

2017 Regional Qld Roadshow

IML - Stock picking as optimism rises

May – June 2017

About IML

- Boutique manager established in 1998
- Over \$7b FUM - retail and institutional clients
- Disciplined 'true to label' Quality & Value style
- Well resourced investment team with experienced leadership
- Consistent performance and outcomes over the last 19 years

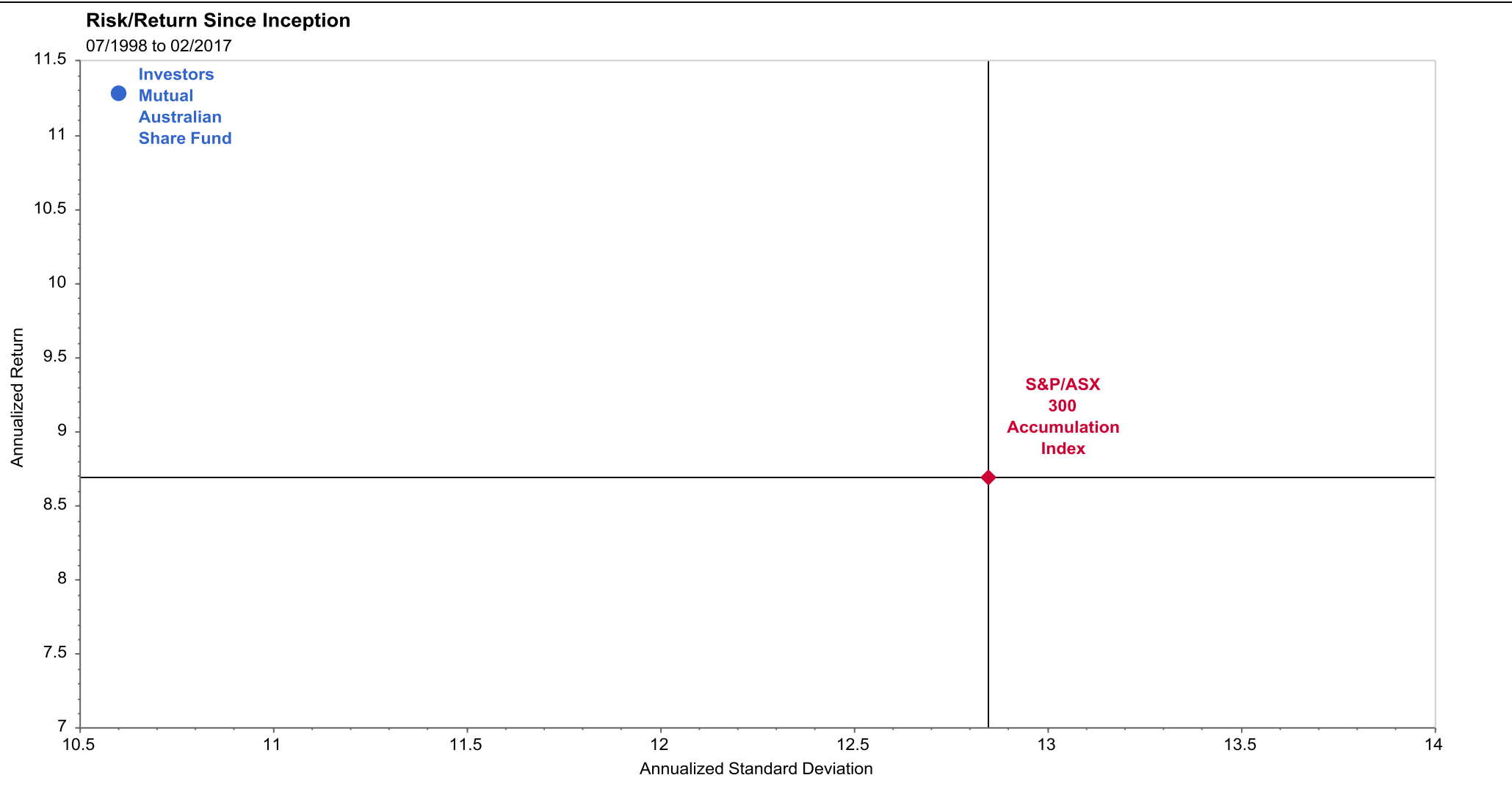


- 2017 Morningstar Awards Domestic Equities Small Cap Category Winner
- Long track record – unique and consistent risk-return outcomes
- Consistent investment process
- New addition- Marc Whittaker strengthening the small cap team

Fund Performance to February 2017

	3 year p.a	5 year p.a	S.I p.a
IML Australian Share Fund	+8.5%	+13.0%	+11.2%
Index: S&P/ASX 300 Accum	+6.4%	+10.4%	+8.7%
<i>Excess</i>	<i>+2.0%</i>	<i>+2.0%</i>	<i>+2.5%</i>
IML Industrial Share Fund	+9.7%	+14.8%	+9.7%
Index: S&P/ASX 300 Ind	+8.8%	+15.0%	+8.4%
<i>Excess</i>	<i>+0.9%</i>	<i>-0.2%</i>	<i>+1.2 %</i>
IML Future Leaders Fund	+14.7%	+13.9%	+11.6%
Index: S&P/ASX 300 Accum (ex. S&P/ASX50, ex LPT)	+9.1%	+6.8%	+8.6%
<i>Excess</i>	<i>+5.6%</i>	<i>+7.1%</i>	<i>+3.0%</i>
IML Australian Smaller Companies Fund	+14.1%	+14.2%	+15.2%
Index: S&P/ASX Small Ords Ex LPTs	+4.1%	+0.7%	+5.6%
<i>Excess</i>	<i>+10.0%</i>	<i>+13.5%</i>	<i>+9.7%</i>
IML Equity Income Fund	+10.0%	+12.1%	+11.1%
Index: S&P/ASX 300 Accumulation Index	+6.4%	+10.4%	+7.5%
<i>Excess</i>	<i>+3.6%</i>	<i>+1.7%</i>	<i>+3.6%</i>
IML Concentrated Australian Share Fund	+12.4%	+15.1%	+13.3%
Index: S&P/ASX 300 Accumulation Index	+6.4%	+10.4%	+8.7%
<i>Excess</i>	<i>+6.0%</i>	<i>+4.7%</i>	<i>+4.6%</i>

Delivering consistent risk return outcomes



Investment Philosophy: focus on quality and value

We seek to buy and own:

Companies with a competitive advantage,

with recurring earnings,

run by capable management,

that can grow,

.....at a reasonable price.

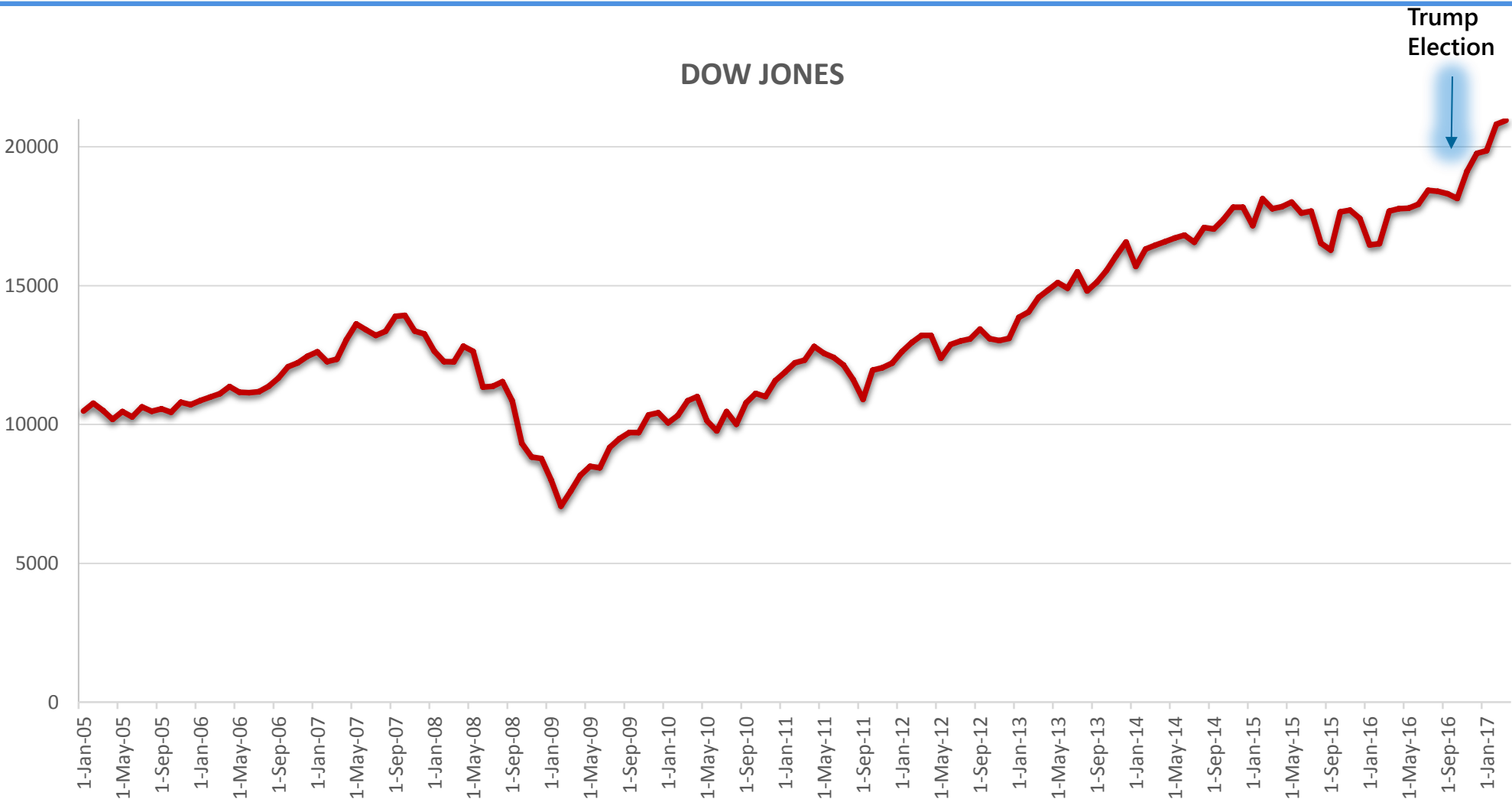
Key performance features on display across all IML funds:

