

**Investors Mutual Limited**  
**Managed Investment Schemes**  
**Condensed interim report - for the half-year ended 31 December 2018**

## Contents

	<b>Page</b>
Directors' report	3
Auditor's independence declaration	6
Statement of comprehensive income	7
Statement of financial position	8
Statements of changes in equity	9
Statement of cash flows	10
Notes to the financial reports	11
Directors' declaration	24
Independent auditor's report to the unitholders	25

The Responsible Entity of the Schemes listed below is Investors Mutual Limited (ABN 14 078 030 752). The Responsible Entity's registered office is:

Investors Mutual Limited  
Level 24  
25 Bligh Street  
Sydney, NSW 2000

The financial report consists of 5 separate Schemes:

**Investors Mutual Australian Share Fund**  
ARSN 093 182 695

**Investors Mutual Equity Income Fund**  
ARSN 107 095 438

**Investors Mutual Australian Smaller Companies Fund**  
ARSN 093 182 471

**Investors Mutual Future Leaders Fund**  
ARSN 093 182 828

**Investors Mutual Small Cap Fund**  
ARSN 122 918 496

## Directors' report

The directors of Investors Mutual Limited, the Responsible Entity of the following Schemes:

<b>Statutory name</b>	<b>Referred to in this document as</b>
Investors Mutual Australian Share Fund	Australian Share Fund
Investors Mutual Equity Income Fund	Equity Income Fund
Investors Mutual Australian Smaller Companies Fund	Smaller Companies Fund
Investors Mutual Future Leaders Fund	Future Leaders Fund
Investors Mutual Small Cap Fund	Small Cap Fund

present their report together with the financial reports of the Schemes for the half-year ended 31 December 2018 and the audit report thereon.

## Responsible Entity

The Responsible Entity of the Schemes is Investors Mutual Limited (ABN 14 078 030 752). The Responsible Entity's registered office is:

Investors Mutual Limited  
Level 24  
25 Bligh Street  
Sydney, NSW 2000

## Principal activities

During the half-year, the Schemes continued to invest in accordance with target asset allocations as set out in the governing documents of the Schemes and in accordance with the provisions of the Schemes' Constitutions.

The Schemes did not have any employees during the half-year.

There were no significant changes in the nature of the Schemes' activities during the half-year.

## Directors

The following persons held office as directors of Investors Mutual Limited during the half-year or since the end of the half-year and up to the date of this report:

Anton Tagliaferro  
Hugh Giddy  
Simon Conn  
Fabrice Chemouny  
Cyril Marie  
Damon Hambly  
Eric Ward

Directors' report (continued)

Review and results of operations

The performance of the Schemes, as represented by the results of their operations, were as follows:

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund	
	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000
Net operating profit/(loss)	(137,140)	109,667	(37,557)	24,248	(12,391)	6,590	(52,556)	28,734	(8,394)	5,373
<i>Distributions</i>										
Distribution paid and payable	53,860	54,782	31,893	24,685	4,691	4,667	19,137	18,337	2,417	2,018
Distribution (cents per unit)	6.00	6.00	3.90	3.70	5.00	5.00	3.50	3.50	3.50	3.00

**Rounding of amounts to the nearest thousand dollars**

The Schemes are entities of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) ("Instrument 2016/191")* and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the Board of Directors.



Anton Tagliaferro  
Director

Sydney  
8 March 2019



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

## Auditor's Independence Declaration to the Directors of Investors Mutual Limited, as Responsible Entity for the following Schemes:

- ▶ Investors Mutual Australian Share Fund;
- ▶ Investors Mutual Equity Income Fund;
- ▶ Investors Mutual Australian Smaller Companies Fund;
- ▶ Investors Mutual Future Leaders Fund; and
- ▶ Investors Mutual Small Cap Fund.

