

# We believe income is never 'out of style'



INVESTORS MUTUAL AUSTRALIAN SHARE FUND

30 JUNE 2017

When investing in shares it is often easy to focus on short term price fluctuations, but capital growth is only half the story when it comes to wealth creation. For long-term investors, the income stream from dividends is an important part of the total return. It is not only less volatile, but can underpin portfolio returns even if difficult market conditions are causing volatility in share prices.

## 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 market
- a sustainable tax effective income stream that grows over time
- and reasonable capital growth over time

...Resulting in consistent outcomes for clients for over 19 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)** over the **19 years**.

Importantly, investors have seen 'real' growth in their income stream whereby the yield off the initial investment has grown from **5.67% p.a.** in 1999 to **17.68% p.a.** in 2017. That's on top of your capital appreciating to **\$310,200** as at **30 June 2017**.

Further to this investors may benefit from imputation credits to enhance their final yield. The table below compares the impact of this investment strategy to an Australian 12 month term deposit over the same period.

"...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

Investors Mutual Australian Share Fund						Aust. 12 mth Term Deposit		
FY end	Yield (% p.a.)	Yield from initial Investment	Income distribution	Tax.able income distributions*	Capital value	Term deposit rate (p.a)**	Interest earned (p.a)	Amount invested
30-6-98	-	-	-	-	\$ 100,000	-	-	\$ 100,000
30-6-99	5.67%	5.67%	\$ 5,670	\$ 6,310	\$ 132,020	5.75%	\$ 5,750	\$ 100,000
30-6-00	4.51%	5.96%	\$ 5,955	\$ 7,628	\$ 136,410	7.00%	\$ 7,000	\$ 100,000
30-6-01	3.26%	4.45%	\$ 4,452	\$ 6,551	\$ 160,160	6.00%	\$ 6,000	\$ 100,000
30-6-02	2.61%	4.18%	\$ 4,180	\$ 5,887	\$ 169,010	5.75%	\$ 5,750	\$ 100,000
30-6-03	2.38%	4.02%	\$ 4,021	\$ 5,693	\$ 169,140	5.75%	\$ 5,750	\$ 100,000
30-6-04	4.52%	7.64%	\$ 7,641	\$ 9,740	\$ 195,510	6.25%	\$ 6,250	\$ 100,000
30-6-05	6.95%	13.58%	\$ 13,578	\$ 16,392	\$ 220,910	6.50%	\$ 6,500	\$ 100,000
30-6-06	8.61%	19.03%	\$ 19,030	\$ 22,459	\$ 234,550	6.75%	\$ 6,750	\$ 100,000
30-6-07	8.34%	19.55%	\$ 19,550	\$ 23,074	\$ 277,360	7.25%	\$ 7,250	\$ 100,000
30-6-08	4.36%	12.09%	\$ 12,094	\$ 15,784	\$ 213,320	8.25%	\$ 8,250	\$ 100,000
30-6-09	4.88%	10.40%	\$ 10,404	\$ 14,182	\$ 179,840	4.00%	\$ 4,000	\$ 100,000
30-6-10	4.46%	8.02%	\$ 8,018	\$ 11,081	\$ 199,980	5.50%	\$ 5,500	\$ 100,000
30-6-11	5.38%	10.76%	\$ 10,756	\$ 14,680	\$ 214,260	5.75%	\$ 5,750	\$ 100,000
30-6-12	4.71%	10.10%	\$ 10,101	\$ 14,270	\$ 206,800	4.50%	\$ 4,500	\$ 100,000
30-6-13	4.94%	10.21%	\$ 10,214	\$ 14,257	\$ 252,610	3.75%	\$ 3,750	\$ 100,000
30-6-14	6.59%	16.66%	\$ 16,656	\$ 20,401	\$ 271,160	3.50%	\$ 3,500	\$ 100,000
30-6-15	4.31%	11.68%	\$ 11,679	\$ 15,620	\$ 286,470	3.00%	\$ 3,000	\$ 100,000
30-6-16	3.27%	9.37%	\$ 9,370	\$ 12,890	\$ 294,900	2.75%	\$ 2,750	\$ 100,000
30-6-17	6.07%	17.68%	\$ 17,684	\$ 21,168	\$ 310,200	2.50%	\$ 2,500	\$ 100,000
Total			\$ 201,050	\$258,066			\$ 100,500	

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 in regards to the tax effectiveness of franking credits in relation to individual circumstances. \*\* 12-month Term deposit Rate is determined using the cash rate (at 30 June each year) + 1%.



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