Expectations of a 'Value Manager'	IML
Reasonable capital growth over time	✓
Resilience in falling markets	✓
Low volatility	✓
Consistent income	✓
Tax effective	✓

Stock picking as optimism rises

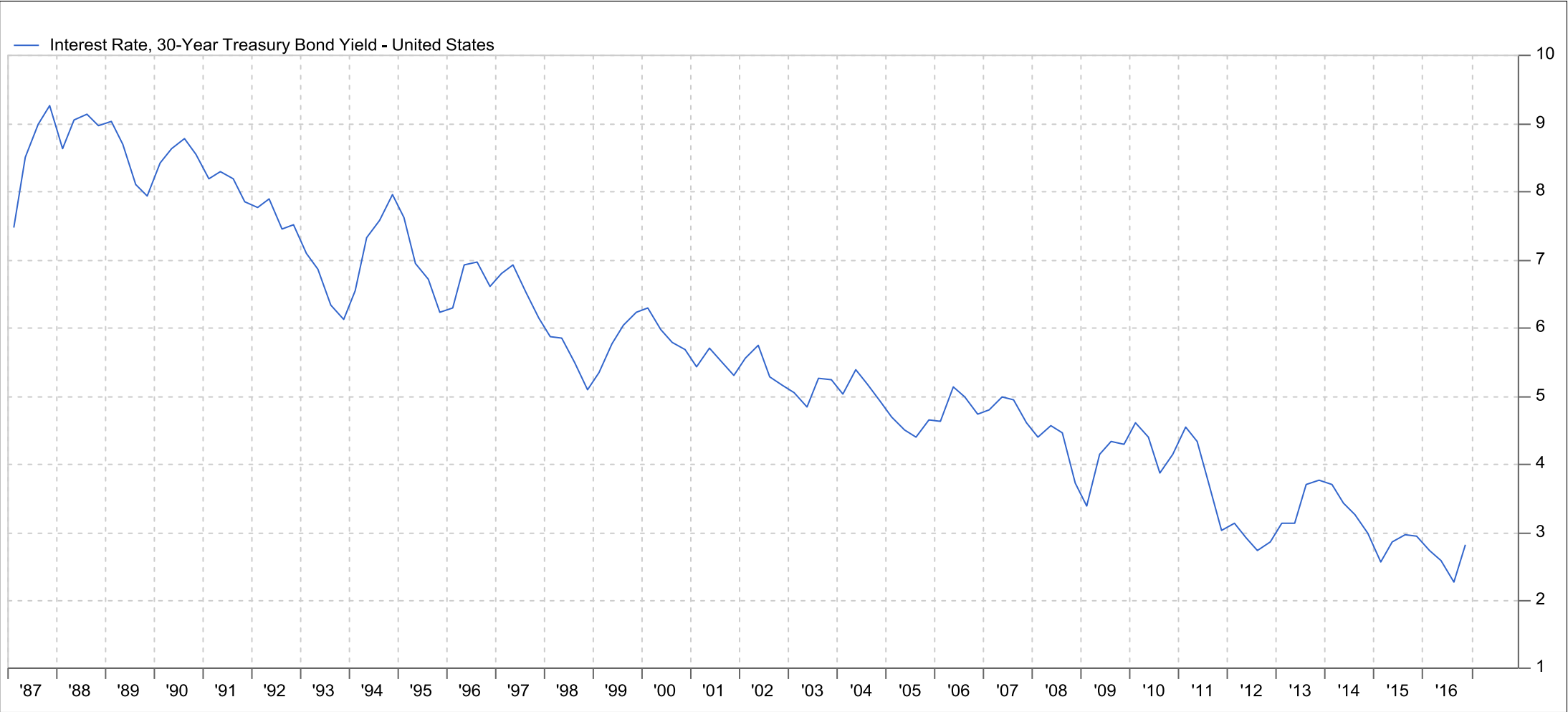


Dow Jones since 2005



Source: IRESS as at March 2017

US 30yr Treasury bonds

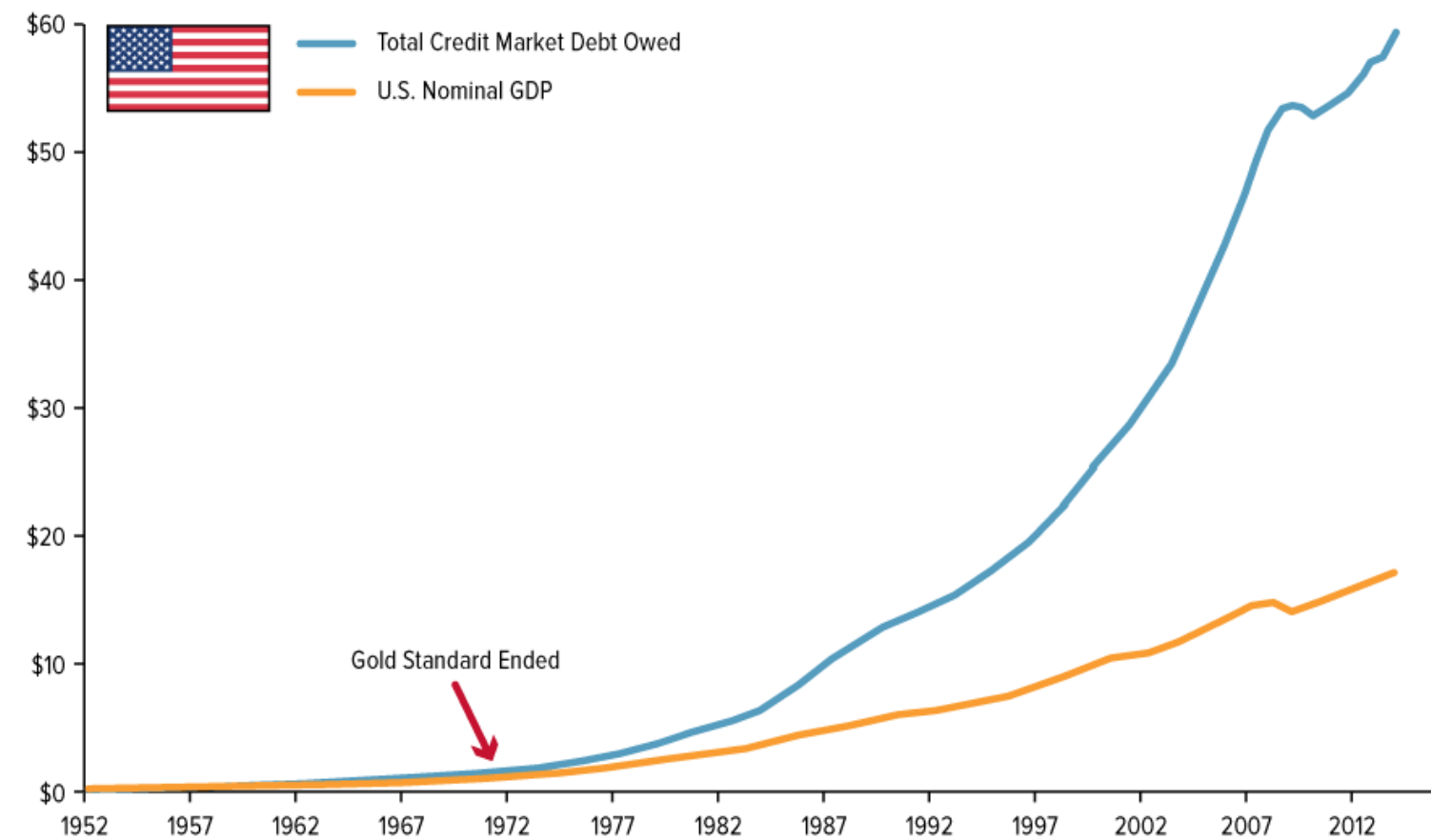


