

## The real value of investing in Smaller Companies

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

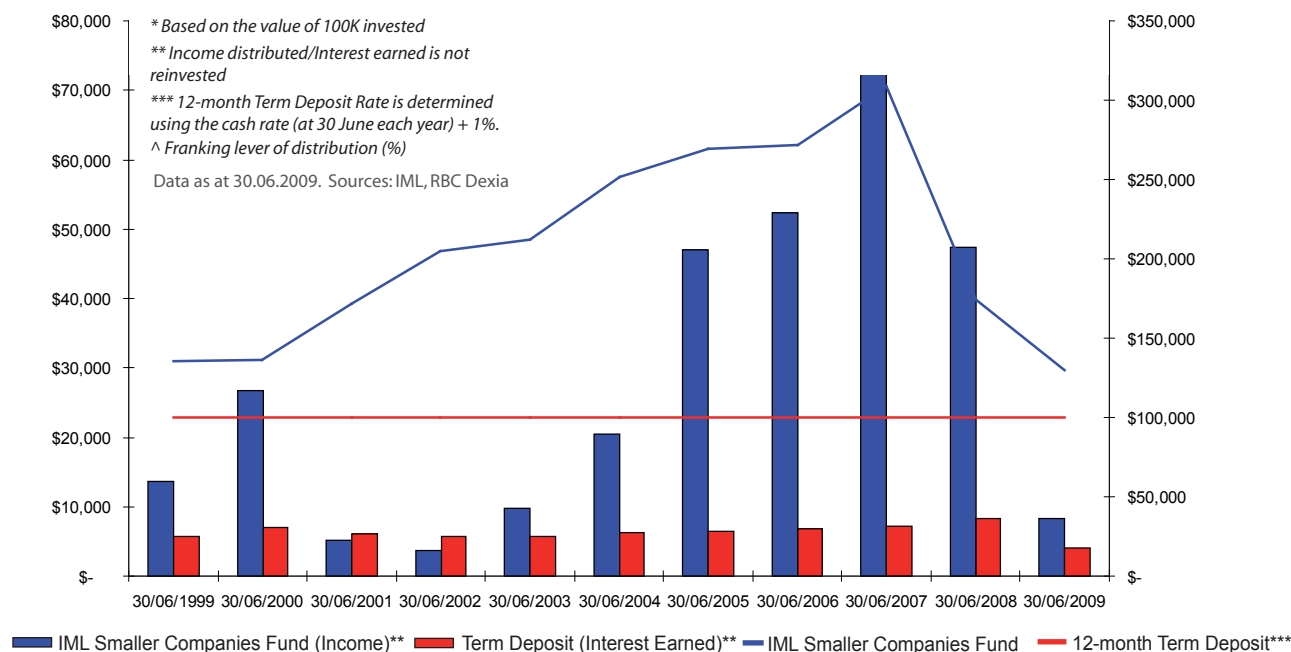
The IML Australian Smaller Companies Fund, established on 30 June 1998, has just completed its eleventh year of operation. Over these years IML has always given top priority to ensuring that the Fund's portfolio is populated with shares in high quality small cap businesses with a reliable track record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

With the payment of the final distribution to IML Smaller Companies Fund investors in June 2009, we have aggregated all of the distributions paid, since inception for this 11 year period, based on a hypothetical \$100,000 investment in the fund on 30 June 1998.

Astonishingly, this investment has distributed an amount totalling **\$309,210** (pre-tax) over eleven years and the capital value of the original investment of **\$100,000** is now worth **\$169,170**, at 31 December 2009. 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.

