

# 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 over 20 years.

## \$100,000 INVESTED IN THE INVESTORS MUTUAL AUSTRALIAN SHARE FUND SINCE INCEPTION

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	\$ 132,010
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	\$ 291,539
30-Jun-17	6.07%	17.68%	\$ 17,684	\$ 21,168	\$ 310,200
30-Jun-18	5.09%	15.78%	\$ 15,778	\$ 19,419	\$ 311,960
30-Jun-19	7.91%	24.69%	\$ 24,690	\$ 29,181	<b>\$ 313,550</b>
<b>Total</b>			<b>\$ 241,519</b>	<b>\$306,667</b>	

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.

## 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 **\$241,519** (pre-tax, and net of fees) over the last **21 years**.

Importantly, investors have seen 'real' growth in their income stream whereby the yield has grown from **5.67% in 1999 to 24.69% in 2019** based on the initial \$100,000 investment.

With the capital of your investment also appreciating to **\$313,550** as at **30 June 2019**, this still represents a **yield of 7.91% 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.

"...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