest rates may remain at elevated levels in Australia for some time, which will dampen consumer demand and increase costs for businesses. While this is likely to create challenges for many investors, we believe our funds and their high-quality holdings are well positioned for this economic environment.

As always, we continue to follow the same investment philosophy. We focus on buying and holding well-established companies with strong competitive advantages and recurring earnings that are likely to perform well in a range of economic conditions over the next three to five years. We believe that our funds are well positioned for the medium to long term, while also retaining sufficient cash to take advantage of opportunities to buy high quality companies as they present themselves.

On behalf of the team at IML we would like to thank you for your continuing support and offer our best wishes for a happy, healthy and prosperous new year.

Yours sincerely,

**Hugh Giddy**, Senior Portfolio Manager and Head of Research

**Simon Conn**, Senior Portfolio Manager

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