Source: Factset, as at December 2016

Global debt continues to rise

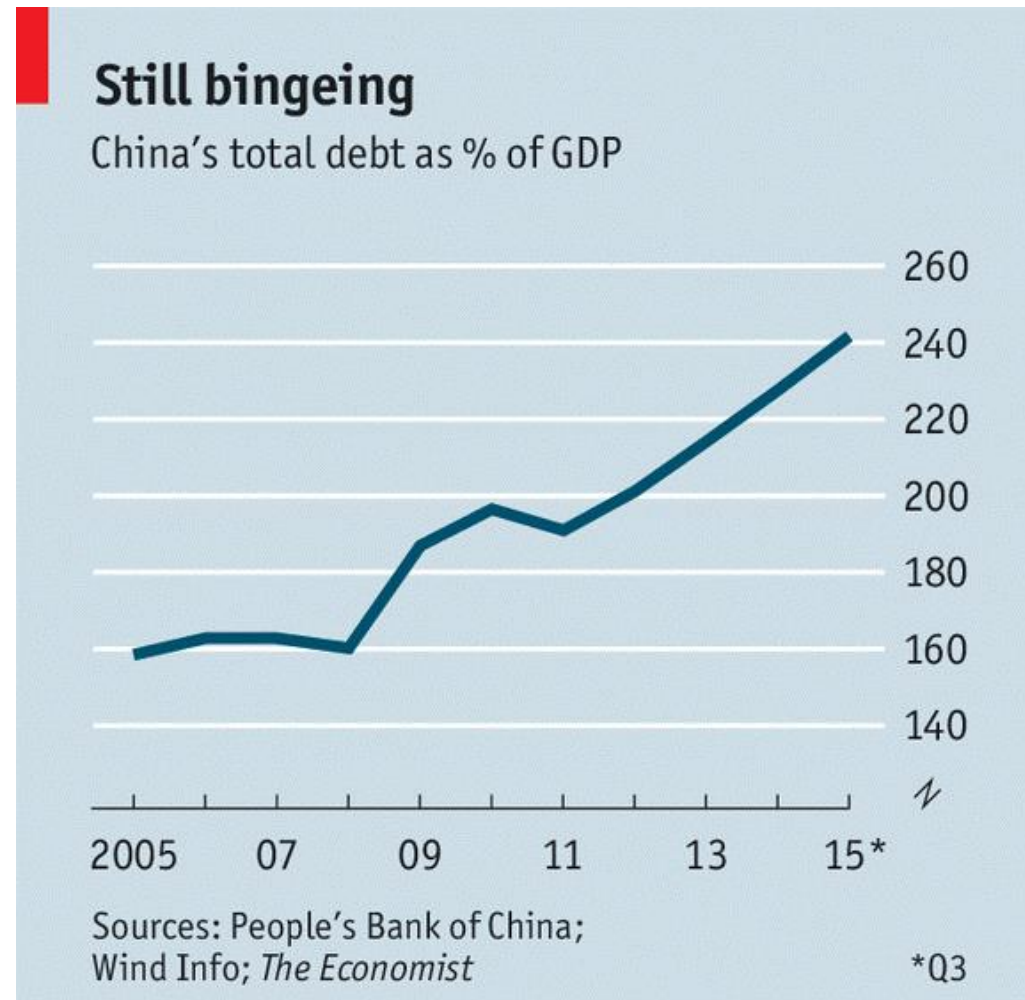
Runaway Debt in the U.S. Beats GDP Growth

In Trillions of Dollars



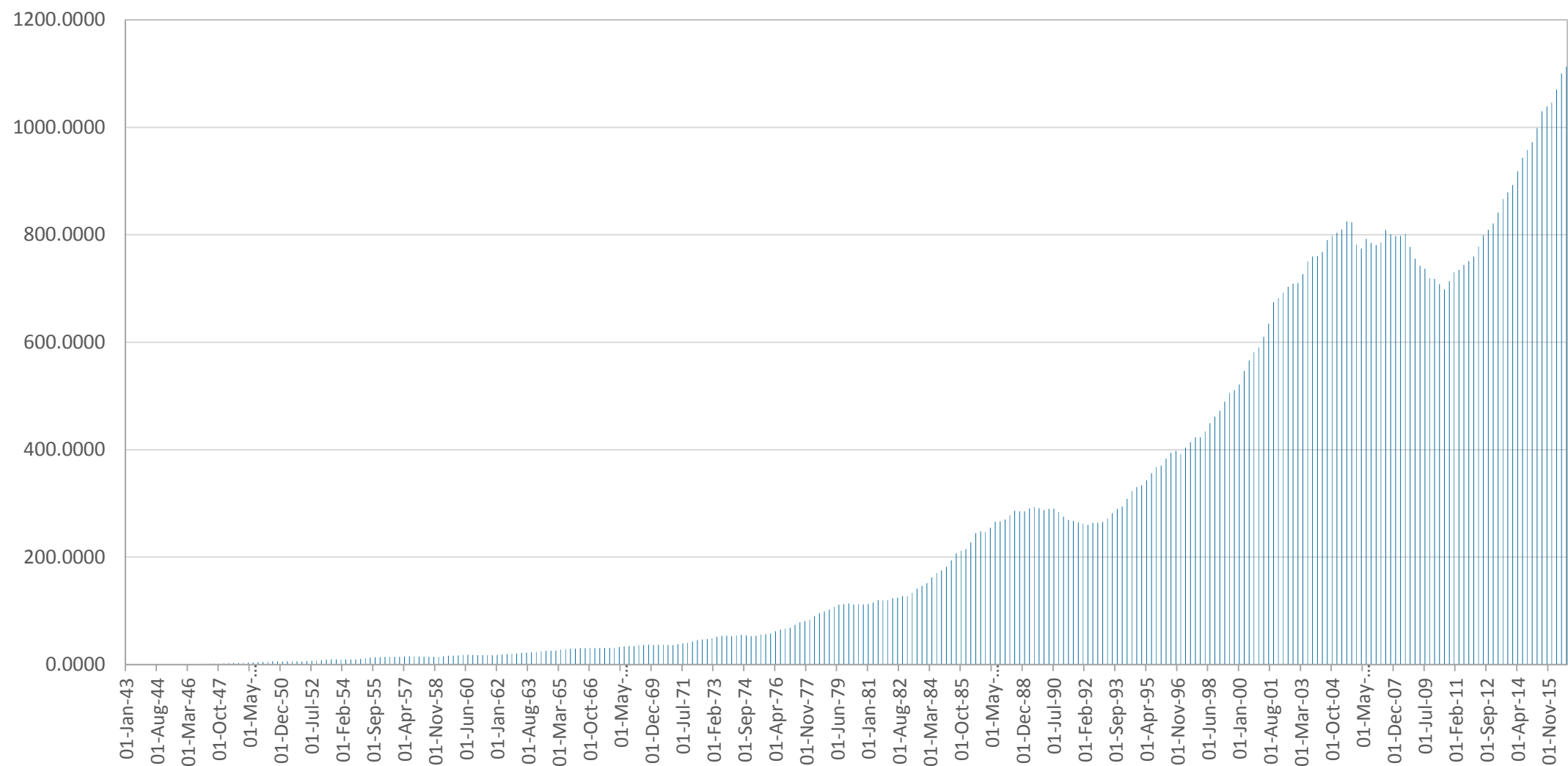
Source: Bank of America Merrill Lynch Global Investment Strategy, Federal Reserve, DataStream, U.S. Global Investors