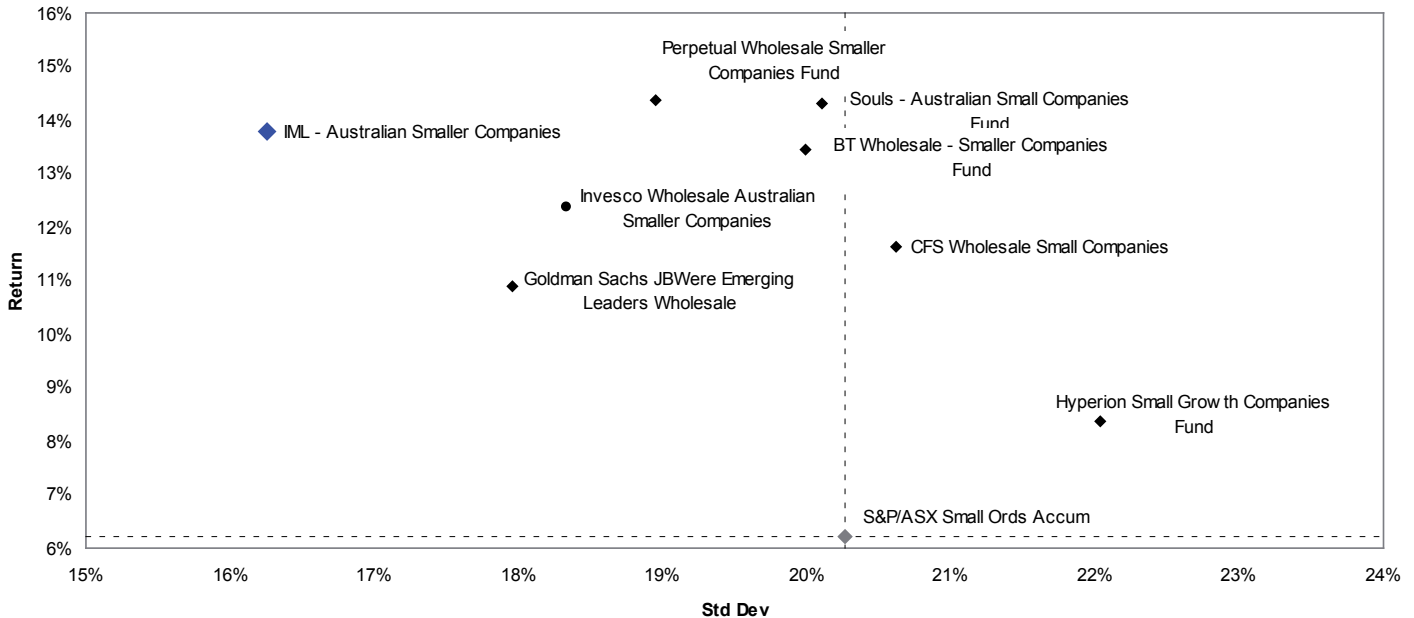
| IML Smaller Companies Fund |                |                             |                    | Australian 12-month Term Deposit |                            |                        |                      |
|----------------------------|----------------|-----------------------------|--------------------|----------------------------------|----------------------------|------------------------|----------------------|
| 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                  | 10.0%          | \$13,608                    | \$135,830          | 30-Jun-99                        | 5.8%                       | \$5,750                | \$100,000            |
| 30-Jun-00                  | 19.7%          | \$26,809                    | \$136,420          | 30-Jun-00                        | 7.0%                       | \$7,000                | \$100,000            |
| 30-Jun-01                  | 3.0%           | \$5,221                     | \$171,710          | 30-Jun-01                        | 6.0%                       | \$6,000                | \$100,000            |
| 30-Jun-02                  | 1.8%           | \$3,718                     | \$204,540          | 30-Jun-02                        | 5.8%                       | \$5,750                | \$100,000            |
| 30-Jun-03                  | 4.6%           | \$9,727                     | \$211,780          | 30-Jun-03                        | 5.8%                       | \$5,750                | \$100,000            |
| 30-Jun-04                  | 8.1%           | \$20,477                    | \$251,430          | 30-Jun-04                        | 6.3%                       | \$6,250                | \$100,000            |
| 30-Jun-05                  | 17.5%          | \$47,052                    | \$269,630          | 30-Jun-05                        | 6.5%                       | \$6,500                | \$100,000            |
| 30-Jun-06                  | 19.3%          | \$52,437                    | \$271,790          | 30-Jun-06                        | 6.8%                       | \$6,750                | \$100,000            |
| 30-Jun-07                  | 24.1%          | \$74,530                    | \$308,930          | 30-Jun-07                        | 7.3%                       | \$7,250                | \$100,000            |
| 30-Jun-08                  | 27.2%          | \$47,389                    | \$174,180          | 30-Jun-08                        | 8.3%                       | \$8,250                | \$100,000            |
| 30-Jun-09                  | 6.4%           | \$8,242                     | \$129,630          | 30-Jun-09                        | 4.0%                       | \$4,000                | \$100,000            |
| <b>Total</b>               |                | <b>\$309,210</b>            |                    | <b>Total</b>                     |                            | <b>\$69,250</b>        |                      |
|                            |                | <i>As at 31-Dec-09</i>      | <b>\$169,170</b>   |                                  |                            |                        |                      |