As lead auditor for the review of the financial report of the Schemes listed above for the half-year ended 31 December 2018,

I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Darren Handley-Greaves  
Partner  
8 March 2019

Investors Mutual Limited  
Managed Investment Schemes  
Statement of comprehensive income  
For the half-year ended 31 December 2018

Statement of comprehensive income

		Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund	
	Notes	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000
<b>Investment income</b>											
Interest income		1,164	1,659	1,515	1,118	154	161	550	539	60	78
Dividend/distribution income		62,136	58,243	17,548	13,678	4,824	3,603	16,553	10,805	2,790	1,915
Changes in the fair value of investments		(185,417)	64,327	(51,997)	13,586	(16,368)	3,764	(66,069)	20,550	(10,580)	4,016
Other operating income		18	141	3	33	15	40	21	93	10	24
<b>Total investment income</b>		<b>(122,099)</b>	<b>124,370</b>	<b>(32,931)</b>	<b>28,415</b>	<b>(11,375)</b>	<b>7,568</b>	<b>(48,945)</b>	<b>31,987</b>	<b>(7,720)</b>	<b>6,033</b>
<b>Expenses</b>											
Responsible entity's fees		14,007	13,715	4,120	3,439	905	880	3,199	2,837	600	565
Transaction costs		1,034	983	501	685	111	98	412	416	74	95
Other operating expenses		-	5	5	43	-	-	-	-	-	-
<b>Total operating expenses</b>		<b>15,041</b>	<b>14,703</b>	<b>4,626</b>	<b>4,167</b>	<b>1,016</b>	<b>978</b>	<b>3,611</b>	<b>3,253</b>	<b>674</b>	<b>660</b>
<b>Operating profit/(loss) before finance costs attributable to unitholders</b>		<b>(137,140)</b>	<b>109,667</b>	<b>(37,557)</b>	<b>24,248</b>	<b>(12,391)</b>	<b>6,590</b>	<b>(52,556)</b>	<b>28,734</b>	<b>(8,394)</b>	<b>5,373</b>
<b>Finance costs attributable to unitholders</b>											
Distributions to unitholders*	4	-	54,782	-	24,685	-	4,667	-	18,337	-	2,018
Increase/(decrease) in net assets attributable to unitholders*	3	-	54,885	-	(437)	-	1,923	-	10,397	-	3,355
<b>Net profit/(loss) attributable to unitholders after tax expenses and finance costs</b>	3	<b>(137,140)</b>	<b>-</b>	<b>(37,557)</b>	<b>-</b>	<b>(12,391)</b>	<b>-</b>	<b>(52,556)</b>	<b>-</b>	<b>(8,394)</b>	<b>-</b>
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>		<b>(137,140)</b>	<b>-</b>	<b>(37,557)</b>	<b>-</b>	<b>(12,391)</b>	<b>-</b>	<b>(52,556)</b>	<b>-</b>	<b>(8,394)</b>	<b>-</b>

\*Net assets attributable to unitholders were reclassified from liability to equity on 30 June 2018. Refer to note 1 for further details. Accordingly, effective from 30 June 2018, distributions to unitholders and (increase)/decrease in net assets attributable to unitholders are no longer presented as finance costs in the statement of comprehensive income, but as appropriations of equity. Distributions to unitholders and net profit attributable to unitholders are presented in the statement of changes in equity.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