Chinese Debt

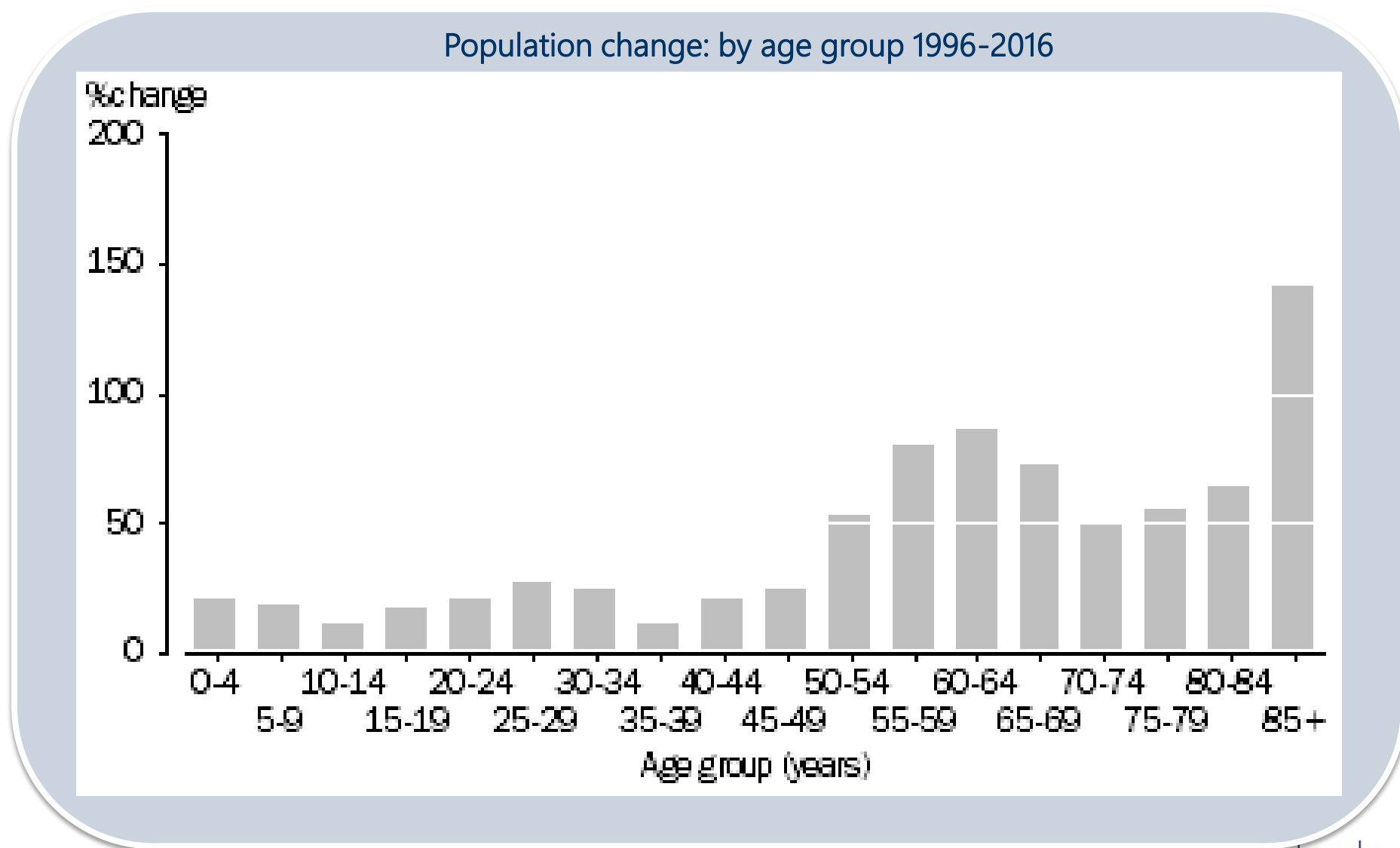


Economist.com

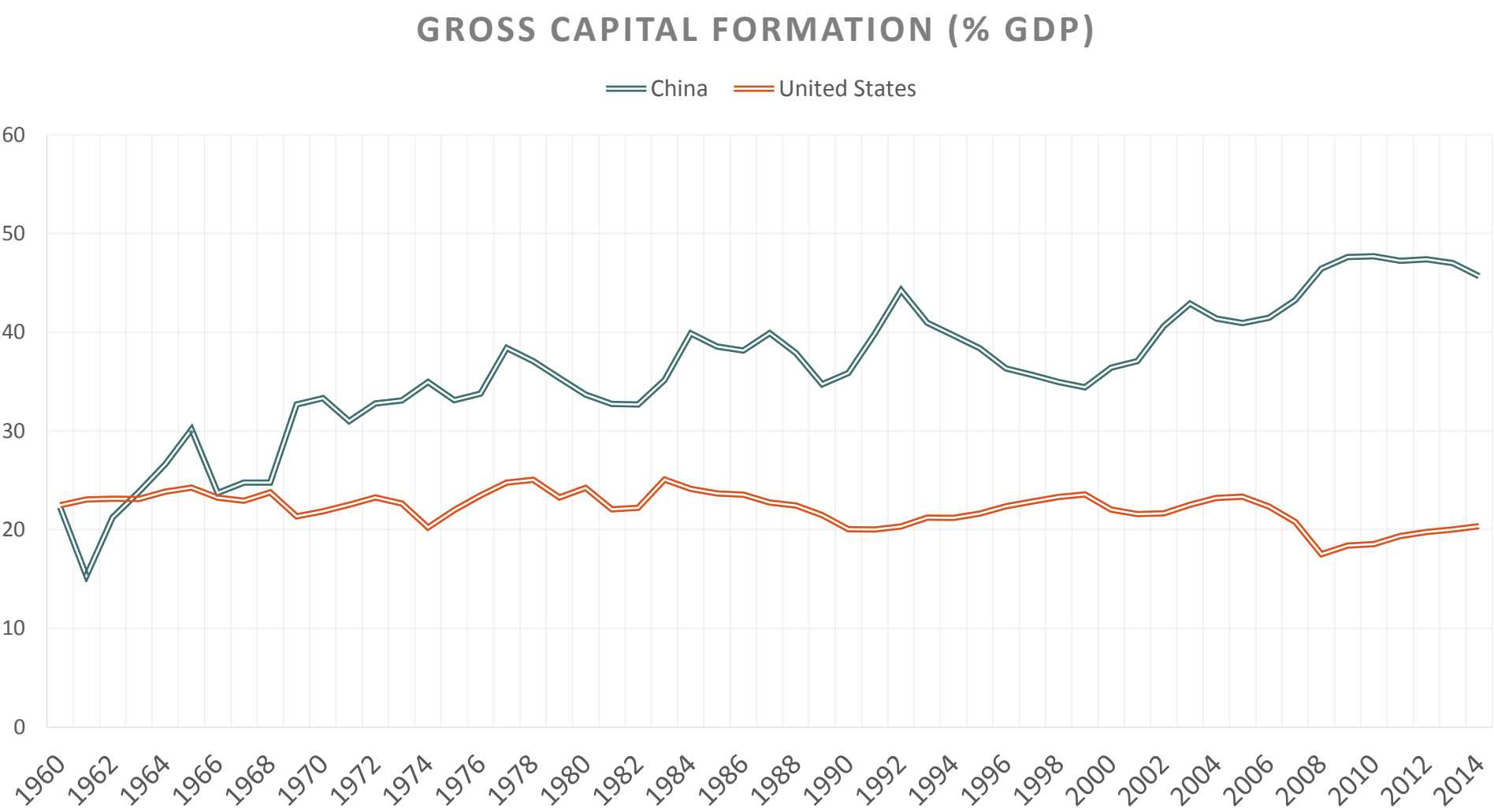
US Auto Loans- 16% of loans are subprime



