

## The real value of investing in shares

When investing in shares it is often easy to focus only on their capital value and its short term fluctuations. This is particularly true during times of market volatility, when the dividend income stream can be overlooked. For many long-term investors the income stream is the most important part of the total return that they receive from their share (or managed fund) investments.

## IML's track record of generating income from Smaller Companies

The IML Australian Smaller Companies Fund, established on 30 June 1998, has just completed its twelfth year of operation. Over these years IML has always given top priority to ensuring that the Fund's portfolio is populated with shares in high quality businesses with a reliable track record of paying dividends.

With the payment of the final distribution to IML Australian Smaller Companies Fund investors in June 2010, we have aggregated all of the distributions paid, since inception for this 12 year period, based on a hypothetical \$100,000 investment in the fund on 30 June 1998.

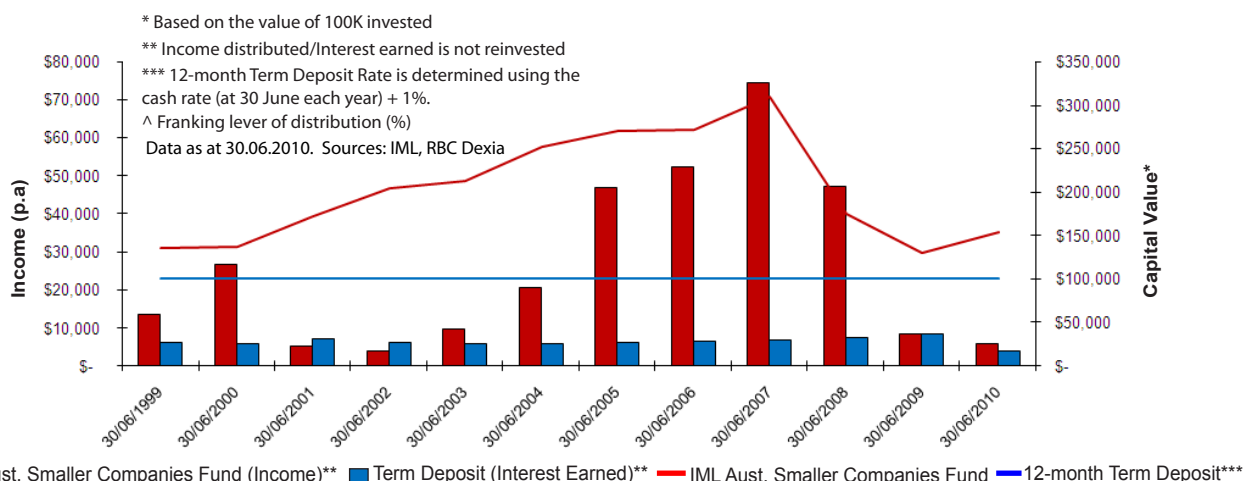
Astonishingly, this investment has distributed an amount totalling **\$315,063** (pre-tax) over twelve years and the capital value of the original investment of **\$100,000** is now worth **\$153,990**, at 30 June 2010. The amount distributed does not reflect the benefits to investors of the attached imputation credits, which in the case of most retirees may enhance the final yield in their hands. By way of contrast we have examined the same investment in a rolling 12 month term deposit, over the same period.

IML Australian Smaller Companies Fund				Australian 12-month Term Deposit			
Date	Yield (% p.a)	Income Distributions (p.a)	Capital Value (\$)	Date	Term Deposit Rate (% p.a)	Interest Earned (p.a)	Amount Invested (\$)
30-Jun-98	-	-	\$100,000	30-Jun-98	-	-	\$100,000
30-Jun-99	10.02%	\$13,608	\$135,830	30-Jun-99	6.00%	\$6,000	\$100,000
30-Jun-00	19.65%	\$26,809	\$136,420	30-Jun-00	5.75%	\$5,750	\$100,000
30-Jun-01	3.04%	\$5,221	\$171,710	30-Jun-01	7.00%	\$7,000	\$100,000
30-Jun-02	1.82%	\$3,718	\$204,540	30-Jun-02	6.00%	\$6,000	\$100,000
30-Jun-03	4.59%	\$9,727	\$211,780	30-Jun-03	5.75%	\$5,750	\$100,000
30-Jun-04	8.14%	\$20,477	\$251,430	30-Jun-04	5.75%	\$5,750	\$100,000
30-Jun-05	17.45%	\$47,052	\$269,630	30-Jun-05	6.25%	\$6,250	\$100,000
30-Jun-06	19.29%	\$52,437	\$271,790	30-Jun-06	6.50%	\$6,500	\$100,000
30-Jun-07	24.13%	\$74,530	\$308,930	30-Jun-07	6.75%	\$6,750	\$100,000
30-Jun-08	27.21%	\$47,389	\$174,180	30-Jun-08	7.25%	\$7,250	\$100,000
30-Jun-09	6.36%	\$8,242	\$129,630	30-Jun-09	8.25%	\$8,250	\$100,000
30-Jun-10	3.80%	\$5,853	\$153,990	30-Jun-10	4.00%	\$4,000	\$100,000
<b>Total</b>		<b>\$315,063</b>		<b>Total</b>		<b>\$75,250</b>	

Sources: IML, RBC Dexia

Source: FactSet

## IML Australian Smaller Companies Fund vs 12-month Term Deposit





The IML investment approach has produced one of the most consistent risk return outcomes of all Australian active equity styles, over the last 10 years. The message here is that IML's value and quality style of investing produces consistent returns that are less volatile than the broader market (and most of our peers) and at the same time delivers an attractive income stream, with tax benefits.