Statement of financial position

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund		
	As at 31 December 2018 \$'000	As at 30 June 2018 \$'000	As at 31 December 2018 \$'000	As at 30 June 2018 \$'000	As at 31 December 2018 \$'000	As at 30 June 2018 \$'000	As at 31 December 2018 \$'000	As at 30 June 2018 \$'000	As at 31 December 2018 \$'000	As at 30 June 2018 \$'000	
<b>Assets</b>											
Cash and cash equivalents	159,255	195,071	117,320	119,945	19,617	31,416	66,660	111,754	7,634	13,807	
Other receivables	498	536	163	158	37	37	132	125	24	24	
Due from brokers - receivable for securities sold	938	1,738	981	77,294	134	263	264	232	73	-	
Applications receivable	287	836	3,834	1,129	54	415	116	857	-	333	
Dividends/distributions receivable	6,086	15,360	2,465	6,474	260	895	693	2,441	128	472	
Interest receivable	6	8	5	5	1	1	2	4	-	1	
Financial assets held at fair value through profit or loss	5	2,491,308	2,680,457	708,542	633,515	147,769	163,776	520,910	561,990	86,410	96,444
<b>Total assets</b>	<b>2,658,378</b>	<b>2,894,006</b>	<b>833,310</b>	<b>838,520</b>	<b>167,872</b>	<b>196,803</b>	<b>588,777</b>	<b>677,403</b>	<b>94,269</b>	<b>111,081</b>	
<b>Liabilities</b>											
Distributions payable	4	53,860	87,916	15,991	22,302	4,691	18,081	19,137	48,726	2,417	10,253
Due to brokers - payable for securities purchased		566	1,496	-	1,353	639	2,234	492	3,069	80	942
Redemptions payable		730	2,898	63	731	14	122	125	617	7	17
Management Fee payable		2,341	2,375	714	677	149	160	522	555	96	105
Financial liabilities held at fair value through profit or loss	6	823	3,620	5,690	6,379	-	-	-	-	-	-
<b>Total liabilities</b>	<b>58,320</b>	<b>98,305</b>	<b>22,458</b>	<b>31,442</b>	<b>5,493</b>	<b>20,597</b>	<b>20,276</b>	<b>52,967</b>	<b>2,600</b>	<b>11,317</b>	
<b>Net assets attributable to unitholders - equity*</b>	<b>2,600,058</b>	<b>2,795,701</b>	<b>810,852</b>	<b>807,078</b>	<b>162,379</b>	<b>176,206</b>	<b>568,501</b>	<b>624,436</b>	<b>91,669</b>	<b>99,764</b>	

The above statement of financial position should be read in conjunction with the accompanying notes.

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to note 1 for further details.

Statements of changes in equity

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund	
	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2017 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2017 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2017 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000
Notes										
<b>Total equity at the beginning of the half-year*</b>	2,795,701	-	807,078	-	176,206	-	624,436	-	99,764	-
<b>Comprehensive income for the half-year</b>										
Profit/(loss) for the half-year	(137,140)	-	(37,557)	-	(12,391)	-	(52,556)	-	(8,394)	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>(137,140)</b>	<b>-</b>	<b>(37,557)</b>	<b>-</b>	<b>(12,391)</b>	<b>-</b>	<b>(52,556)</b>	<b>-</b>	<b>(8,394)</b>	<b>-</b>
<b>Transactions with unitholders</b>										
Applications	3 237,689	-	136,688	-	21,199	-	80,964	-	6,525	-
Redemption	3 (267,477)	-	(66,565)	-	(21,786)	-	(69,691)	-	(8,287)	-
Reinvestment of distributions	3 25,145	-	3,101	-	3,842	-	4,485	-	4,478	-
Distribution paid and payable	3 (53,860)	-	(31,893)	-	(4,691)	-	(19,137)	-	(2,417)	-
<b>Total transactions with unitholders</b>	<b>(58,503)</b>	<b>-</b>	<b>41,331</b>	<b>-</b>	<b>(1,436)</b>	<b>-</b>	<b>(3,379)</b>	<b>-</b>	<b>299</b>	<b>-</b>
<b>Total equity at the end of the half-year</b>	<b>2,600,058</b>	<b>-</b>	<b>810,852</b>	<b>-</b>	<b>162,379</b>	<b>-</b>	<b>568,501</b>	<b>-</b>	<b>91,669</b>	<b>-</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

\*Net assets attributable to unitholders were reclassified from liabilities to equity at 30 June 2018. As a result, equity transactions, including distributions have been disclosed in the above statements for the half-year ended 31 December 2018 and as a financial liability prior to 30 June 2018. Refer to note 1 and note 3 for further details.