Australia's ageing demographic

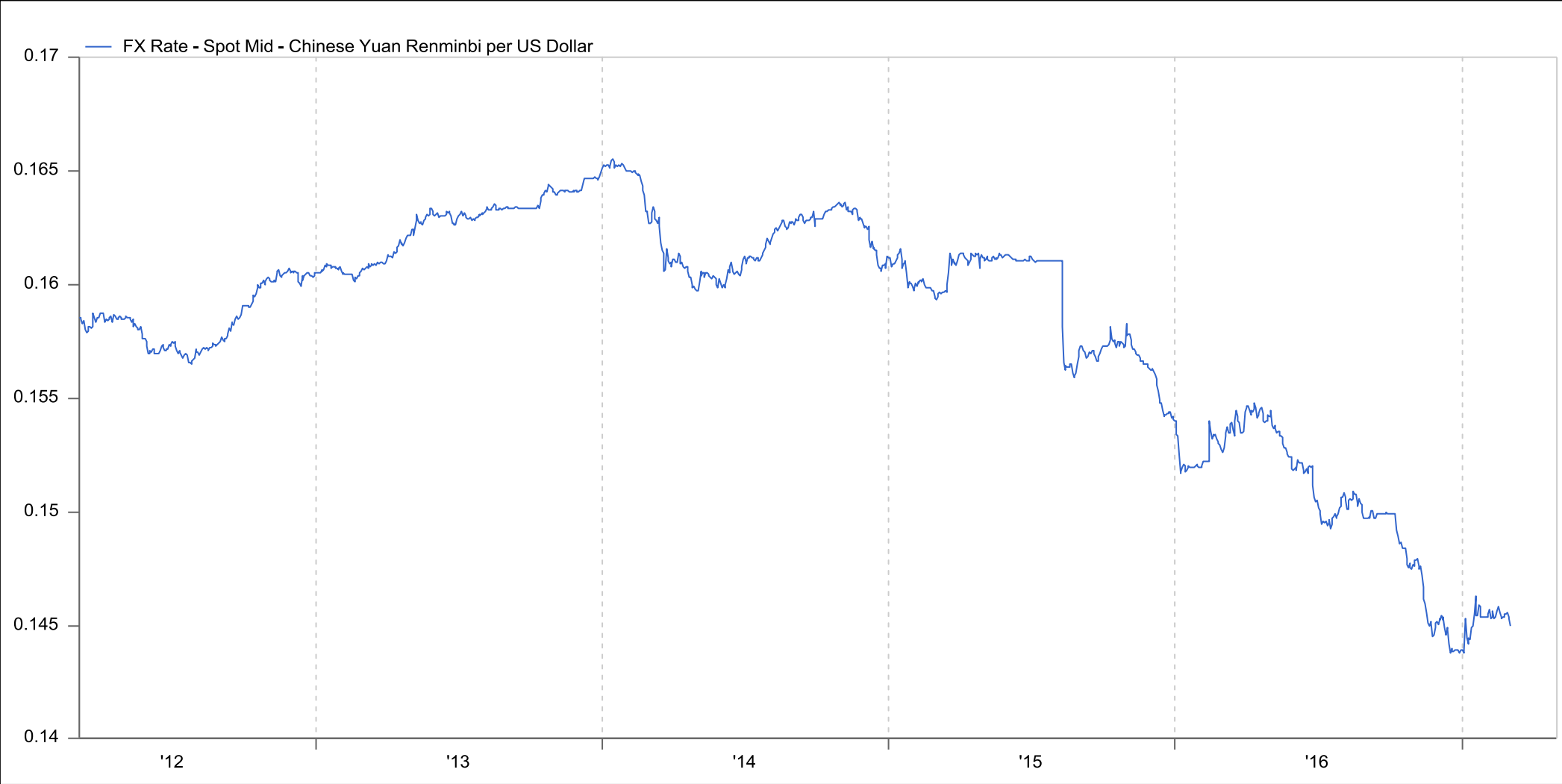


Chinese gross capital formation



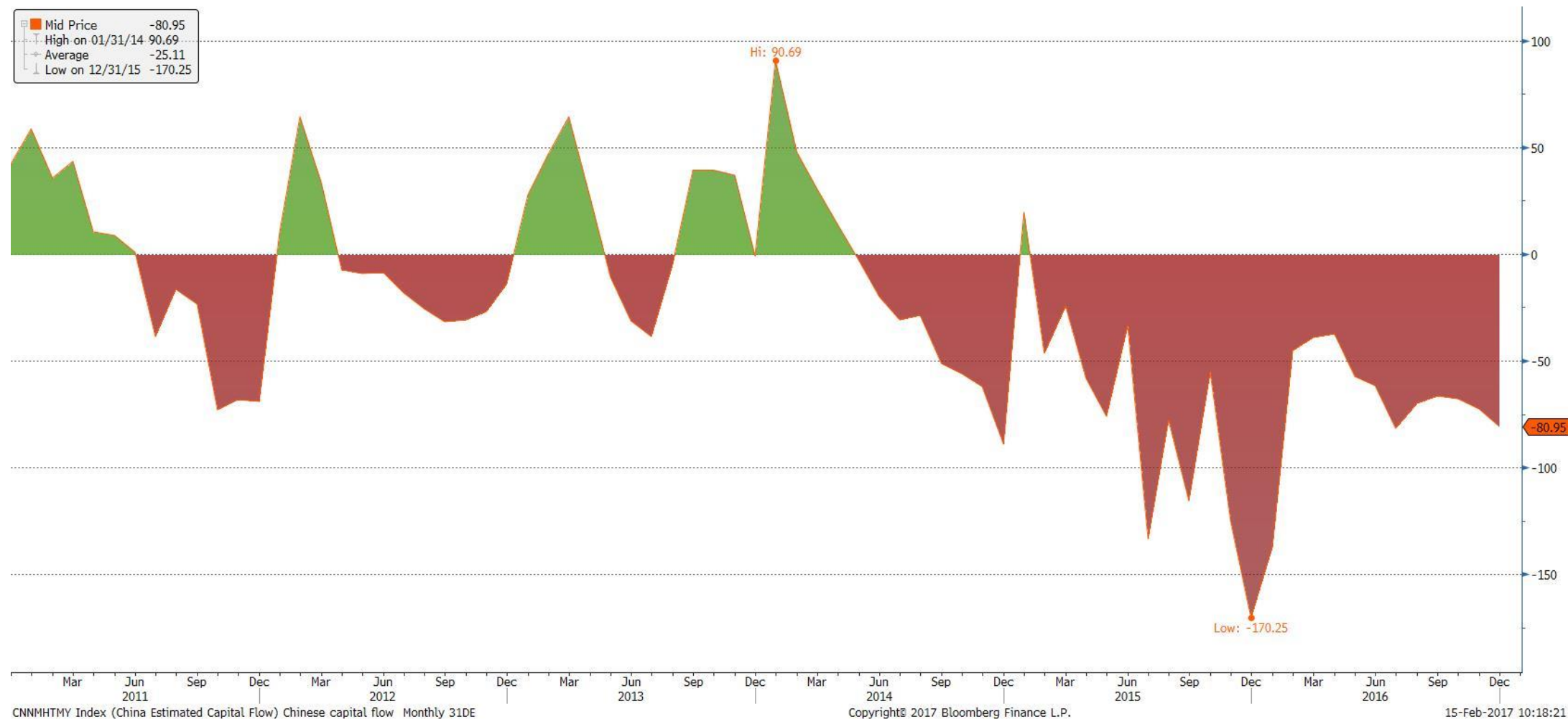
Source: Factset, as at December 2016

Chinese Yuan to USD



Source: Factset, as at 28 February 2017

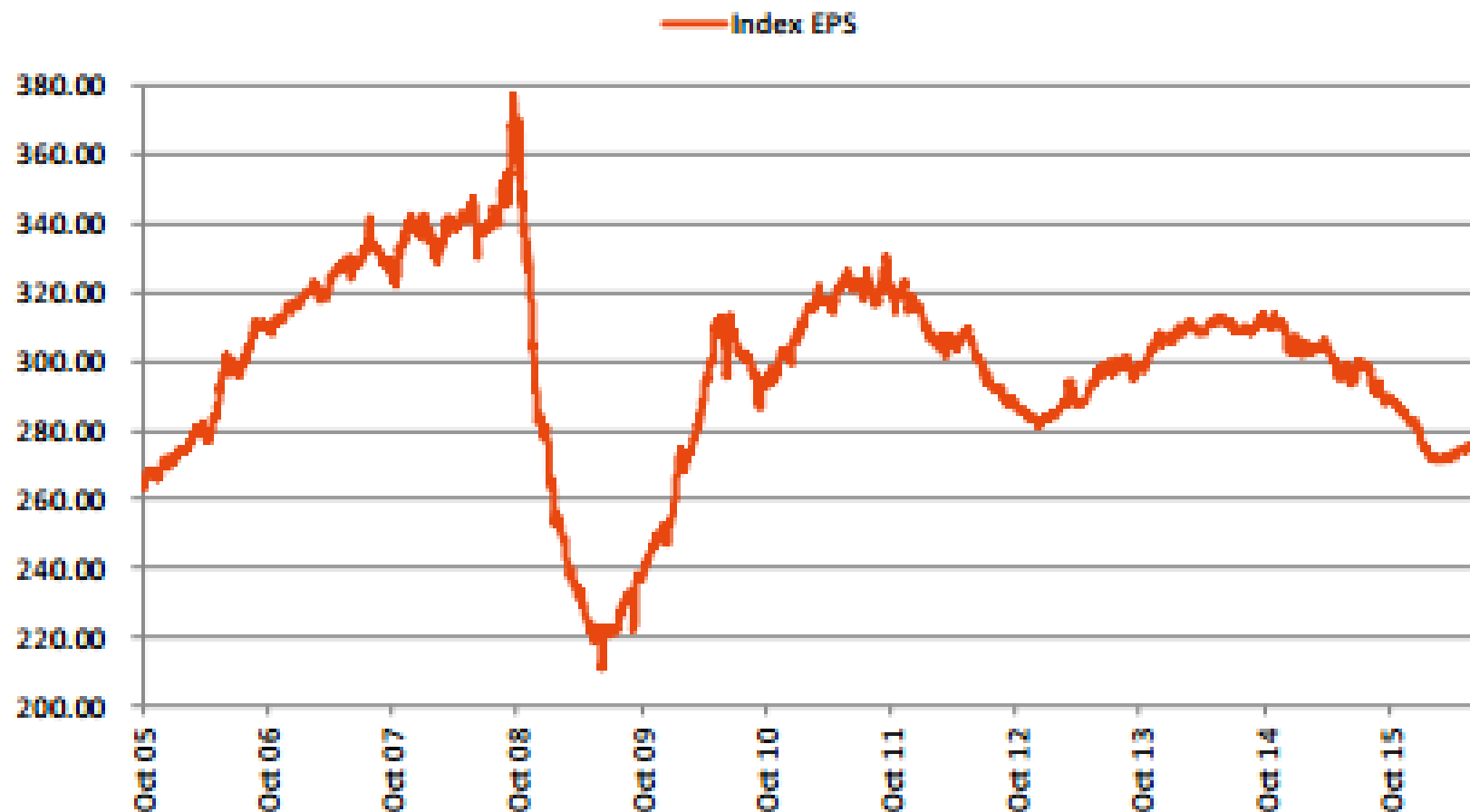
Chinese Capital outflows



Source: Bloomberg as at 31 December 2016

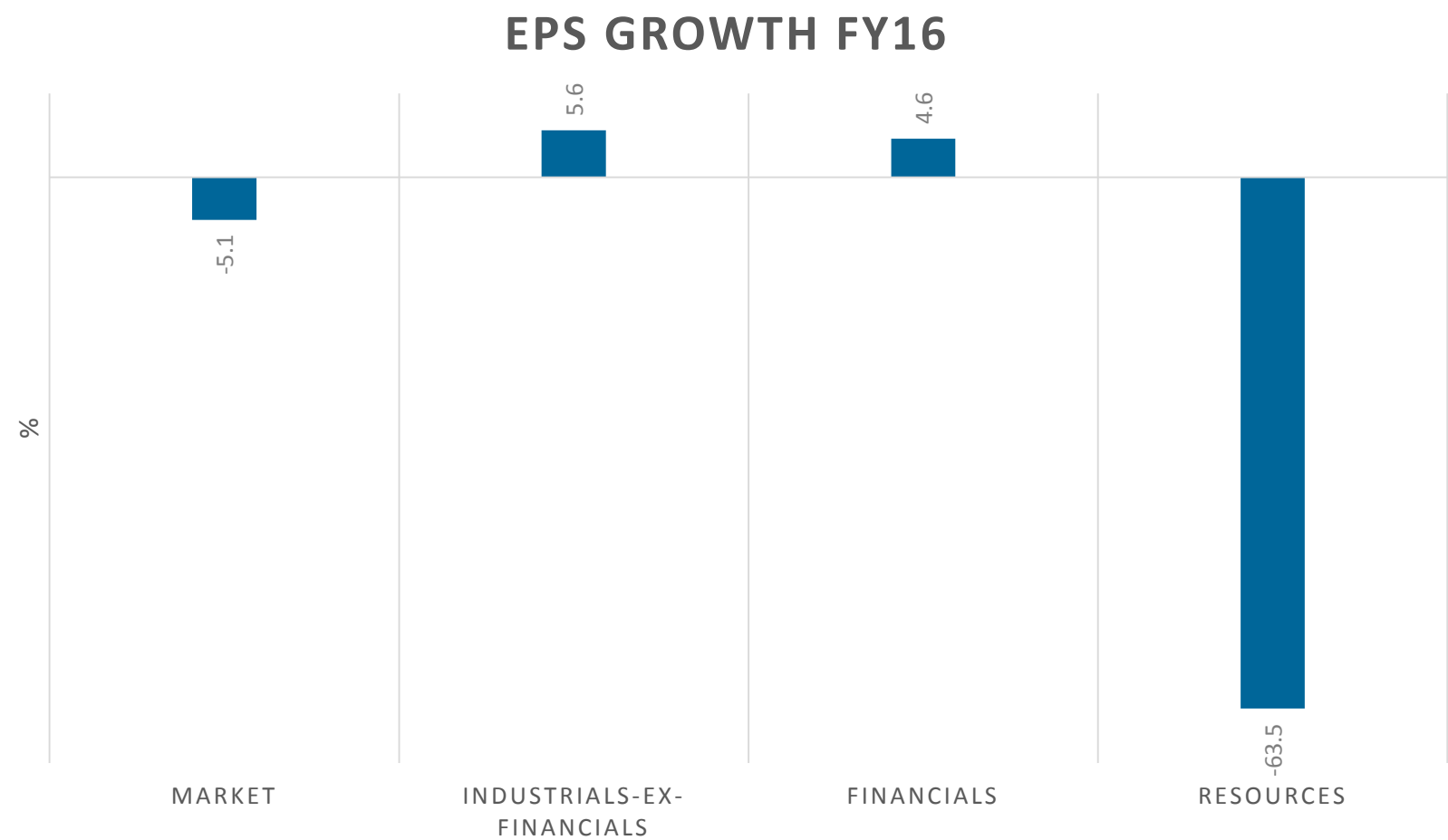
Australian market aggregate EPS

