

Value & Income Fund

Market Commentary

Global equity markets, as measured by the MSCI World Index (AUD hedged), posted a gain of 5.9% after many US companies reported reasonable results. The US rally of 7% for the month helped all world markets rally with European markets up over 6% while Asian markets rose 5.4%. US company results showed very subdued revenue growth but were helped by continued tight cost control and reduced capital expenditure. This trend was reflected in US economic data released over the month which reflected a very soft economy particularly in the housing, manufacturing and services sectors.

The gains during the month although it should be noted that trading was characterised by fairly thin volumes as investor sentiment remained fickle. The best performing sectors over the month were the Financials (+8.3%), Telco's (+7.6%), Energy (+7.2%) and Industrials (+6.7%) sectors while more defensive sectors such as Consumer Staples +3.6% and Healthcare -0.8% lagged the rally.

In line with world markets the Australian sharemarket rose by 4.5% during July, helped by an 8.8% rally in the banking sector which recovered some of the heavy losses suffered in the June quarter. The Resource sector also rallied strongly thanks to firmer commodity prices over the month as well as the Government's announcement of a Minerals Resource Rent Tax to replace the more onerous Resources Super Profits tax. There was very limited news flowing out of Australian companies with most companies due to update investors when reporting their full year results in August. Domestically, the RBA kept interest rates at 4.5% influenced by the release of the June quarter CPI which came in at 0.6%, well below expectations. The Australian economy continues to travel reasonably well as evidenced by an improvement in consumer confidence and solid employment growth. The Australian dollar rallied by 7% to 90.1 US cents over the month aided by firmer commodity prices while the yield on Australian 10 year government bonds rose 0.11% to 5.2%.

Portfolio Performance & Strategy

The Fund returned +3.7% during July which was a very good result. The Australian portion of the Fund delivered solid returns with most stocks delivering positive performance. This was lead by Westpac, National Australia Bank and Coventry Group.

The Fund's holding in Amcor continues to perform well. Amcor has been significantly re-rated in recent times as investors start to factor in the benefits that will accrue to the company from its very well timed acquisition of the Alcan packaging assets from RIO in 2009. Amcor's earnings have been resilient in the last few years despite an indifferent economic climate. The company remains well placed to grow its earnings in the next few years thanks to the synergy benefits coming through from the Alcan acquisition and remains a core holding of the Fund

During the month, the Victorian Gaming Minister, invited Tatts Group, Tabcorp and Ladbrokes to apply for a Victorian wagering licence. The licence is to be issued before the end of the year. IML remains comfortable with our position in Tatts Group. It is a resilient business with excellent management, and it generates strong cash flows.

The international portion of the Fund also delivered healthy returns over the month with our holdings in Financials, Industrials and Telcos contributing strongly to the monthly result. Norwegian telco Telenor, British financial services firm Barclays, and Spanish energy company Repsol were positive contributors to performance. As with the broader market, healthcare stocks Roche, Novartis and Johnson & Johnson lagged as did specialty chemicals producer Syngenta and Hong Kong based energy company CNOOC.

We are firmly of the view that we are now in a period of very subdued global economic growth as we enter a deleveraging period from the very high levels of debt accumulated pre the GFC. Current volatile conditions and the challenging investment environment expected over coming years highlights to us the importance of focusing on the fundamentals and the quality of the business. We thus continue to skew our portfolio heavily towards companies that we believe are well positioned to grow in the years ahead despite the lack lustre global economic outlook.

Fund Report as at 31 July 2010

Fund and Performance Statistics

Fund start date: 1 May 2004

Fund size: \$31.01 Million

Period	Fund*	Performance Objective **
1 month	+3.7%	+0.6%
3 months	-2.0%	+1.7%
6 months	+0.9%	+3.2%
1 year	+11.9%	+6.1%
2 years p.a.	+1.2%	+6.6%
3 years p.a.	-4.3%	+7.6%
Since Inception p.a.	+5.6%	+7.8%

* Fund returns are calculated net of management fees, and assuming all distributions are re-invested.