Sources: IML, RBC Dexia, FactSet

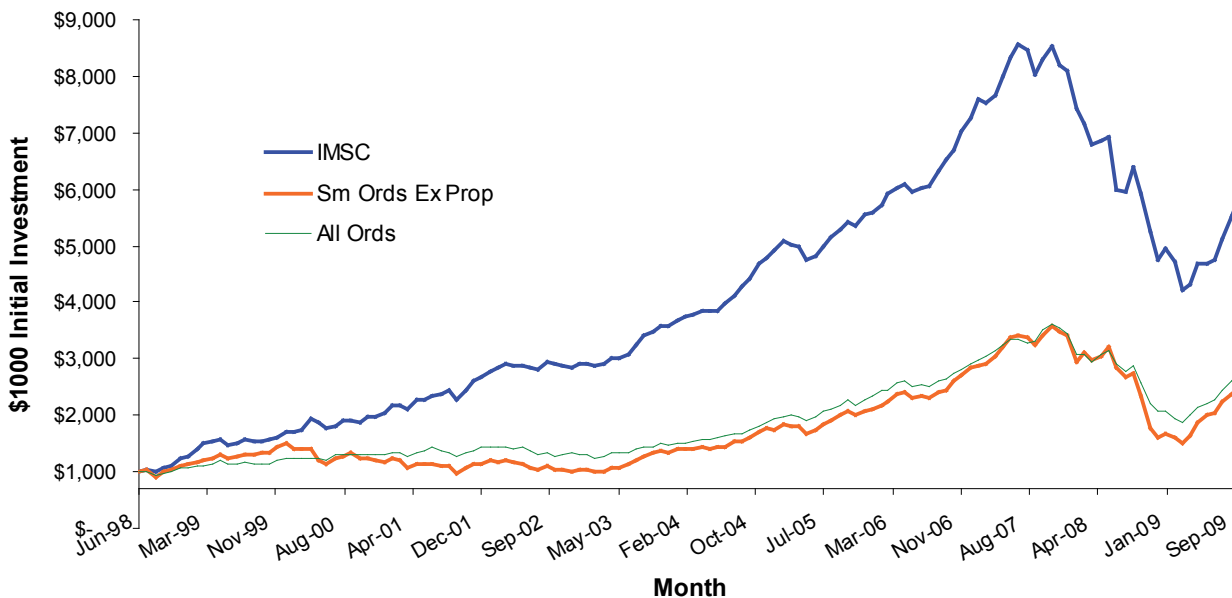


The IML investment approach has produced one of the most consistent risk return outcomes of all Australian active equity styles, over the last 10 years. IML's value and quality style of investing produces consistent returns that are less volatile than the broader market (and most of our peers) and at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

## Ten Year Risk Return



## IML Australian Smaller Companies Fund - performance since inception



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