Figure 5: 12m Forward EPS Estimates for the S&P/ASX 100 Index



Source: Shaw & Partners, Factset 1 August 2016

2016- Australian market EPS growth



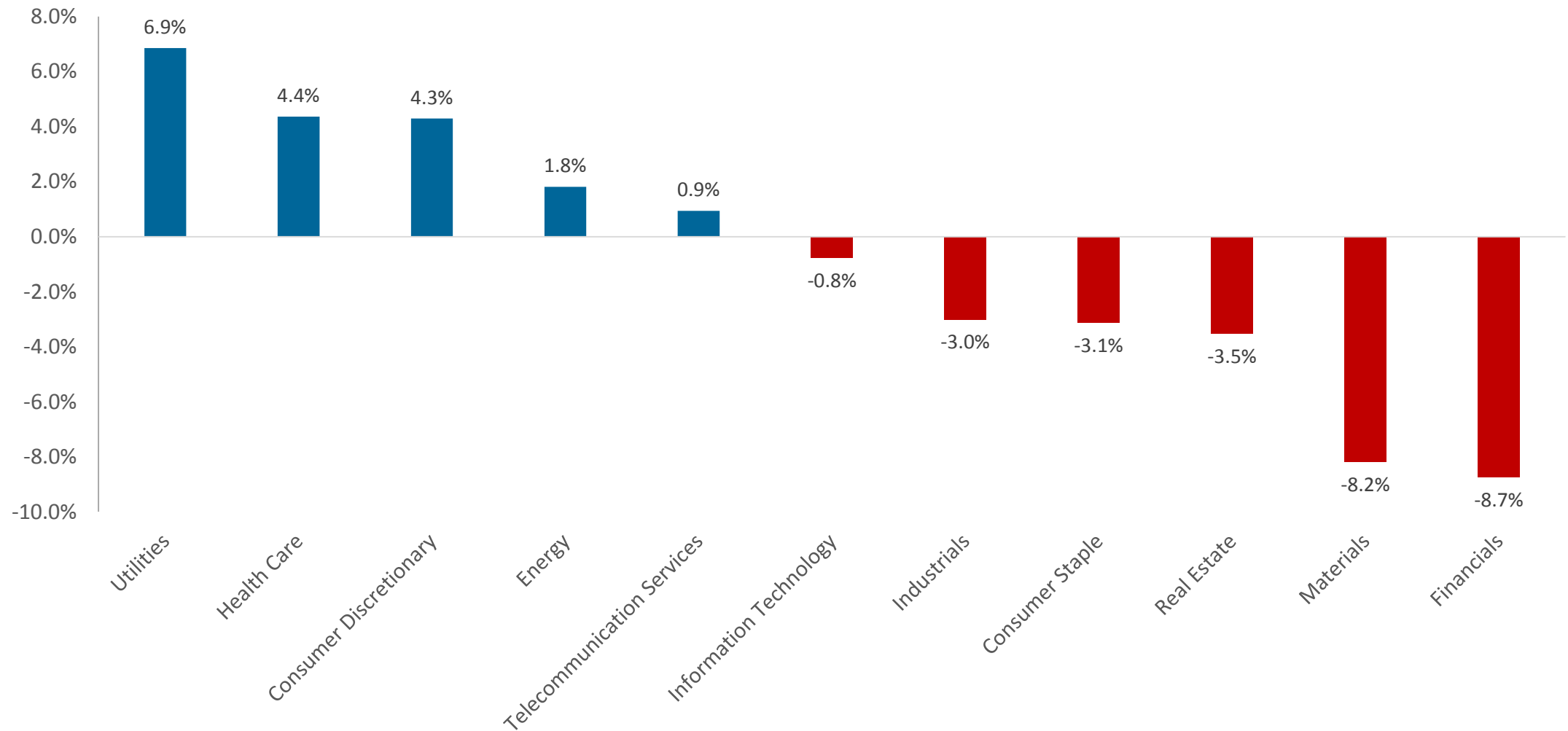
2017- Australian market EPS growth



Reporting Season Summary

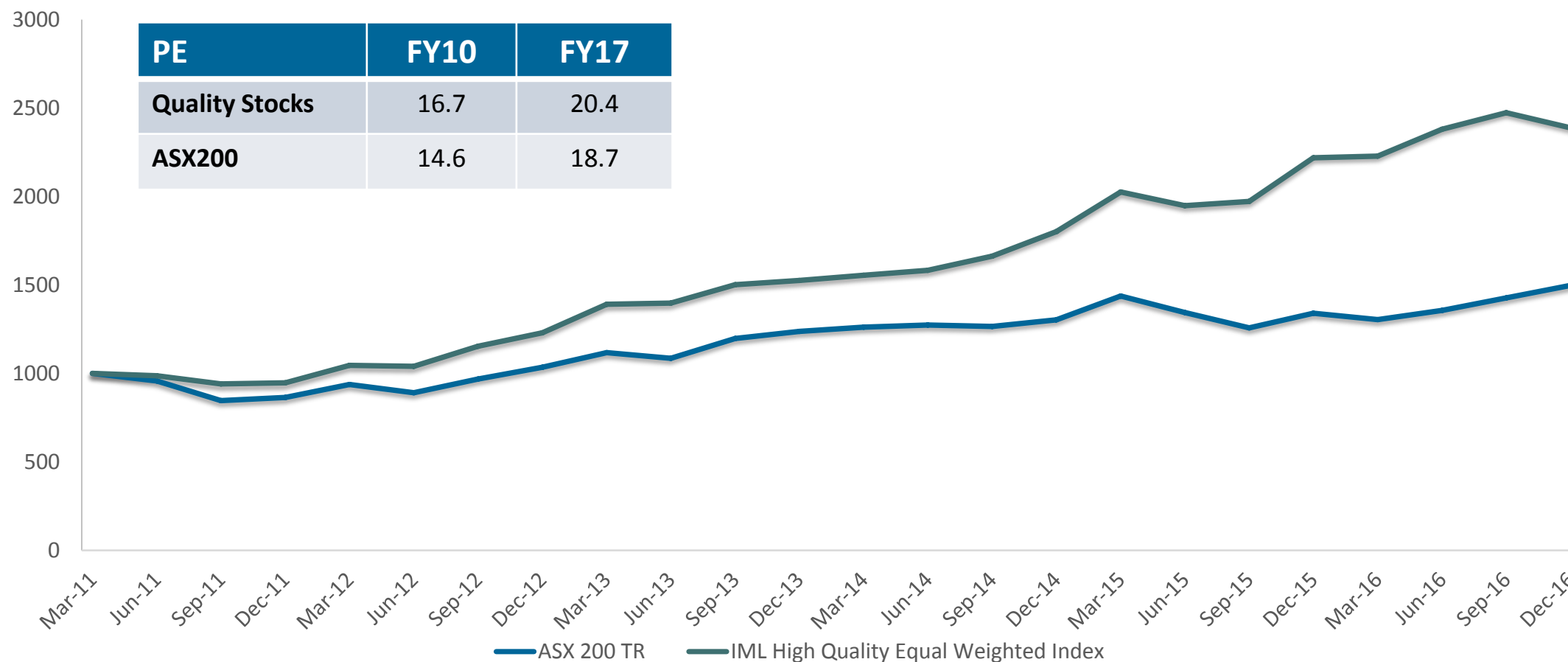
- Management meetings did not suggest conditions are getting any easier
- Despite almost zero earnings growth amid the continuing housing boom, local banks rose strongly in line with US banks that may benefit from less regulation.
