



11 July 2024

## IML Funds' 30 June 2024 Distributions

We are pleased to advise that on 12 July, 2024 all IML Funds will pay their final distributions to investors for the year ended 30 June 2024.

The following table shows these 30 June distributions as well as details of the 2023/24 full year distributions, franking levels, and distribution yields.

IML FUND	APIR	30 JUNE DISTRIBUTION (CPU)	TOTAL FULL-YEAR DISTRIBUTION (CPU)	FRANKING LEVEL*	FULL-YEAR DISTRIBUTION YIELD (NET)**
Investors Mutual Australian Share Fund	IML0002A	21.9200	27.9200	30.33%	9.92%
Investors Mutual All Industrials Share Fund	IML0004A	8.9512	11.9512	37.52%	7.72%
Investors Mutual Concentrated Australian Share Fund	IML0010A	2.9253	5.4253	69.74%	2.65%
Investors Mutual Future Leaders Fund	IML0003A	2.1101	3.6101	107.12%	3.90%
Investors Mutual Australian Smaller Companies Fund	IML0001A	3.5877	5.5877	114.98%	3.99%
Investors Mutual Small Cap Fund	IML0006A	3.6958	5.6958	117.24%	4.01%
Investors Mutual Equity Income Fund	IML0005A	1.7207	6.2207	45.98%	6.63%
Investors Mutual Private Portfolio Fund	IML2681A	2.3722	5.3722	42.46%	5.20%
IML Sustainable Future Fund	IML1194A	2.8279	4.8279	62.42%	4.61%

\*Franking level based on total distribution, refer to table attached for complete tax breakdown of distributions

\*\* Full-year distribution as a percentage of the application (ex) price as at 30 June 2024

## Market commentary and investment performance

After declining in the first four months of the financial year, the Australian stock market rallied 17% and finished the year strongly ahead, with the ASX300 Accumulation Index gaining 11.9%, reaching record highs over the period. This was predominantly driven by growth and cyclical sectors in Australia and globally, which handsomely outperformed their more defensive counter parts. In particular, artificial intelligence has been a key theme propelling technology and some other companies. Investors have also been excited about the potential for interest rate cuts, which has seen retail and bank stocks soar over the financial year, however based on recent inflation data we believe this may be premature.

Overall, the IML large cap funds had a disappointing year, underperforming their benchmarks over the period. While we have been pleased to see strong earnings results from our key positions including Brambles, CSL, Telstra, Steadfast, Lottery Corp, Telstra, Medibank, Orica and Suncorp, unfortunately, in many cases their share prices haven't matched the underlying business performance. However, we expect over time that companies with reliable cashflows should come back into vogue. We believe our holdings

currently offer compelling value when compared to alternative stocks on the market, which we doubt will live up to their optimistic valuations.

Australian small-cap companies had a solid year after beginning poorly, with the Small Ordinaries Accumulation Index gaining 9.3% for the financial year. Gains in the Industrials sector drove the index with the Small Resources sector falling as the previously sought after Lithium sector witnessed a significant pullback on the back of a declining commodity price.

The IML small and mid-cap funds had a pleasing financial year, delivering strong double-digit gains and outperforming their benchmarks. The funds benefited from good returns from a range of stocks, with SG Fleet, A2B and Sigma Healthcare all performing well. In addition, the funds benefited from avoiding the previously popular lithium miners which had been a big contributor to the index gains in FY23. With the impact of the Covid-induced lockdowns now largely in the past, company results are now free of these distortions and in this environment many of our quality small and mid-cap industrials were rewarded after posting solid operating results. The funds also benefited from a large number of takeovers, with Qantm Intellectual Property, Adbri and Symbio among others, on the receiving end of a takeover approach.

The IML Private Portfolio Fund continued to provide a solid bridge between equity market and cash returns over the year, delivering 5.8% with only about a third of market volatility. The Fund's three strategies all worked well as multiple drivers of return generation and flexible tools to adapt to changing market conditions. With its sixth-year anniversary in June 2024, the Fund will maintain its focus for conservative investors with its downside protection and significantly reduced volatility.

