

# We believe income is never 'out of style'

When investing in shares it is easy to focus on short-term price fluctuations. Then again for long-term investors, the income stream from dividends is an important part of the total return, underpinning portfolio returns even when difficult market conditions are causing volatility in share prices.

Investing can be challenging for those investors seeking income. The traditional safe haven of cash products such as Term Deposits have delivered diminishing income over the past ten years and are now at records lows.

## OUR FOCUS ON 'QUALITY' AND 'VALUE'

At IML, we invest for the long-haul, with a disciplined focus on quality and value. Through this, IML aims to deliver:

- a portfolio that is less volatile than the Australian sharemarket
  - a sustainable tax effective income stream that grows over time
  - and reasonable capital growth over time
- ...resulting in consistent outcomes for clients for almost 20 years.

## CASE STUDY: IML APPROACH IN PRACTISE

A hypothetical investment of \$100,000 in the Investors Mutual Australian Share Fund at inception in 1998 would have delivered an income of **\$201,050** (pre-tax, and net of fees) over the **19 years**.

Importantly, investors have seen 'real' growth in their income stream whereby the yield has grown from **5.67%** p.a in 1999 to **17.68%** p.a. in 2017 on the initial \$100,000 investment.

With the capital of your investment also appreciating to **\$310,200** as at **30 June 2017**, this still represents a **yield of 6.07%** p.a on the current capital value.

Further to this, investors may benefit from imputation credits to enhance their final yield. The table below shows the impact of this investment strategy and the income from shares that has been delivered to investors.

Investors should be aware that the level of returns will vary and future returns may differ from past returns.

| FY end       | Yield (% pa) | Yield from initial investment | Income distribution | Taxable income distributions* | Capital value     |
|--------------|--------------|-------------------------------|---------------------|-------------------------------|-------------------|
| 30-Jun-98    | -            | -                             | -                   | -                             | \$ 100,000        |
| 30-Jun-99    | 5.67%        | 5.67%                         | \$ 5,670            | \$ 6,310                      | \$ 132,020        |
| 30-Jun-00    | 4.51%        | 5.96%                         | \$ 5,955            | \$ 7,628                      | \$ 136,410        |
| 30-Jun-01    | 3.26%        | 4.45%                         | \$ 4,452            | \$ 6,551                      | \$ 160,160        |
| 30-Jun-02    | 2.61%        | 4.18%                         | \$ 4,180            | \$ 5,887                      | \$ 169,010        |
| 30-Jun-03    | 2.38%        | 4.02%                         | \$ 4,021            | \$ 5,693                      | \$ 169,140        |
| 30-Jun-04    | 4.52%        | 7.64%                         | \$ 7,641            | \$ 9,740                      | \$ 195,510        |
| 30-Jun-05    | 6.95%        | 13.58%                        | \$ 13,578           | \$ 16,392                     | \$ 220,910        |
| 30-Jun-06    | 8.61%        | 19.03%                        | \$ 19,030           | \$ 22,459                     | \$ 234,550        |
| 30-Jun-07    | 8.34%        | 19.55%                        | \$ 19,550           | \$ 23,074                     | \$ 277,360        |
| 30-Jun-08    | 4.36%        | 12.09%                        | \$ 12,094           | \$ 15,784                     | \$ 213,320        |
| 30-Jun-09    | 4.88%        | 10.40%                        | \$ 10,404           | \$ 14,182                     | \$ 179,840        |
| 30-Jun-10    | 4.46%        | 8.02%                         | \$ 8,018            | \$ 11,081                     | \$ 199,980        |
| 30-Jun-11    | 5.38%        | 10.76%                        | \$ 10,756           | \$ 14,680                     | \$ 214,260        |
| 30-Jun-12    | 4.71%        | 10.10%                        | \$ 10,101           | \$ 14,270                     | \$ 206,800        |
| 30-Jun-13    | 4.94%        | 10.21%                        | \$ 10,214           | \$ 14,257                     | \$ 252,610        |
| 30-Jun-14    | 6.59%        | 16.66%                        | \$ 16,656           | \$ 20,401                     | \$ 271,160        |
| 30-Jun-15    | 4.31%        | 11.68%                        | \$ 11,679           | \$ 15,620                     | \$ 286,470        |
| 30-Jun-16    | 3.27%        | 9.37%                         | \$ 9,370            | \$ 12,890                     | \$ 294,900        |
| 30-Jun-17    | 6.07%        | 17.68%                        | \$ 17,684           | \$ 21,168                     | <b>\$ 310,200</b> |
| <b>Total</b> |              |                               | <b>\$ 201,050</b>   | <b>\$258,066</b>              |                   |

"...It doesn't matter what rates are or where the market is, if you can buy a stock with a healthy, sustainable dividend yield, you're virtually more than halfway to achieving a good long-term return from the sharemarket..."

**Anton Tagliaferro,**  
Investment Director  
Investors Mutual

**Source:** IML, RBC, 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 regarding the tax effectiveness of franking credits in relation to individual circumstances.

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