** UBS Warburg Aust Bank Bill Index + 2%.

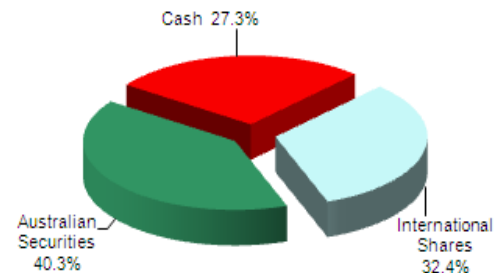
Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

PE and Dividend Yield

Portfolio Characteristics	Dividend Yield	Price/Earnings
Fund Australian Equities Exposure [#]	6.4%	11.5x
S&P ASX 300 Index [#]	4.5%	12.1x
Fund International Equities Exposure ^{###}	4.2%	10.5x
MSCI World Free Index [#]	2.7%	12.9x

[#]Source: FACTSET 12 months rolling forecasts
^{###}GVI forecast earnings

Asset Allocation



Australian Portfolio Top Holdings at 31 July, 2010

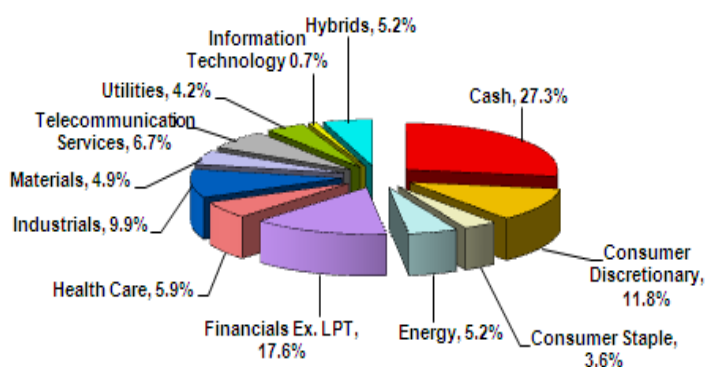
Company	Type of company	PE [#]	Yield [#]
IAG	General Insurance	11.1x	5.6%
Tatts	Gaming	10.3x	9.1%
Westpac	Banking	11.4x	6.2%
Sky City	Gaming	12.5x	5.4%
Ancor	Packaging	13.1x	5.4%
CSL	Pharmaceuticals	16.6x	2.4%
NAB	Banking	10.3x	6.4%
Connecteast	Toll Road Operator	NA	4.6%
Crown	Gaming	17.2x	4.6%
Telstra	Incumbent Telco	10.2x	9.0%

[#]FACTSET 12 months rolling forecasts

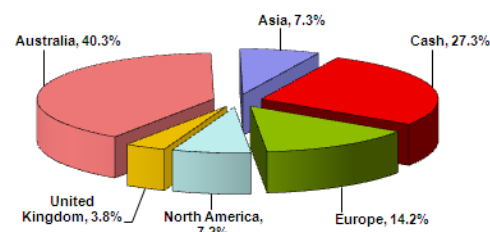
International Portfolio Top 10 Holdings at 31 July, 2010

Company	Country	Type of company	PE [#]	Yield [#]
Yue Yuen	Singapore	Consumer Discretionary	12.0x	3.8%
CNOOC	Hong Kong	Integrated Energy	11.8x	3.2%
Denway Motors	Hong Kong	Vehicle trading and services	11.4x	2.7%
DBS Group	Singapore	Financials	15.6x	4.0%
HSBC	United Kingdom	Banking	14.2x	3.6%
Hutchinson	Hong Kong	Industrials	15.8x	3.4%
Dah Sing	Hong Kong	Banking	12.2x	2.2%
Mitsui	Japan	Industrials	10.7x	1.8%
Barclays	United Kingdom	Banking	11.3x	1.6%
Telenor	Norway	Incumbent Telco	13.3x	3.6%

GICS Sector Allocation



Region Allocation



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