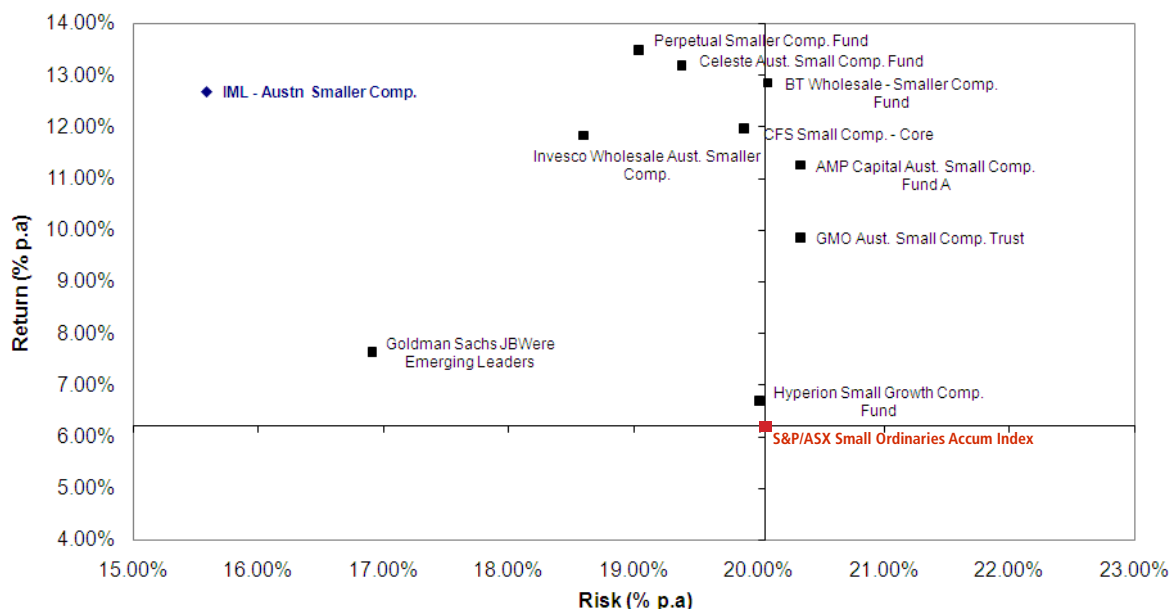
## IML Australian Smaller Companies Fund generates solid returns given the level of risk over the past 10 years

Fund Name	Standard Deviation 10yr %pa	Total Return 10yr %pa	Risk - Adjusted Returns*
IML Australian Smaller Companies Fund	15.59%	12.66%	0.81%
Perpetual Smaller Comp Fund	19.05%	13.46%	0.71%
Celeste Austn Small Comp Fund	19.38%	13.17%	0.68%
BT Wholesale - Smaller Comp Fund	20.07%	12.85%	0.64%
Invesco Wholesale Austn Smaller Comp	18.61%	11.83%	0.64%
CFS Small Comp - Core	19.89%	11.95%	0.60%
AMP Capital Austn Small Comp Fund A	20.34%	11.26%	0.55%
GMO Austn Small Comp Trust	20.34%	9.83%	0.48%
Goldman Sachs JBWere Emerging Leaders	16.91%	7.61%	0.45%
Hyperion Small Growth Comp Fund	20.01%	6.67%	0.33%
S&P/ASX Small Ordinaries Accum Index	20.05%	6.20%	0.33%

Data as at 30 June 2010

\* The risk-adjusted return is the measure of the return earned by an investment that is adjusted to take into account the level of risk taken to achieve it. This is calculated by dividing the total return by the standard deviation of portfolio returns. The higher the risk adjusted return, the better the portfolio's return in risk adjusted terms.

### Ten Year Risk Return



Source: Morningstar  
Data as at 30 June 2010



1300 551 132



www.iml.com.au



mail@iml.com.au

While the information contained in this newsletter has been prepared with all reasonable care, Investors Mutual Limited accepts no responsibility or liability for any errors, omissions or misstatements however caused. This information is not personal advice. This document has been prepared without taking account of your objectives, financial situation or needs. The fact that shares in a particular company may have been mentioned should not be interpreted as a recommendation to buy, sell or hold that stock. Any estimated EV/EBITDA, P/E and EPS ratios and dividend yields referred to in this presentation constitute estimates which have been calculated by IML's investment team based on IML's investment processes and research. This information does not account for your investment objectives, particular needs or financial situation. Investors Mutual Limited is the issuer of the Investors Mutual Australian Share Fund and Investors Mutual Industrial Share Fund. Applications can only be made on the form in the current Product Disclosure Statement Issue Number 5 dated 22 January 2009, or through IDPS products that include these Funds. The Product Disclosure Statement can be obtained by contacting Investors Mutual or on www.iml.com.au. Potential investors should consider the Product Disclosure Statement before deciding whether to invest, or continue to invest in the Funds.