- Resources delivered strong earnings from the commodity rally
- Industrials produced mixed results, with mid single digit eps growth overall.

IML Australian Share Fund: sector positioning– Active Weights



Quality outperformance

IML High Quality Index vs ASX 200



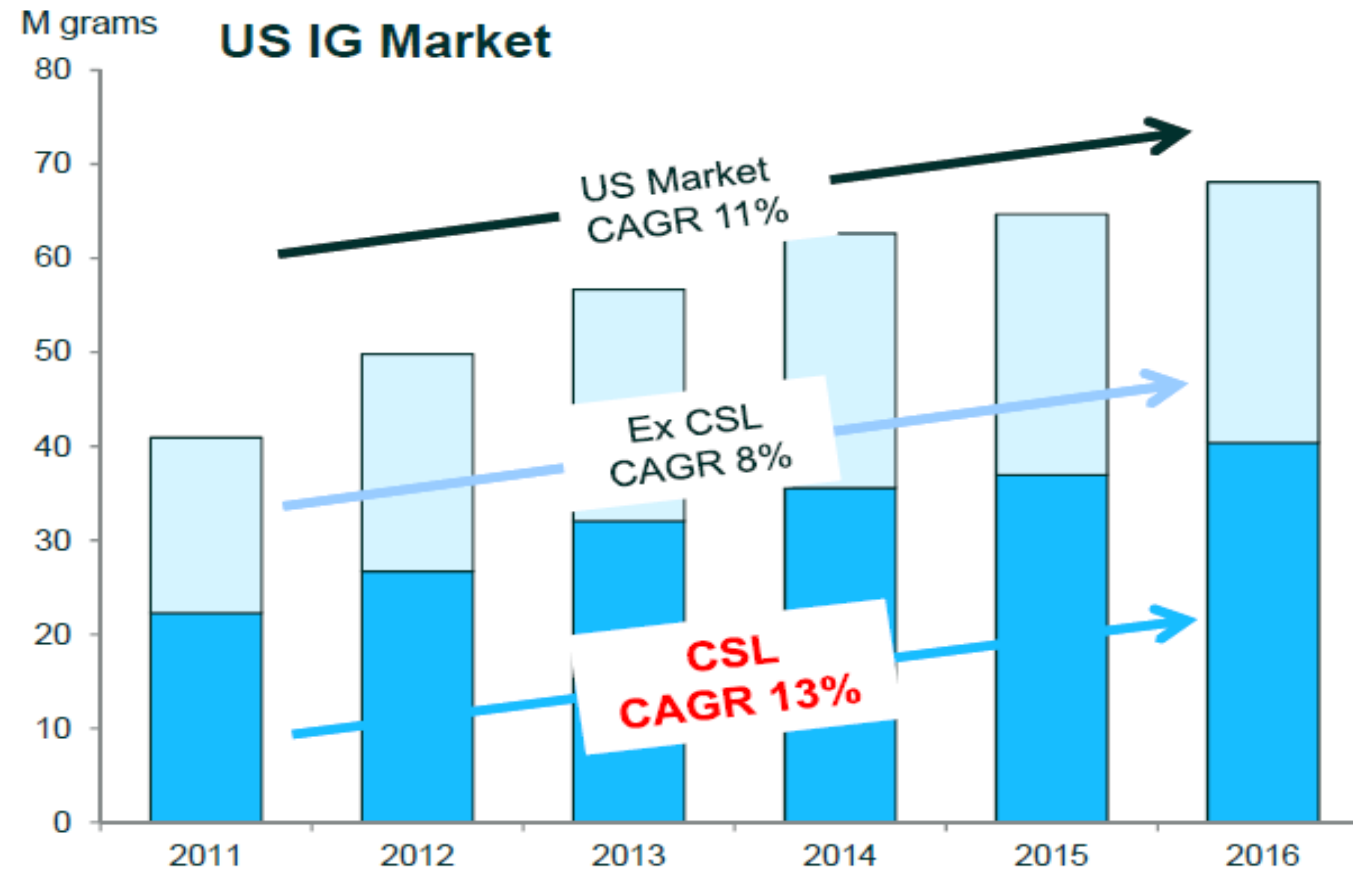
N.B. Trailing multiples, negative earnings excluded from ASX200 numbers

