



7 January 2025

IML Funds' 31 December 2024 Distributions

We are pleased to advise that on 7 January 2025 all IML funds will pay their distributions to investors for the half year ended 31 December 2024, as shown in the table below.

IML FUND	APIR	31 DECEMBER DISTRIBUTION (CPU)
Investors Mutual Australian Share Fund	IML0002AU	5.5000
Investors Mutual Concentrated Australian Share Fund	IML0010AU	3.0000
Investors Mutual Equity Income Fund	IML0005AU	1.5000
Investors Mutual All Industrials Share Fund	IML0004AU	3.0000
Investors Mutual Future Leaders Fund	IML0003AU	1.2500
Investors Mutual Australian Smaller Companies Fund	IML0001AU	2.0000
Investors Mutual Small Cap Fund	IML0006AU	2.5000
Investors Mutual Private Portfolio Fund	IML2681AU	2.1000

As in previous years when the funds' unit prices are quoted ex-distribution, the unit prices will have fallen by the amount of the distributions paid (as outlined above).

The December quarterly reports and commentaries for each of our funds will be published by mid-January 2025.

Market commentary and investment performance

Global equity markets continued to rally in 2024, following on from the strong gains from the prior year. However, this rally has been relatively narrow with the "Magnificent 7" continuing to dominate market gains in the USA. Softer economic activity and lower inflation data has allowed many central banks to lower interest rates, helping to support equity markets. Notably, New Zealand is experiencing recession and has cut rates, from a level far above the level reached by the Reserve Bank of Australia. Similarly, the US Federal reserve is cutting rates. However, with continuing wage pressures, increased spending on energy, and overspending by state and federal governments, inflation remains sticky in Australia, particularly when excluding government subsidies.

In Australia the market rally has also been narrow with the Financials sector alone accounting for more than 80% of the market's return. The banks' share prices have risen about 35%, despite delivering almost no earnings growth. Technology (already sporting lofty valuations) and consumer discretionary also performed well. Despite Australia experiencing a per capita recession, spending has remained robust, and investors have already assumed spending will be higher when interest rates are cut.

IML's large cap funds delivered positive returns for the year, however underperformed their benchmarks. While many of our key companies have performed well at a fundamental level (Lottery Corp, Orica, Steadfast, Brambles and others) they lagged the market's gains which were predominantly driven by the banks and large tech stocks. We believe 2025 is likely to be quite a different year for Australian banks, given as a group they are now clearly the most expensive in the world and, in general, lower interest rates would not boost their underlying earnings.

IML's small and mid-cap funds had a very strong year, delivering solid double-digit gains and outperforming their benchmarks. The funds benefited from strong returns from a range of stocks, including health care stocks such as Sigma Healthcare, Regis Healthcare and Australian Clinical Labs, while long term holdings HMC Capital and Generation Life also performed strongly. Corporate activity continued to be a feature with several of the funds' holdings benefiting from takeover approaches.

IML's Private Portfolio fund continued to generate good risk-adjusted positive returns and franked income for the year, while maintaining its focus on relative capital stability for conservative investors. The fund's diversified strategies work well as drivers of return generation and should provide flexibility to adapt to dynamic conditions in 2025.

Outlook

GDP in Australia continues to grow but has fallen on a per capita basis for several quarters. Inflation remains sticky while government spending continues to increase, which sustains employment but not productivity. The path for interest rates remains dependent on inflation data with a cut unlikely in the near term. Cost-of-living pressures continue for many consumers, but overall spending is being sustained by the public sector and older demographics.

With global market valuations elevated, softening economic growth and an uncertain geopolitical situation, we remain comfortable with our conservative focus on quality companies with reasonable valuations.

On behalf of the team at IML we would like to thank you for your continuing support and offer our best wishes for a happy, healthy and prosperous new year.

Yours sincerely,

Hugh Giddy, Senior Portfolio Manager and Head of Research

Simon Conn, Senior Portfolio Manager

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