#### **Comments on the distributions for the financial year ending 30 June 2024**

- We are pleased to be paying out another year of consistent dividends to investors, a hallmark of IML's style of investing which we have been doing for over 26 years.
- The distribution for the Australian Share Fund is higher than the prior year driven by realised gains as we trimmed holdings at attractive prices in a relatively expensive market. These holdings include CSL, Commonwealth Bank and Brambles. For the other large cap funds, distributions are generally higher than the prior year due also to reducing our CSL and Commonwealth Bank holdings.
- The distributions for the Future Leaders, Smaller Companies and Small Cap funds are broadly similar to the prior year.
- It is important to note that IML remains a long-term investor in stocks and our funds continue to be managed on a low turnover basis with most stocks held for three to five years on average. This means that the vast majority of any realised gains portion of the distributions paid to our investors is subject to the 50% capital gains tax discount.
- The Investors Mutual Equity Income Fund continues to deliver on its objective of paying investors a consistent, quarterly income sourced from dividends received from holdings in the fund, as well as through very prudent options strategies – with market volatility helping greatly in this regard.

The table on the final page provides the tax components for distributions from our Funds.

## **Outlook**

While sharemarkets in Australia and globally have performed strongly over the year and are at or near record highs, we are cautious about the market's ability to sustain this trajectory. We believe the strong current trend of investors buying large liquid companies with strong share price momentum, and particularly those with any connection to the artificial intelligence theme (regardless of valuations and fundamentals), together with persistent inflationary pressures, are risks underappreciated by the market. Geopolitical risks also remain, including the US presidential election later this year and the continuation of armed conflicts across several regions.

IML is no stranger to such times. We endured them in the lead up to the tech boom in 2000, the years before the GFC, and during the post-Covid discretionary spending boom. We know that when the market's mood changes again our discipline and patience will be rewarded.

We believe that IML's portfolios are well positioned and the companies we hold will continue to deliver solid and growing earnings and cashflows over time and are cheaply or appropriately valued for that outlook. Our focus will continue to be on companies which we believe have a strong competitive advantage, recurring earnings and cashflow, well managed and have the ability to grow earnings over time.

On behalf of the team at IML, we would like to thank you once again for your continuing support and offer our best wishes for the remainder of 2024.

Yours sincerely,

**Hugh Giddy**, Senior Portfolio Manager and Head of Research  
**Simon Conn**, Senior Portfolio Manager

# COMPONENTS OF FULL-YEAR DISTRIBUTION - 30 JUNE 2024

IML FUND	APIR	DIVIDEND INCOME	INTEREST INCOME	OTHER INCOME	FOREIGN INCOME	NET CAPITAL GAINS	AMIT COST BASE DECREASE*
Investors Mutual Australian Share Fund	IML0002AU	26.24%	0.66%	0.00%	3.21%	68.98%	0.91%
Investors Mutual All Industrials Share Fund	IML0004AU	33.22%	1.51%	1.32%	3.99%	56.96%	3.00%
Investors Mutual Concentrated Australian Share Fund	IML0010AU	65.24%	14.97%	0.00%	16.07%	0.00%	3.72%
Investors Mutual Future Leaders Fund	IML0003AU	91.42%	2.68%	1.81%	4.09%	0.00%	0.00%
Investors Mutual Australian Smaller Companies Fund	IML0001AU	91.38%	3.46%	0.72%	4.44%	0.00%	0.00%
Investors Mutual Small Cap Fund	IML0006AU	93.04%	2.13%	0.77%	4.06%	0.00%	0.00%
Investors Mutual Equity Income Fund	IML0005AU	48.04%	5.34%	39.27%	3.45%	0.00%	3.90%
Investors Mutual Private Portfolio Fund	IML2681AU	45.56%	13.29%	21.47%	2.45%	13.22%	4.01%
IML Sustainable Future Fund	IML1194AU	52.37%	6.15%	2.33%	1.91%	32.15%	5.09%

\*Under the new AMIT tax regime, previously distributed "tax deferred income" is now known as "AMIT cost base decrease".

*This information is general financial product advice. It has been prepared without taking account of an investor's objectives, financial situation or needs. You should obtain a Product Disclosure Statement (PDS) and Target Market Determination (TMD) relating to the financial products mentioned in this communication issued by Investors Mutual Limited AFSL 229988 and consider it before making any decision about whether to acquire or continue to hold these products. A copy of the PDS and TMD is available upon request or on our website [www.iml.com.au](http://www.iml.com.au). Past performance is not a reliable indicator of future performance.*

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