

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.

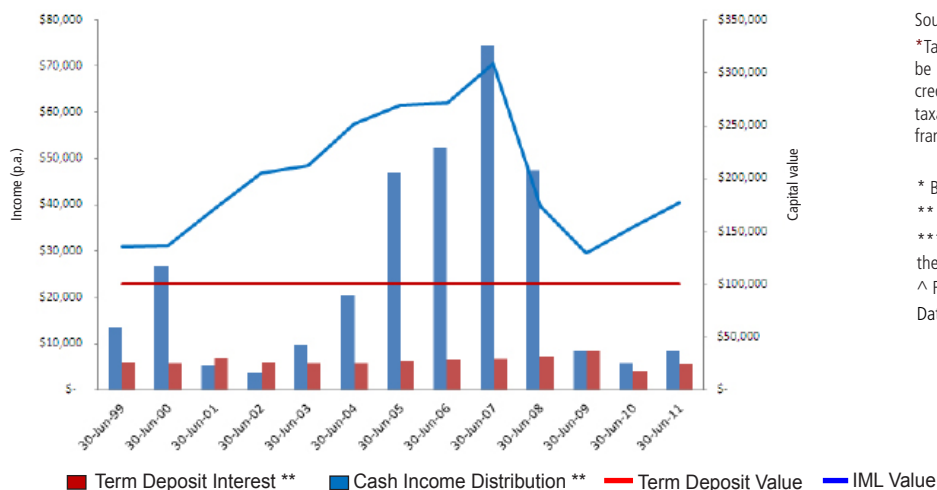
IML's track record of generating income from Smaller Companies

The IML Australian Smaller Companies Fund, established on 30 June 1998, has just completed its thirteenth 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 2011, we have aggregated all of the distributions paid, since inception for this 13 year period, based on a hypothetical \$100,000 investment in the Fund on 30 June 1998. Astonishingly, this investment has distributed an amount totalling **\$323,513** (pre-tax) over thirteen years and the capital value of the original investment of **\$100,000** is now worth **\$176,940**, at 30 June 2011. 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)	Yield from Initial Investment (% p.a)	Income Distributions (\$)	Taxable Income Distributions* (\$)	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	13.61%	13.61%	\$13,608	\$14,703	\$135,830	30-Jun-99	6.00%	\$6,000	\$100,000
30-Jun-00	19.74%	26.81%	\$26,809	\$28,514	\$136,420	30-Jun-00	5.75%	\$5,750	\$100,000
30-Jun-01	3.83%	5.22%	\$5,221	\$7,964	\$171,710	30-Jun-01	7.00%	\$7,000	\$100,000
30-Jun-02	2.17%	3.72%	\$3,718	\$5,359	\$204,540	30-Jun-02	6.00%	\$6,000	\$100,000
30-Jun-03	4.76%	9.73%	\$9,727	\$13,184	\$211,780	30-Jun-03	5.75%	\$5,750	\$100,000
30-Jun-04	9.67%	20.48%	\$20,477	\$23,495	\$251,430	30-Jun-04	5.75%	\$5,750	\$100,000
30-Jun-05	18.71%	47.05%	\$47,052	\$50,977	\$269,630	30-Jun-05	6.25%	\$6,250	\$100,000
30-Jun-06	19.45%	52.44%	\$52,437	\$56,421	\$271,790	30-Jun-06	6.50%	\$6,500	\$100,000
30-Jun-07	27.42%	74.53%	\$74,530	\$78,201	\$308,930	30-Jun-07	6.75%	\$6,750	\$100,000
30-Jun-08	15.34%	47.39%	\$47,389	\$50,576	\$174,180	30-Jun-08	7.25%	\$7,250	\$100,000
30-Jun-09	4.73%	8.24%	\$8,242	\$10,334	\$129,630	30-Jun-09	8.25%	\$8,250	\$100,000
30-Jun-10	4.52%	5.85%	\$5,853	\$7,718	\$153,990	30-Jun-10	4.00%	\$4,000	\$100,000
30-Jun-11	5.49%	8.45%	\$8,450	\$10,750	\$176,940	30-Jun-11	5.50%	\$5,500	\$100,000
Total			\$323,513	\$358,196		Total		\$80,750	

IML Australian Smaller Companies Fund vs 12-month Term Deposit



Sources: IML, RBC Dexia, 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 in regards to the tax effectiveness of franking credits in relation to individual circumstances.

