



13 July 2023

IML Funds' 30 June 2023 Distributions

We are pleased to advise that on 14 July 2023 all IML Funds will pay their final distributions to investors for the year ended 30 June 2023.

The following table shows these 30 June distributions as well as details of the 2022/23 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	IML0002AU	12.1158	18.1158	48.92%	6.71%
Investors Mutual All Industrials Share Fund	IML0004AU	7.9911	9.1739	51.39%	6.21%
Investors Mutual Concentrated Australian Share Fund	IML0010AU	2.1796	4.1796	89.70%	2.22%
Investors Mutual Future Leaders Fund	IML0003AU	1.8903	3.8903	101.87%	4.22%
Investors Mutual Australian Smaller Companies Fund	IML0001AU	3.8738	6.3738	79.91%	4.62%
Investors Mutual Small Cap Fund	IML0006AU	2.2448	5.2448	117.93%	3.74%
Investors Mutual Equity Income Fund	IML0005AU	1.5981	6.2481	46.42%	6.92%
Investors Mutual Private Portfolio Fund	IML2681AU	4.5962	7.5962	34.26%	7.55%
IML Sustainable Future Fund	IML1194AU	1.6723	1.6723	72.45%	1.67%***

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 2023

*** Distribution as a percentage of the application (ex) price for period 20 December 2022 to 30 June 2023

Market commentary and investment performance

After a difficult FY2022, markets recovered in the year to June 2023 with the ASX 300 Accumulation Index up 14.4% for the year. Rising interest rates and stubbornly high inflation, as well as geopolitical concerns, contributed to fluctuating investor sentiment and volatile markets.

Strength in commodity prices helped the ASX 300 Resources to a return of +22.1% for the year, driven by optimism around China's post Covid re-opening, while large cap industrials posted more modest gains. Investors switching to large cap companies in search of liquidity and greater certainty saw the ASX Small Ordinaries lag over the 12 months, returning +8.5%.

In general, IML's large cap funds posted solid gains for the 12-month period, rising around +11%, though lagging their benchmarks as is usually the case in markets when resources significantly outperform.

After a difficult first six months of the financial year our small and mid-cap funds had a much better second half returning circa +9% , well ahead of their benchmarks. These gains led to the small and mid-cap funds returning circa +5-6% for the financial year, lagging their benchmarks. For the year, the index's performance was boosted by strong returns from many small cap resource stocks, particularly in the lithium sector, as well as a rally in many richly-priced technology companies. This was particularly pronounced in the mid-caps. We are cautious of the current pricing for many of the miners given the uncertain outlook for global economic growth and prefer to skew the portfolio to reasonably-priced industrials with more resilient businesses.

While there was a recovery by many small cap companies' share prices in the second half of the year, in recognition of the value on offer, others continued to languish. This, combined with poor updates by a couple of holdings weighed on performance over the year. Our focus on good quality, profitable companies meant the funds continued to generate income, which we are distributing to unitholders as we have every year since 1998.

Comments on distributions for the period ending 30 June 2023

- We are pleased to be sending out another year of consistent distributions to investors, a hallmark of our style of investing. This now marks 25 years of distributions for our first funds. This year's distributions for the majority of our funds are back to more normal levels, after significant corporate activity saw us distribute higher than usual income last year.
- The capital gain component of distributions for our large cap funds this year is mainly driven by the sale of some of our key holdings as we took part profits when share prices rose to what we considered were fully-priced levels. Over the financial year the notable contributors to these gains were CSL and Coles, as well as Origin and Newcrest which both rallied after takeover bids. For the small and mid-cap funds, long-term holding Tassal was taken over at a significant premium to the pre-bid price.
- 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 Investors Mutual Private Portfolio Fund marks its 5th year of operation this year. As in other years it has delivered consistent returns and income, while maintaining capital stability, with its three-pronged strategy of events, relative value and income via dividends and prudent options strategies.

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

Outlook

While sharemarkets are up significantly for the year, we believe now is not the time for excessive risk. The latest sharemarket surge was caused by increased optimism that global economies can avoid a recession, with excitement in Artificial Intelligence (AI) and tech-related names causing a particularly narrow rally globally. While the gains are pleasing, many of the reasons for caution remain.

Economies still face significant issues, setting a challenging backdrop for companies. Consumer demand has slowed but is still robust compared to pre-Covid trends. Inflation is proving persistent, with wage gains and cost of living pressures rising. Further interest rate rises are probable.

We believe our portfolios are well positioned for these times and continue to stay true to the quality and value investing style that has provided attractive returns for our clients, with better downside protection, for 25 years. We are focused on investing in industry-leading companies with strong competitive advantages, recurring earnings, good management and strong balance sheets – the kinds of companies we believe are well placed to perform well in a range of economic conditions.

Market volatility is likely to continue into the new financial year, so we are also closely watching a number of companies, waiting for any opportunity to buy them at attractive prices.

On behalf of the team at IML, I would like to thank you once again for your continuing support and offer our best wishes for the remainder of 2023.

Yours sincerely,

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

COMPONENTS OF FULL-YEAR DISTRIBUTION - 30 JUNE 2023

IML FUND	APIR	DIVIDEND INCOME	INTEREST INCOME	OTHER INCOME	FOREIGN INCOME	NET CAPITAL GAINS	AMIT COST BASE DECREASE*
Investors Mutual Australian Share Fund	IML0002AU	32.70%	0.80%	0.07%	3.86%	61.45%	1.12%
Investors Mutual All Industrials Share Fund	IML0004AU	29.42%	1.02%	0.36%	3.35%	64.71%	1.14%
Investors Mutual Concentrated Australian Share Fund	IML0010AU	68.37%	10.88%	0.20%	15.72%	0.00%	4.83%
Investors Mutual Future Leaders Fund	IML0003AU	87.69%	1.37%	1.43%	1.84%	7.67%	0.00%
Investors Mutual Australian Smaller Companies Fund	IML0001AU	64.79%	2.87%	1.07%	1.45%	29.82%	0.00%
Investors Mutual Small Cap Fund	IML0006AU	95.44%	0.86%	1.77%	1.93%	0.00%	0.00%
Investors Mutual Equity Income Fund	IML0005AU	45.73%	4.52%	44.81%	3.86%	0.00	1.08%
Investors Mutual Private Portfolio Fund	IML2681AU	33.80%	7.33%	55.60%	1.68%	0.00%	1.59%
IML Sustainable Future Fund	IML1194AU	55.25%	6.71%	5.42%	0.76%	22.71%	9.15%

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

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