

We believe income is never 'out of style'

When investing in shares it is often easy to focus on noisy short term price fluctuations, but capital growth is only half the story when it comes to wealth creation. For long-term investors, the **income stream from dividends** is an important part of the total return as it is not only **less volatile**, but can **underpin portfolio returns** even if difficult market conditions are causing volatility in share prices.

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 market
- a sustainable tax effective income stream that grows over time
- and reasonable capital growth over time

...Resulting in consistent outcomes for clients for over 17 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 **\$173,996 (pre-tax)** over the 17 years. Importantly, investors have seen 'real' growth in their income stream whereby the yield off the initial investment has grown from 5.7% p.a. in 1999 to **11.7% p.a. in 2015**. That's on top of your capital appreciating to **\$286,470** as at **30 June 2015**. Further to this investors may benefit from imputation credits to enhance their final yield. The table below compares the impact of this **investment strategy** to an **Australian 12 month term deposit** over the same period.

"...It doesn't matter what rates are or where the market is, if you can buy a stock with a sustainable yield, you're more than halfway to achieving a sustainable long term return..."

Anton Tagliaferro,
Investment Director
Investors Mutual

| Investors Mutual Australian Share Fund | | | | | | Australian 12-month Term Deposit | | |
|--|--------|--------------------------------|----------------------|--------------------------------|-------------------|----------------------------------|-----------------------|----------------------|
| Financial Year end | Yield* | Yield from initial investment* | Income distributions | Taxable income distributions** | Capital value | Term Deposit Rate (p.a) | Interest Earned (p.a) | Amount Invested (\$) |
| 98 | - | - | - | - | \$ 100,000 | - | - | \$ 100,000 |
| 99 | 5.7% | 5.7% | \$ 5,670 | \$ 6,310 | \$ 132,020 | 6.0% | \$ 6,000 | \$ 100,000 |
| 00 | 4.5% | 6.0% | \$ 5,955 | \$ 7,628 | \$ 136,410 | 5.8% | \$ 5,750 | \$ 100,000 |
| 01 | 3.3% | 4.5% | \$ 4,451 | \$ 6,551 | \$ 160,160 | 7.0% | \$ 7,000 | \$ 100,000 |
| 02 | 2.6% | 4.2% | \$ 4,180 | \$ 5,887 | \$ 169,010 | 6.0% | \$ 6,000 | \$ 100,000 |
| 03 | 2.4% | 4.0% | \$ 4,021 | \$ 5,693 | \$ 169,140 | 5.8% | \$ 5,750 | \$ 100,000 |
| 04 | 4.5% | 7.6% | \$ 7,641 | \$ 9,740 | \$ 195,510 | 5.8% | \$ 5,750 | \$ 100,000 |
| 05 | 7.0% | 13.6% | \$ 13,578 | \$ 16,392 | \$ 220,910 | 6.3% | \$ 6,250 | \$ 100,000 |
| 06 | 8.6% | 19.0% | \$ 19,030 | \$ 22,459 | \$ 234,550 | 6.5% | \$ 6,500 | \$ 100,000 |
| 07 | 8.3% | 19.6% | \$ 19,550 | \$ 23,074 | \$ 277,360 | 6.8% | \$ 6,750 | \$ 100,000 |
| 08 | 4.4% | 12.1% | \$ 12,094 | \$ 15,784 | \$ 213,320 | 7.3% | \$ 7,250 | \$ 100,000 |
| 09 | 4.9% | 10.4% | \$ 10,404 | \$ 14,182 | \$ 179,840 | 8.3% | \$ 8,250 | \$ 1,00,000 |
| 10 | 4.5% | 8.0% | \$ 8,018 | \$ 11,081 | \$ 199,980 | 4.0% | \$ 4,000 | \$ 100,000 |
| 11 | 5.4% | 10.8% | \$ 10,756 | \$ 14,680 | \$ 214,260 | 5.5% | \$ 5,500 | \$ 100,000 |
| 12 | 4.7% | 10.1% | \$ 10,101 | \$ 14,270 | \$ 206,800 | 5.8% | \$ 5,750 | \$ 100,000 |
| 13 | 4.9% | 10.2% | \$ 10,214 | \$ 14,257 | \$ 252,610 | 4.6% | \$ 4,600 | \$ 100,000 |
| 14 | 6.6% | 16.7% | \$ 16,656 | \$ 20,401 | \$ 271,160 | 3.7% | \$ 3,700 | \$ 100,000 |
| 15 | 4.3% | 11.7% | \$ 11,679 | \$ 13,469 | \$ 286,470 | 3.2% | \$ 3,200 | \$ 100,000 |
| Total | | | \$ 173,996 | \$ 221,858 | | | \$ 98,000 | |

Source: IML, RBC, Factset, *(% p.a.) ** 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 in regards to the tax effectiveness of franking credits in relation to individual circumstances.

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