* Based on the value of 100K invested

** Income distributed/Interest earned is not reinvested

*** 12-month Term Deposit Rate is determined using the cash rate (at 30 June each year) + 1%.

^ Franking lever of distribution (%)

Data as at 30.06.2011. Sources: IML, RBC Dexia

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.

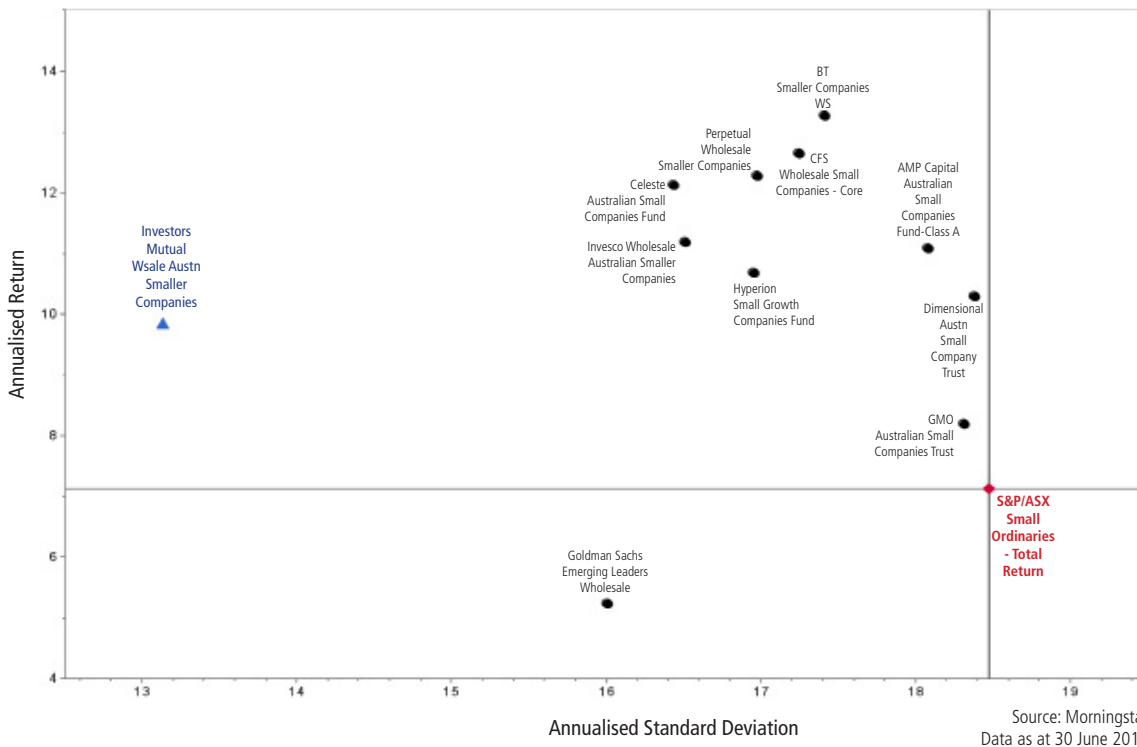
IML Australian Smaller Companies Fund generates solid returns given the level of risk over the past 10 years

Fund Name	Standard Deviation 10yr %pa	Total Return 10yr %pa	Risk - Adjusted Returns*
Investors Mutual WS Austn Smaller Companies	13.15%	9.43%	0.72%
BT Smaller Companies WS	17.46%	12.51%	0.72%
Celeste Austn Small Companies Fund	16.50%	11.53%	0.70%
CFS Wholesale Small Companies Core	17.31%	12.09%	0.70%
Perpetual Wholesale Smaller Companies	17.07%	11.50%	0.67%
Invesco Wholesale Austn Smaller Companies	16.55%	10.56%	0.64%
Hyperion Small Growth Companies Fund	16.96%	10.61%	0.63%
AMP Capital Austn Small Comp Fund - Class A	18.16%	10.35%	0.57%
Dimensional Austn Small Company Trust	18.45%	9.64%	0.52%
GMO Austn Small Companies Trust	18.40%	7.48%	0.41%
S&P/ASX Small Ordinaries - Total Return	18.54%	6.48%	0.35%
Goldman Sachs Emerging Leaders WS	16.05%	4.68%	0.29%

Data as at 30 June 2011

* 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



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