Investors Mutual Limited  
Managed Investment Schemes  
Statement of cash flows  
For the half-year ended 31 December 2018

Statement of cash flows

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund	
	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000
<b>Cash flows from operating activities</b>										
Proceeds from sale of investments	258,240	253,326	140,093	182,086	32,583	26,171	104,049	83,793	21,476	20,108
Purchase of investments	(257,432)	(389,590)	(192,846)	(263,125)	(34,410)	(34,767)	(131,647)	(153,344)	(22,957)	(33,869)
Transaction costs	(1,034)	(983)	(501)	(685)	(111)	(98)	(412)	(416)	(74)	(95)
Dividends/distributions received	71,410	68,129	21,557	15,205	5,459	3,722	18,292	10,908	3,133	1,900
Interest received	1,166	1,659	1,515	1,117	154	161	552	540	61	78
Other income received	18	154	3	33	15	40	21	93	10	23
Responsible Entity' sfees paid	(14,006)	(14,043)	(4,083)	(3,489)	(916)	(903)	(3,230)	(2,880)	(608)	(575)
Payment of other expenses	-	(5)	(10)	(41)	-	-	-	-	-	-
Performance fees paid	-	-	-	-	-	-	-	-	-	(85)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>58,362</b>	<b>(81,353)</b>	<b>(34,272)</b>	<b>(68,899)</b>	<b>2,774</b>	<b>(5,674)</b>	<b>(12,375)</b>	<b>(61,306)</b>	<b>1,041</b>	<b>(12,515)</b>
<b>Cash flows from financing activities</b>										
Proceeds from applications by unitholders	238,238	317,291	133,983	175,968	21,560	40,143	81,705	125,526	6,858	23,171
Payments for redemptions by unitholders	(269,645)	(147,654)	(67,233)	(42,528)	(21,894)	(27,145)	(70,183)	(33,526)	(8,297)	(8,772)
Distributions to unitholders	(62,771)	(70,628)	(35,103)	(29,151)	(14,239)	(11,510)	(44,241)	(30,187)	(5,775)	(3,283)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(94,178)</b>	<b>99,009</b>	<b>31,647</b>	<b>104,289</b>	<b>(14,573)</b>	<b>1,488</b>	<b>(32,719)</b>	<b>61,813</b>	<b>(7,214)</b>	<b>11,116</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(35,816)</b>	<b>17,656</b>	<b>(2,625)</b>	<b>35,390</b>	<b>(11,799)</b>	<b>(4,186)</b>	<b>(45,094)</b>	<b>507</b>	<b>(6,173)</b>	<b>(1,399)</b>
Cash and cash equivalents at the beginning of the half-year	195,071	222,149	119,945	131,139	31,416	26,559	111,754	81,138	13,807	11,214
<b>Cash and cash equivalents at the end of the half-year</b>	<b>159,255</b>	<b>239,805</b>	<b>117,320</b>	<b>166,529</b>	<b>19,617</b>	<b>22,373</b>	<b>66,660</b>	<b>81,645</b>	<b>7,634</b>	<b>9,815</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## 1 General information

This interim financial report covers the following Schemes (the "Schemes") which are Australian registered managed investment Schemes. The Schemes were constituted on the dates set out below, and will terminate on the dates set out below unless terminated earlier in accordance with the provisions of the Schemes' Constitutions.

	Constituted Date	Termination Date
Australian Share Fund	29 June 1998	28 June 2078
Equity Income Fund	17 November 2003	16 November 2083
Smaller Companies Fund	29 June 1998	28 June 2078
Future Leaders Fund	29 June 1998	28 June 2078
Small Cap Fund	28 November 2006	27 November 2086

On 5 May 2016, the Attribution Managed Investment Trust "AMIT" regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. With its introduction, the Responsible Entity has amended the Schemes' Constitutions to allow the Scheme to operate as AMITs. On 13 July 2017, the Responsible Entity sent notice to unitholders on the Schemes' intention to elect into the AMIT regime for the financial year ended 30 June 2018 (and for subsequent financial years). As of 30 June 2018, the Schemes met the other conditions to adopt the AMIT tax regime and consequently the units in the Schemes have been re-classified from the financial liability to equity on 30 June 2018. As of 31 December 2018, the Schemes have continued to meet the conditions to remain in the AMIT tax regime and consequently the units in the Schemes have remained classified as equity.

