We believe income is never 'out of style'



INVESTORS MUTUAL AUSTRALIAN SHARE FUND

30 June 2018

When investing in shares it is easy to focus on short-term price fluctuations. Then again for long-term investors, the income stream from dividends is an important part of the total return, underpinning portfolio returns even when difficult market conditions are causing volatility in share prices.

Investing can be challenging for those investors seeking income. The traditional safe haven of cash products such as Term Deposits have delivered diminishing income over the past ten years and are now at records lows.

OUR FOCUS ON 'QUALITY' AND 'VALUE'

At IML, we invest for the long-haul, with a disciplined focus on quality and value. Through this, IML aims to deliver:

- a portfolio that is less volatile than the Australian sharemarket
- a sustainable tax effective income stream that grows over time
- and reasonable capital growth over time ...resulting in consistent outcomes for clients for 20 years.

CASE STUDY: IML APPROACH IN PRACTISE

A hypothetical investment of \$100,000 in the Investors Mutual Australian Share Fund at inception in 1998 would have delivered an income of **\$216,828** (pre-tax, and net of fees) over the **20 years**.

Importantly, investors have seen 'real' growth in their income stream whereby the yield has grown from **5.67%** in **1999** to **15.78%** in **2018** based on the initial \$100,000 investment.

With the capital of your investment also appreciating to \$310,400 as at 30 June 2018, this still represents a yield of 5.09% p.a on the current capital value.

Further to this, investors may benefit from imputation credits to enhance their final yield. The table below shows the impact of this investment strategy and the income from shares that has been delivered to investors.

Investors should be aware that the level of returns will vary and future returns may differ from past returns.

\$100,000 INVESTED IN THE INVESTORS MUTUAL AUSTRALIAN SHARE FUND SINCE INCEPTION

FY end	Yield (% pa)	Yield from initial	Income	Taxable income	Capital value	
		investment	distribution	distributions*		"It doesn't
30-Jun-98	-	-	-	-	\$ 100,000	matter what rates
30-Jun-99	5.67%	5.67%	\$ 5,670	\$ 6,310	\$ 132,010	are or where the
30-Jun-00	4.51%	5.96%	\$ 5,955	\$ 7,628	\$ 136,410	
30-Jun-01	3.26%	4.45%	\$ 4,452	\$ 6,551	\$ 160,160	market is, if you
30-Jun-02	2.61%	4.18%	\$ 4,180	\$ 5,887	\$ 169,010	can buy a stock
30-Jun-03	2.38%	4.02%	\$ 4,021	\$ 5,693	\$ 169,140	with a healthy,
30-Jun-04	4.52%	7.64%	\$ 7,641	\$ 9,740	\$ 195,510	sustainable
30-Jun-05	6.95%	13.58%	\$ 13,578	\$ 16,392	\$ 220,910	dividend yield,
30-Jun-06	8.61%	19.03%	\$ 19,030	\$ 22,459	\$ 234,550	•
30-Jun-07	8.34%	19.55%	\$ 19,550	\$ 23,074	\$ 277,360	you're virtually
30-Jun-08	4.36%	12.09%	\$ 12,094	\$ 15,784	\$ 213,320	more than
30-Jun-09	4.88%	10.40%	\$ 10,404	\$ 14,182	\$ 179,840	halfway to
30-Jun-10	4.46%	8.02%	\$ 8,018	\$ 11,081	\$ 199,980	achieving a good
30-Jun-11	5.38%	10.76%	\$ 10,756	\$ 14,680	\$ 214,260	
30-Jun-12	4.71%	10.10%	\$ 10,101	\$ 14,270	\$ 206,800	long-term return
30-Jun-13	4.94%	10.21%	\$ 10,214	\$ 14,257	\$ 252,610	from the
30-Jun-14	6.59%	16.66%	\$ 16,656	\$ 20,401	\$ 271,160	sharemarket"
30-Jun-15	4.31%	11.68%	\$ 11,679	\$ 15,620	\$ 286,470	
30-Jun-16	3.27%	9.37%	\$ 9,370	\$ 12,890	\$ 291,539	Anton Tagliaferro,
30-Jun-17	6.07%	17.68%	\$ 17,684	\$ 21,168	\$ 310,200	Investment Director
30-Jun-18	5.09%	15.78%	\$ 15,778	\$ 19,419	\$ 310,400	Investors Mutual
Total			\$ 216,828	\$277,486		

Source: IML, RBC, Factset. *Taxable income distribution is the available income to be distributed gross of Australian and foreign franking credits. It is important that investors seek professional taxation advice regarding the tax effectiveness of franking credits in relation to individual circumstances.

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