Positioning– Growing in a low growth economy

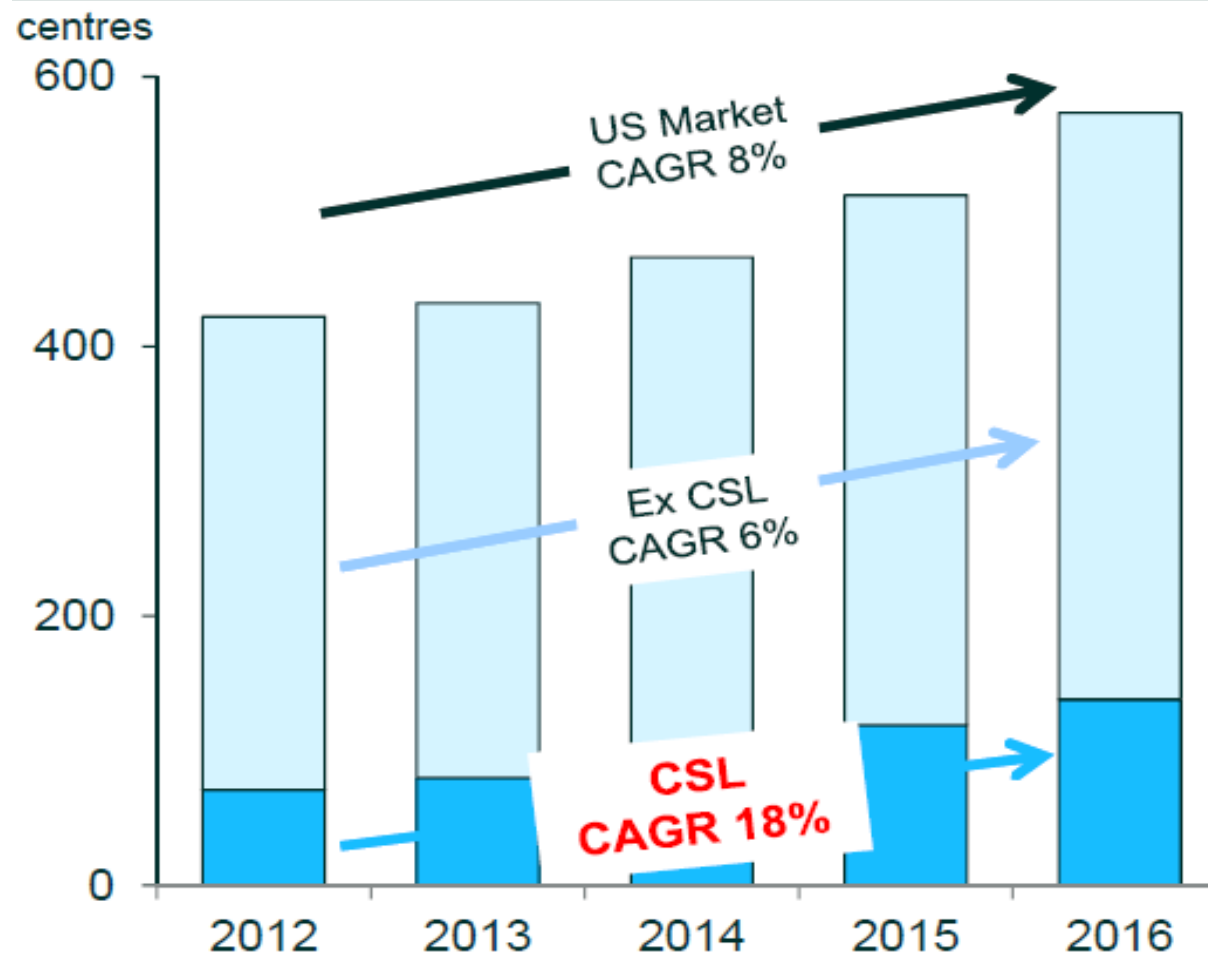
Company specific initiatives	
Cost-outs →	Fletcher Building
Acquisitions →	Steadfast
Contracted growth →	Spark Infrastructure
Market share gains →	Clydesdale Bank
Restructuring →	Myer

- CSL operates in an oligopolistic market with few players
- CSL is the lowest cost collector of plasma (key input cost)
- CSL also spends the most on R&D
 - in some cases by 3-10 fold
 - \$600m+ USD (equivalent to 30% profits, all of which is expensed)
- CSL has grown market share and earnings at a high compound rate
 - EPS has grown at 20% CAGR for 20yrs

Market Share Growth



US Plasma Collection Centres



Hereditary Angioedema (HAE)

- HAE is rare disease, 42k patients globally, market is \$1.5bn+
- Current gold standard is Cinryze (owned by Shire/Baxalta)
 - Treatment is once every 3-4 days, IV in hospital, reducing HAE attacks by 50%
- CSL's Haegarda is expected to launch in 2H17
 - Treatment is also once every 3-4 days, but SubQ at home, reducing HAE attacks by 90%
 - Margins ~60-70%



Progression of a Single HAE Attack



IML Equity Income Fund Update



IML Equity Income Fund - twin objectives

Retiree Objectives	IML Equity Income Fund Objectives
High Income	Greater yield than S&P/ASX300 yield +2% (after fees, pre-franking)
Low Absolute Risk	Lower standard deviation of returns than S&P/ASX300

IML Equity Income Fund - sustainable relatively high income

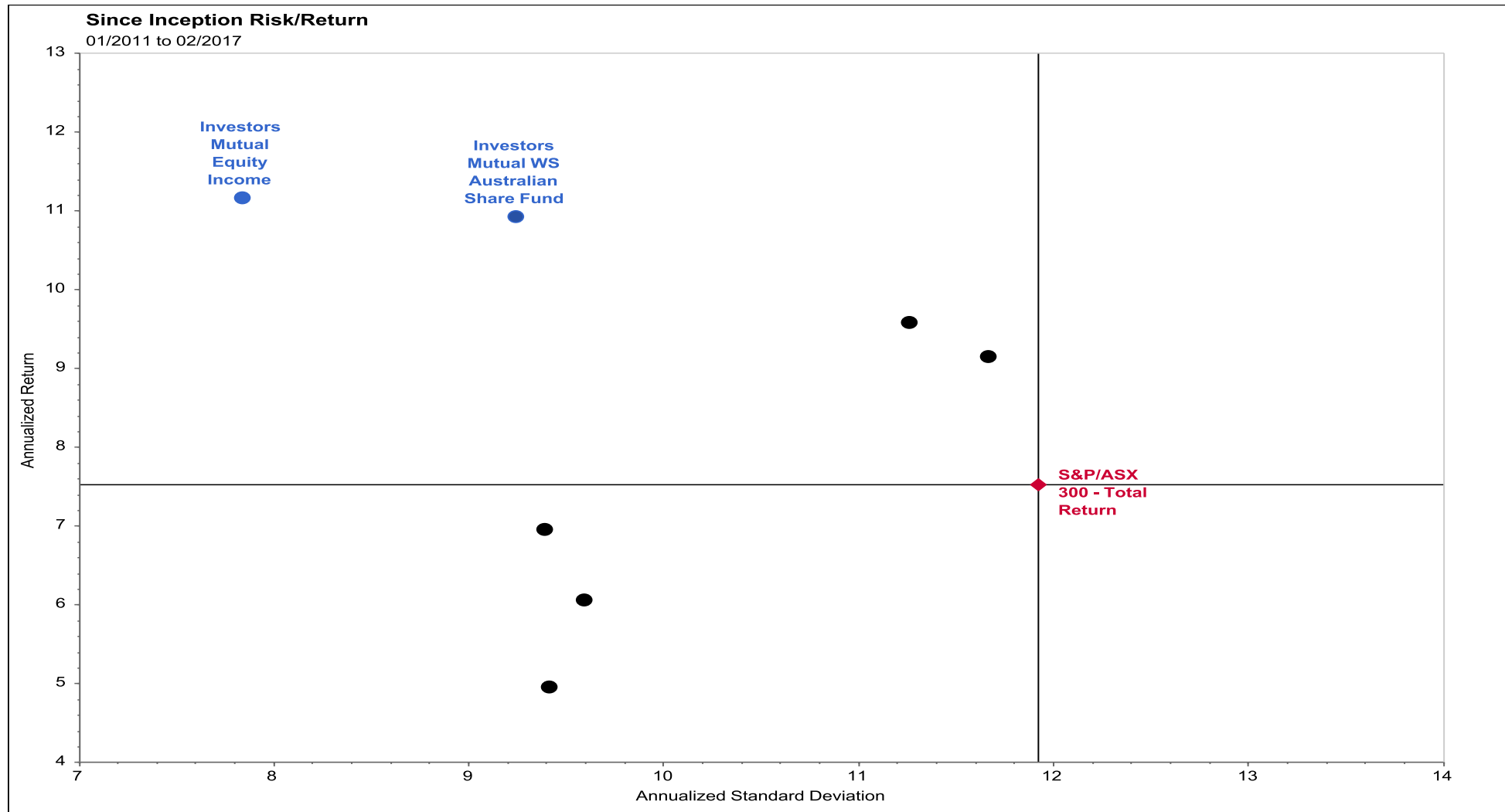
Multiple Income Sources	Long Term Expectation p.a.
Dividends	4 %
Option Income	2 %
Net Realised Capital Gains	1 %
Total Distribution (paid quarterly)	S&P/ASX 300 +2%*

IML Equity Income Fund – seeking to deliver consistent income

IML Equity Income Fund	Income*	Growth	Total Return
1 year	+7.9%	+6.9%	+14.8%
3 years p.a.	+8.3%	+1.7%	+10.0%
Since Inception p.a. (Dec 2010)	+9.0%	+2.2%	+11.2%

*pre-franking

IML's funds – “philosophically aligned”



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The prospective P/E ratios and earnings forecasts referred to in this presentation constitute estimates which have been calculated by IML's investment team based on IML's investment processes and research.

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