The Responsible Entity of the Schemes listed above is Investors Mutual Limited (the "Responsible Entity") which is incorporated and domiciled in Australia. The Responsible Entity's registered office is Level 24, 25 Bligh Street, Sydney, NSW 2000.

The interim financial report was authorised for issue by the directors on 8 March 2019. The directors of the Responsible Entity have the power to amend and reissue the condensed interim reports.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the interim financial reports are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

This interim financial report for the half-year ended 31 December 2018 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year 30 June 2018 and any public announcements made in respect of the Schemes during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Schemes under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Schemes are entities to which the Instrument applies.

## 2 Summary of significant accounting policies (continued)

### (a) Statement of compliance

This interim financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australia Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

### (b) Changes in Australian Accounting Standards

Except as disclosed below, the accounting policies in these interim financial statements are the same as those applied in the Schemes financial statements for the year ended 30 June 2018.

The Schemes have adopted all mandatory standards and amendments for the half year beginning 1 July 2018. Adoption of these standards and amendments has not had any material effect on the financial position or performance of the Schemes.

- AASB 9 Financial Instruments (applies to annual reporting periods beginning on or after 1 January 2018)

AASB 9 contains new requirements for classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 has not had a significant impact on the Schemes' financial statements. The Schemes' financial assets and financial liabilities measured at fair value through profit or loss continue to be classified and measured at fair value through profit or loss. The Scheme's receivables continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is insignificant.

The Scheme does not apply hedge accounting.

- AASB 15 *Revenue from Contracts with Customers* (applies to annual reporting periods beginning on or after 1 January 2018)

AASB 15 replaced AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Scheme's main sources of income are interest, dividends and distributions, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Schemes accounting policies or the amounts recognised in the financial statements.

### 3 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	1 July 2018 to 31 December 2018 No. ('000)	1 July 2017 to 31 December 2017 No. ('000)	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000
<b>Australian Share Fund</b>				
Opening balance	899,133	849,860	2,795,701	2,639,506
Applications	77,266	101,640	237,689	316,217
Redemptions	(86,819)	(47,681)	(267,477)	(147,921)
Units issued upon reinvestment of distributions	8,080	9,219	25,145	28,670
Increase/(decrease) in net assets attributable to unitholders*	-	-	-	54,885
Distributions paid and payable	-	-	(53,860)	-
Profit/(loss) for the half-year	-	-	(137,140)	-
<b>Closing balance</b>	<b>897,660</b>	<b>913,038</b>	<b>2,600,058</b>	<b>2,891,357</b>
<b>Equity Income Fund</b>				
Opening balance	769,964	573,437	807,078	627,504
Applications	133,558	159,969	136,688	174,699
Redemptions	(64,883)	(38,895)	(66,565)	(42,197)
Units issued upon reinvestment of distributions	2,970	2,867	3,101	3,116
Increase/(decrease) in net assets attributable to unitholders*	-	-	-	(437)
Distributions paid and payable	-	-	(31,893)	-
Profit/(loss) for the half-year	-	-	(37,557)	-
<b>Closing balance</b>	<b>841,609</b>	<b>697,378</b>	<b>810,852</b>	<b>762,685</b>
<b>Smaller Companies Fund</b>				
Opening balance	92,360	85,341	176,206	166,101
Applications	11,166	20,544	21,199	39,716
Redemptions	(11,710)	(14,117)	(21,786)	(27,200)
Units issued upon reinvestment of distributions	2,005	1,579	3,842	3,091
Increase/(decrease) in net assets attributable to unitholders*	-	-	-	1,923
Distributions paid and payable	-	-	(4,691)	-
Profit/(loss) for the half-year	-	-	(12,391)	-
<b>Closing balance</b>	<b>93,821</b>	<b>93,347</b>	<b>162,379</b>	<b>183,631</b>

\*Net assets attributable to unitholders are classified as equity from 1 July 2018 to 31 December 2018 and as a financial liability from 1 July 2017 to 31 December 2017. Refer to note 1 for further detail.

