

IML Small Cap Fund

Fund objectives

The new Investors Mutual Small Cap Fund will focus on investing in smaller companies, which IML defines as listed securities outside the top ASX 100. The Fund has also been designed with the flexibility to continue to invest in a company when it grows in value and is no longer an ex-ASX100 company up to a maximum of 25% of the value of the Fund. This is known as 'drift' and allows the fund to benefit for a longer period of time from the IML's successful stock selection, without being forced to sell the stock merely because it is no longer strictly a small cap. The fund is also able to purchase mid-cap stocks directly, not just through drift, should they become attractively priced.

Performance Objective

The Fund's performance objective is to deliver a long-term real return to investors (after fees and expenses and before taxes) that is in excess of the Fund's Benchmark, the S&P/ASX Small Ordinaries Accumulation Index, on a rolling 4-year basis. The fund also aims to pay distributions twice yearly in January and July.

While this is a new fund and has no performance history it is being managed by the IML Small Cap investment team using the same process as the other IML smaller companies funds; the Australian Smaller Companies Fund and the Future Leaders Fund, each of which have proven long-term performance records. Monthly update detailing the Fund's performance can be viewed on the IML website: www.impl.com.au

Who should invest?

The fund may be suited to investors that are seeking a better than average return from a diversified and professionally managed portfolio of shares in smaller companies, with an investment time horizon of at least five years.

IML's small cap investment approach

IML has a conservative approach to managing client's money through the consistent application of its disciplined investment process. IML's active, value-based investment style focuses on identifying quality companies that are attractively priced.

IML looks for companies that meet our strict criteria as to quality and valuation, namely:

- they must have a competitive advantage in their industry;
- a history of recurring earnings;
- be run by capable management; and
- have the ability to grow earnings over time.

They must also be trading at an attractive price.

Reasons for investing in smaller companies:

- Provide diversification away from top 100 companies, which tend to be dominated by a narrow range of sectors (ie. Financials, Resources and LPT's).
- They can be misunderstood, mis-priced and overlooked by the market.
- Offer investors the potential to deliver higher risk-adjusted returns than available from larger companies, but this can be accompanied by higher levels of volatility.

About Investors Mutual Limited

Investors Mutual Limited (IML) was founded by Anton Tagliaferro in 1998 and is based in Sydney. The IML small cap investment team, led by Senior Portfolio Manager Simon Conn, has a proven track record of managing small cap portfolios over 8 years, with a focus on delivering consistent investment performance from a portfolio of quality smaller companies.

Fund Facts

For IDPS, Master Trust or Wrap Account Investors:

The minimum initial and additional investment amounts shall be those specified by that particular Trust, Wrap or IDPS.

Fund is currently available on:

- Macquarie Wrap Solutions
- Asgard
- Advanteos

Fund start date: 1 February 2007

For direct wholesale investors: \$500,000

Minimum Initial Investment*: \$50,000

Additional Investment: \$500,000

Minimum Account Balance: \$50,000

Minimum Redemption:

* IML has the discretion to accept investments below this amount

Entry Fee: Nil

Exit Fee: Nil

Brokerage: Nil

Buy/Sell Margin: 0.25% on Application
0.25% on Exit

Total Buy/Sell Margin: 0.50%

Performance Fee: 10.25% (10% plus net effect of GST) of investment returns made in excess of 2% per annum above the benchmark, S&P/ASX Small Ordinaries Accumulation Index

Investment Costs: 1.1275% (incl. GST)

Withdrawals: Within 7 days

Distributions: Generally Semi-Annually

Valuations: Daily

Disclaimer: While the information contained in this report has been prepared with all reasonable care, IML accepts no responsibility or liability for any errors or omissions or misstatements however caused. This information is not personal advice. This information has been prepared without taking account of your objectives, financial situation or needs. IML is the issuer of units in the Fund. Applications can only be made on the form in the current PDS dated 5 February 2007, or through IDPS products that include this Fund. The PDS can be obtained by contacting Investors Mutual or on www.impl.com.au. Potential investors should consider the PDS before deciding whether to invest, or continue to invest in the Fund. Under certain circumstances IML may pay commissions to Dealer Groups based on the volume of business they generate. If these payments are made by IML they are not paid out of the value of your investment or out of the assets of the Fund. For information on fees and commissions please refer to the PDS for the Fund. IML employees, authorised representatives and directors are paid a salary. They are not paid any commissions but may be paid a bonus based on the performance of the individual or of IML.