### 3 Net assets attributable to unitholders (continued)

	1 July 2018 to 31 December 2018 No. ('000)	1 July 2017 to 31 December 2017 No. ('000)	1 July 2018 to 31 December 2018 \$'000	1 July 2017 to 31 December 2017 \$'000
<b>Future Leaders Fund</b>				
Opening balance	534,072	444,306	624,436	518,902
Applications	70,357	106,227	80,964	124,579
Redemptions	(61,483)	(28,571)	(69,691)	(33,372)
Units issued upon reinvestment of distributions	3,826	1,939	4,485	2,276
Increase/(decrease) in net assets attributable to unitholders*	-	-	-	10,397
Distributions paid and payable	-	-	(19,137)	-
Profit/(loss) for the half-year	-	-	(52,556)	-
<b>Closing balance</b>	<b>546,772</b>	<b>523,901</b>	<b>568,501</b>	<b>622,782</b>
<b>Small Cap Fund</b>				
Opening balance	67,293	56,358	99,764	83,772
Applications	4,484	15,607	6,525	23,133
Redemptions	(5,728)	(5,888)	(8,287)	(8,690)
Units issued upon reinvestment of distributions	3,009	1,176	4,478	1,756
Increase/(decrease) in net assets attributable to unitholders*	-	-	-	3,355
Distributions paid and payable	-	-	(2,417)	-
Profit/(loss) for the half-year	-	-	(8,394)	-
<b>Closing balance</b>	<b>69,058</b>	<b>67,253</b>	<b>91,669</b>	<b>103,326</b>

\*Net assets attributable to unitholders are classified as equity from 1 July 2018 to 31 December 2018 and as a financial liability from 1 July 2017 to 31 December 2017. Refer to note 1 for further detail.

As stipulated within the Schemes' Constitutions, each unit represents a right to an individual share in the Schemes and does not extend to a right to the underlying assets of the Schemes. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Schemes.

#### 4 Distributions to unitholders

The distributions for the half-year were as follows:

	1 July 2018 to 31 December 2018 \$'000	1 July 2018 to 31 December 2018 CPU	1 July 2017 to 31 December 2017 \$'000	1 July 2017 to 31 December 2017 CPU
<b>Australian Share Fund</b>				
<b>Distributions</b>				
Distributions payable - December	53,860	6.00	54,782	6.00
	<u>53,860</u>		<u>54,782</u>	
<b>Equity Income Fund</b>				
<b>Distributions</b>				
Distributions paid - September	15,902	2.00	11,435	1.80
Distributions payable - December	15,991	1.90	13,250	1.90
	<u>31,893</u>		<u>24,685</u>	
<b>Smaller Companies Fund</b>				
<b>Distributions</b>				
Distributions payable - December	4,691	5.00	4,667	5.00
	<u>4,691</u>		<u>4,667</u>	
<b>Future Leaders Fund</b>				
<b>Distributions</b>				
Distributions payable - December	19,137	3.50	18,337	3.50
	<u>19,137</u>		<u>18,337</u>	
<b>Small Cap Fund</b>				
<b>Distributions</b>				
Distributions payable - December	2,417	3.50	2,018	3.00
	<u>2,417</u>		<u>2,018</u>	



## 5 Financial assets held at fair value through profit or loss

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund	
	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Financial assets held at fair value through profit or loss</b>										
Listed equities	2,186,560	2,406,277	575,404	512,281	136,212	149,893	465,886	499,917	78,179	86,723
Listed unit trusts	304,037	270,815	128,042	115,298	11,557	12,337	55,024	59,765	8,231	8,971
Floating rate notes	-	-	5,096	5,915	-	-	-	-	-	-
Unlisted equities	-	-	-	-	-	1,546	-	2,308	-	750
Unlisted unit trusts	-	3,055	-	-	-	-	-	-	-	-
Options	711	310	-	21	-	-	-	-	-	-
<b>Total financial assets held at fair value through profit or loss</b>	<b>2,491,308</b>	<b>2,680,457</b>	<b>708,542</b>	<b>633,515</b>	<b>147,769</b>	<b>163,776</b>	<b>520,910</b>	<b>561,990</b>	<b>86,410</b>	<b>96,444</b>

In the comparative period, the Schemes classified their equity/trust securities and floating rate notes as financial assets designated at fair value and their derivative investments were classified as held for trading.

## 6 Financial liabilities held at fair value through profit or loss

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund		Small Cap Fund	
	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Financial liabilities held at fair value through profit or loss</b>										
Futures	16	153	-	-	-	-	-	-	-	-
Options	807	3,467	5,690	6,379	-	-	-	-	-	-
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>823</b>	<b>3,620</b>	<b>5,690</b>	<b>6,379</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

In the comparative period, the Schemes classified their derivative investments as held for trading.

## 7 Fair value measurements

The Schemes measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

### Fair value estimation

The carrying amounts of the Schemes' assets and liabilities at the end of each reporting period approximate their fair values.

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

#### *(i) Fair value in an active market (Level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Scheme is the current last price; the appropriate quoted market price for financial liabilities is the current asking price. When the Scheme holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this last price or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

As a result of events in global markets during the period, liquidity in some investment markets decreased significantly. As a result, the volume of trading in some of the investments held by the Schemes decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgment than would be the case in normal investment market conditions.

## 7 Fair value measurements (continued)

### *(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)*

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Schemes would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

#### *Valuation process for Level 3 valuations*

Valuations are the responsibility of the board of directors of the Responsible Entity.

The investment committee of the investment manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. Any changes in valuation methods are discussed and agreed with the Responsible Entity's board of directors.

The valuations are also subject to quality assurance procedures performed within the valuation department. The valuation department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the investment committee.

There were no other changes in valuation techniques during the half-year.

## 7 Fair value measurements (continued)

### (iii) Recognised fair value measurements

The tables below set out the Schemes' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2018 and 30 June 2018:

Australian Share Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>As at 31 December 2018</b>				
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	2,186,560	-	-	2,186,560
Listed unit trusts	304,037	-	-	304,037
Options	711	-	-	711
<b>Total</b>	<b>2,491,308</b>	<b>-</b>	<b>-</b>	<b>2,491,308</b>
<b>Financial liabilities</b>				
Financial liabilities held at fair value through profit or loss				
Futures	16	-	-	16
Options	807	-	-	807
<b>Total</b>	<b>823</b>	<b>-</b>	<b>-</b>	<b>823</b>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	2,406,277	-	-	2,406,277
Listed unit trusts	270,815	-	-	270,815
Unlisted equities	-	3,055	-	3,055
Financial assets held for trading:				
Options	310	-	-	310
<b>Total</b>	<b>2,677,402</b>	<b>3,055</b>	<b>-</b>	<b>2,680,457</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Futures	153	-	-	153
Options	3,467	-	-	3,467
<b>Total</b>	<b>3,620</b>	<b>-</b>	<b>-</b>	<b>3,620</b>

In the comparative period, the Schemes classified their equity/trust securities and floating rate notes as financial assets or financial liabilities designated at fair value and their derivative investments were classified as held for trading.

## 7 Fair value measurements (continued)

### (iii) Recognised fair value measurements (continued)

Equity Income Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>As at 31 December 2018</b>				
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	575,404	-	-	575,404
Listed unit trusts	128,042	-	-	128,042
Floating rate notes	5,096	-	-	5,096
<b>Total</b>	<b>708,542</b>	<b>-</b>	<b>-</b>	<b>708,542</b>
<b>Financial liabilities</b>				
Financial liabilities held at fair value through profit or loss				
Options	5,690	-	-	5,690
<b>Total</b>	<b>5,690</b>	<b>-</b>	<b>-</b>	<b>5,690</b>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	512,281	-	-	512,281
Listed unit trusts	115,298	-	-	115,298
Floating rate notes	5,915	-	-	5,915
Financial assets held for trading:				
Options	21	-	-	21
<b>Total</b>	<b>633,515</b>	<b>-</b>	<b>-</b>	<b>633,515</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Options	6,379	-	-	6,379
<b>Total</b>	<b>6,379</b>	<b>-</b>	<b>-</b>	<b>6,379</b>

In the comparative period, the Schemes classified their equity/trust securities and floating rate notes as financial assets or financial liabilities designated at fair value and their derivative investments were classified as held for trading.

## 7 Fair value measurements (continued)

### (iii) Recognised fair value measurements (continued)

Smaller Companies Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>As at 31 December 2018</b>				
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	136,212	-	-	136,212
Listed unit trusts	11,557	-	-	11,557
<b>Total</b>	<b>147,769</b>	<b>-</b>	<b>-</b>	<b>147,769</b>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	149,893	-	-	149,893
Listed unit trusts	12,337	-	-	12,337
Unlisted equities	-	1,546	-	1,546
<b>Total</b>	<b>162,230</b>	<b>1,546</b>	<b>-</b>	<b>163,776</b>
<b>Future Leaders Fund</b>				
<b>As at 31 December 2018</b>				
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	465,886	-	-	465,886
Listed unit trusts	55,024	-	-	55,024
<b>Total</b>	<b>520,910</b>	<b>-</b>	<b>-</b>	<b>520,910</b>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	499,917	-	-	499,917
Listed unit trusts	59,765	-	-	59,765
Unlisted equities	-	2,308	-	2,308
<b>Total</b>	<b>559,682</b>	<b>2,308</b>	<b>-</b>	<b>561,990</b>

In the comparative period, the Schemes classified their equity/trust securities and floating rate notes as financial assets or financial liabilities designated at fair value and their derivative investments were classified as held for trading.

## 7 Fair value measurements (continued)

### (iii) Recognised fair value measurements (continued)

Small Cap Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>As at 31 December 2018</b>				
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	78,179	-	-	78,179
Listed unit trusts	8,231	-	-	8,231
<b>Total</b>	<b>86,410</b>	<b>-</b>	<b>-</b>	<b>86,410</b>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	86,723	-	-	86,723
Listed unit trusts	8,971	-	-	8,971
Unlisted equities	-	750	-	750
<b>Total</b>	<b>95,694</b>	<b>750</b>	<b>-</b>	<b>96,444</b>

In the comparative period, the Schemes classified their equity/trust securities and floating rate notes as financial assets or financial liabilities designated at fair value and their derivative investments were classified as held for trading.

### (iv) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as level 3 within the Schemes as at 31 December 2018 and 30 June 2018.

### (v) Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels during the year ended 30 June 2018. The following table presents the transfers between levels for the half-year ended 31 December 2018:

#### As at 31 December 2018

	Smaller Companies Fund		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 1 and 2:			
Listed equities	1,546	(1,546)	-

## 7 Fair value measurements (continued)

### (v) Transfers between levels (continued)

As at 31 December 2018

	Future Leaders Fund		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 1 and 2: Listed equities	2,308	(2,308)	-

As at 31 December 2018

	Small Cap Fund		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 1 and 2: Listed equities	750	(750)	-

### (vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

## 8 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Schemes disclosed in the statement of financial position as at 31 December 2018 or on the results and cash flows of the Schemes for the half-year ended on that date.

## 9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2018 and 30 June 2018.



## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 23 are:
  - (i) complying with Accounting Standards, AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Schemes' financial position as at 31 December 2018 and of their performance for the financial period ended on that date; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Anton Tagliarero  
Director

Sydney  
8 March 2019



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

# Independent Auditor's Review Report to the Unitholders of Investors Mutual Limited's Managed Investment Schemes

## Report on the Condensed Half-Year Financial Report

For the following Schemes:

- Investors Mutual Australian Share Fund;
- Investors Mutual Equity Income Fund;
- Investors Mutual Australian Smaller Companies Fund;
- Investors Mutual Future Leaders Fund; and
- Investors Mutual Small Cap Fund

We have reviewed the accompanying half-year financial reports consisting of the Schemes listed above, which comprises the statements of financial position as at 31 December 2018, the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Schemes are not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Schemes' financial position as at 31 December 2018 and of their financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of Investor Mutual Limited, as the Responsible Entity of the Schemes are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Schemes' financial position as at 31 December 2018 and their financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.



Ernst & Young



Darren Handley-Greaves  
Partner  
Sydney  
8 March 2019