



# QLD Regional Roadshow

May 2018

# Agenda

---

- IML – Who we are
- Review of 2017
- Market Outlook
- Equity Income Fund Update

# About IML

---

- Boutique manager established in 1998
- Over \$8b FUM – with a focus on retail
- Disciplined 'true to label' Value & Quality style
- Consistent performance and outcomes over the past 20 years
- Well resourced investment team with experienced leadership

## Retail investor needs

---

- Capital preservation
- Reasonable capital growth
- Income focused

## 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.

# The Modern Market!

---

Investor
Long term focus
Valuation driven
Disciplined focus on 'quality'
In-depth research

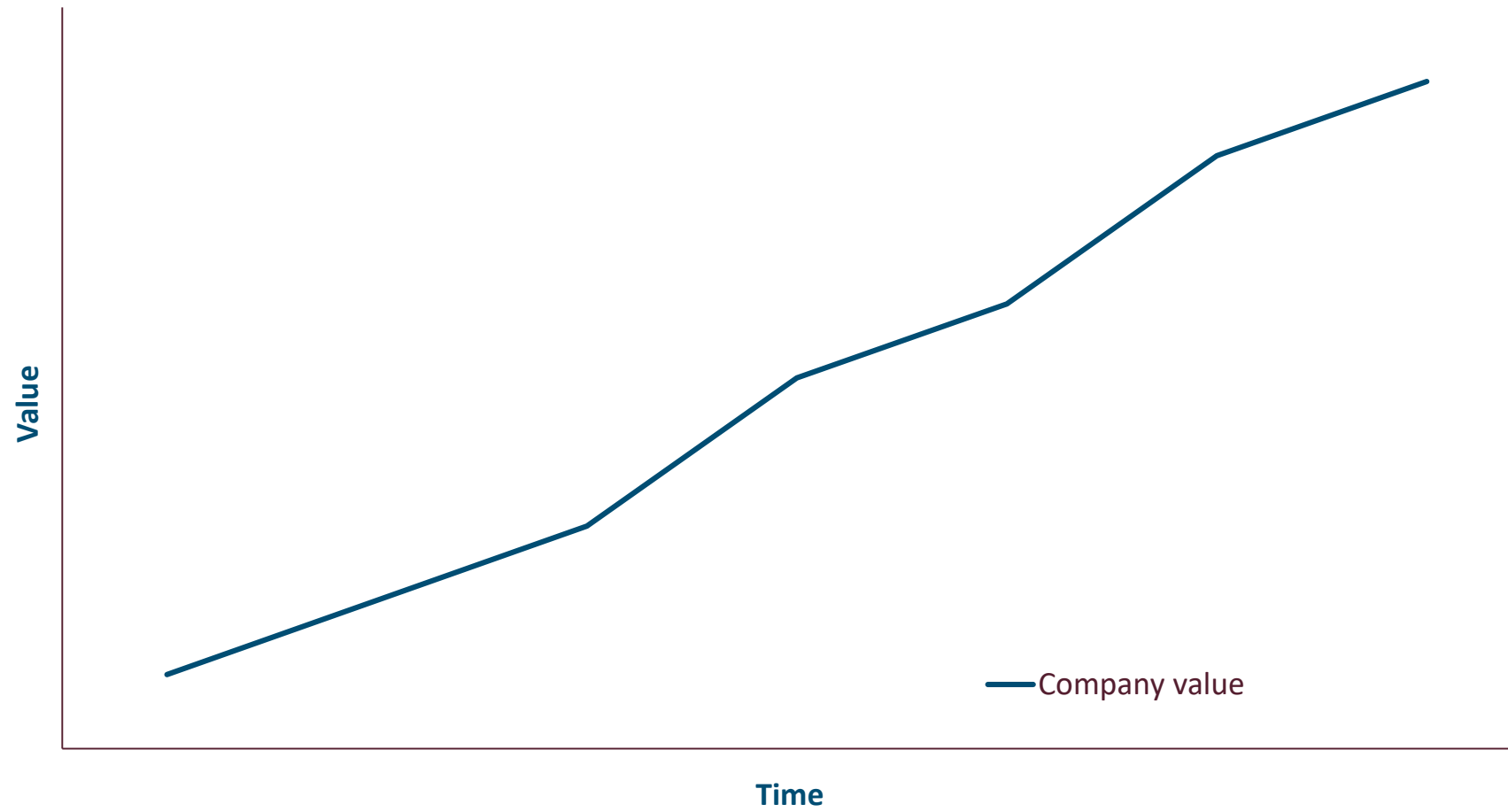
## Applying the rules:

---

Investor	Market
Long term focus	Short term focus
Valuation driven	Momentum driven
Disciplined focus on 'quality'	Upgrade / Downgrade mania
In-depth research	Daily information flow

# Value over time

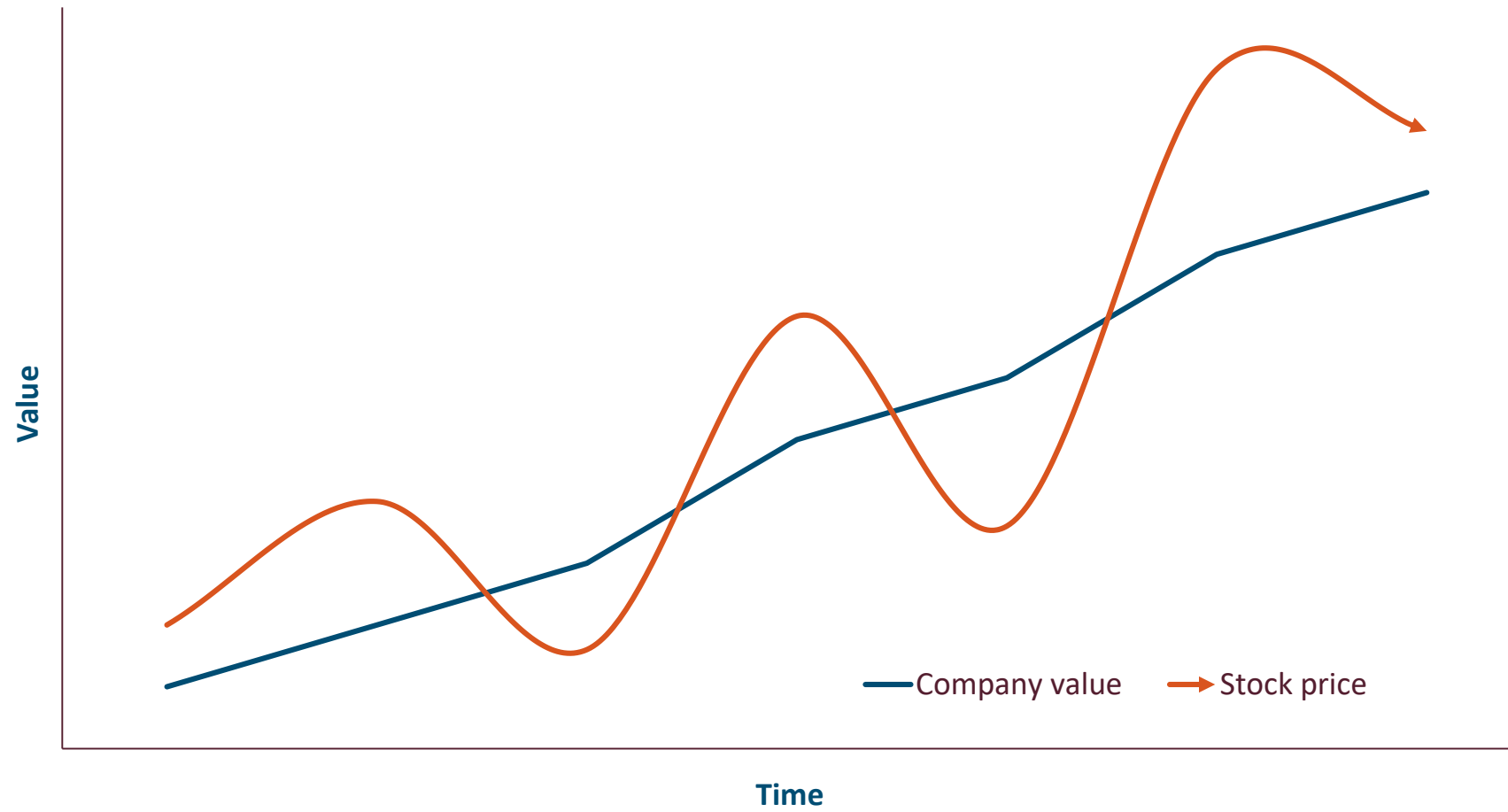
---



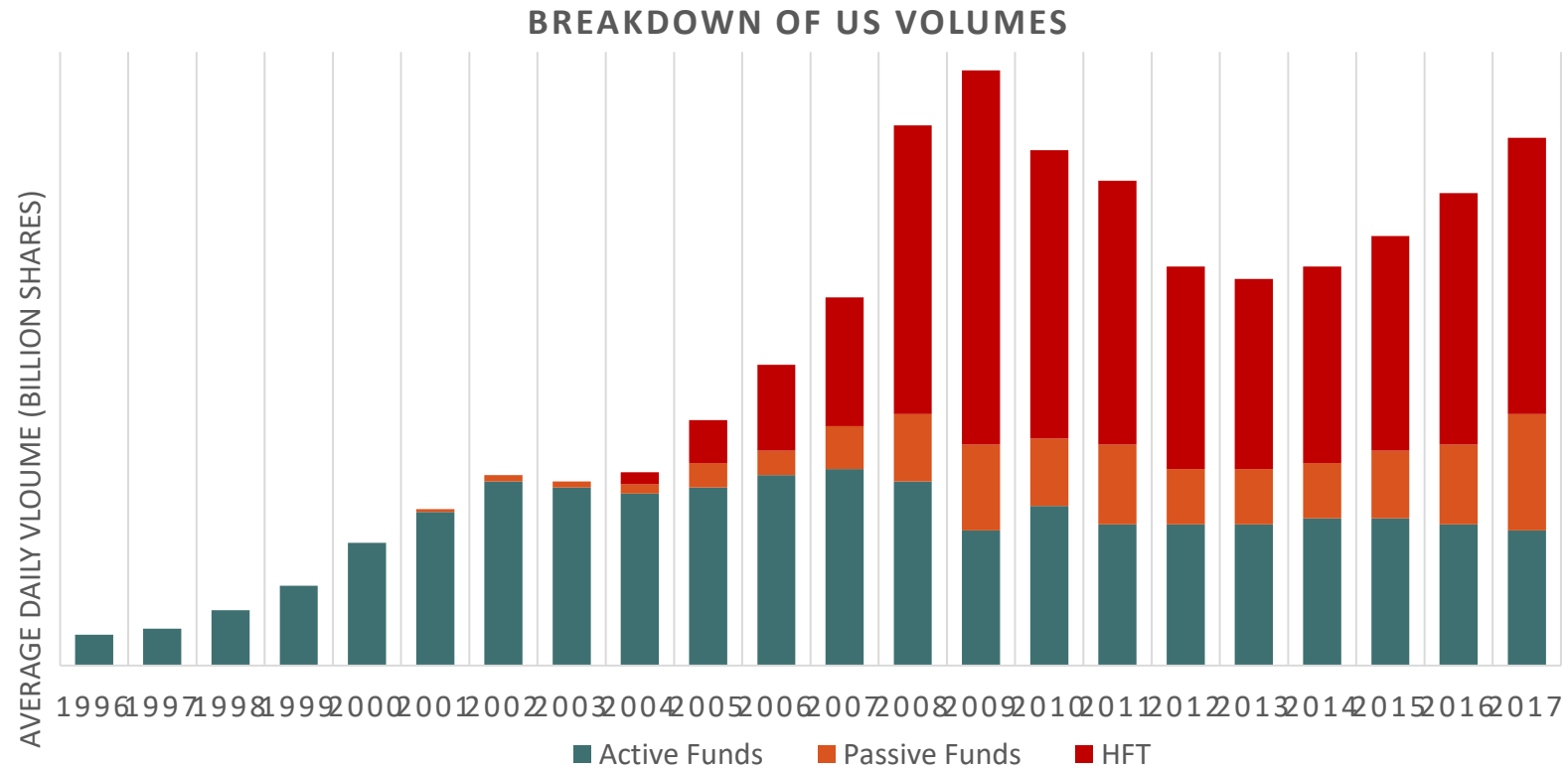


# Stock price over time

---



## Daily information flow



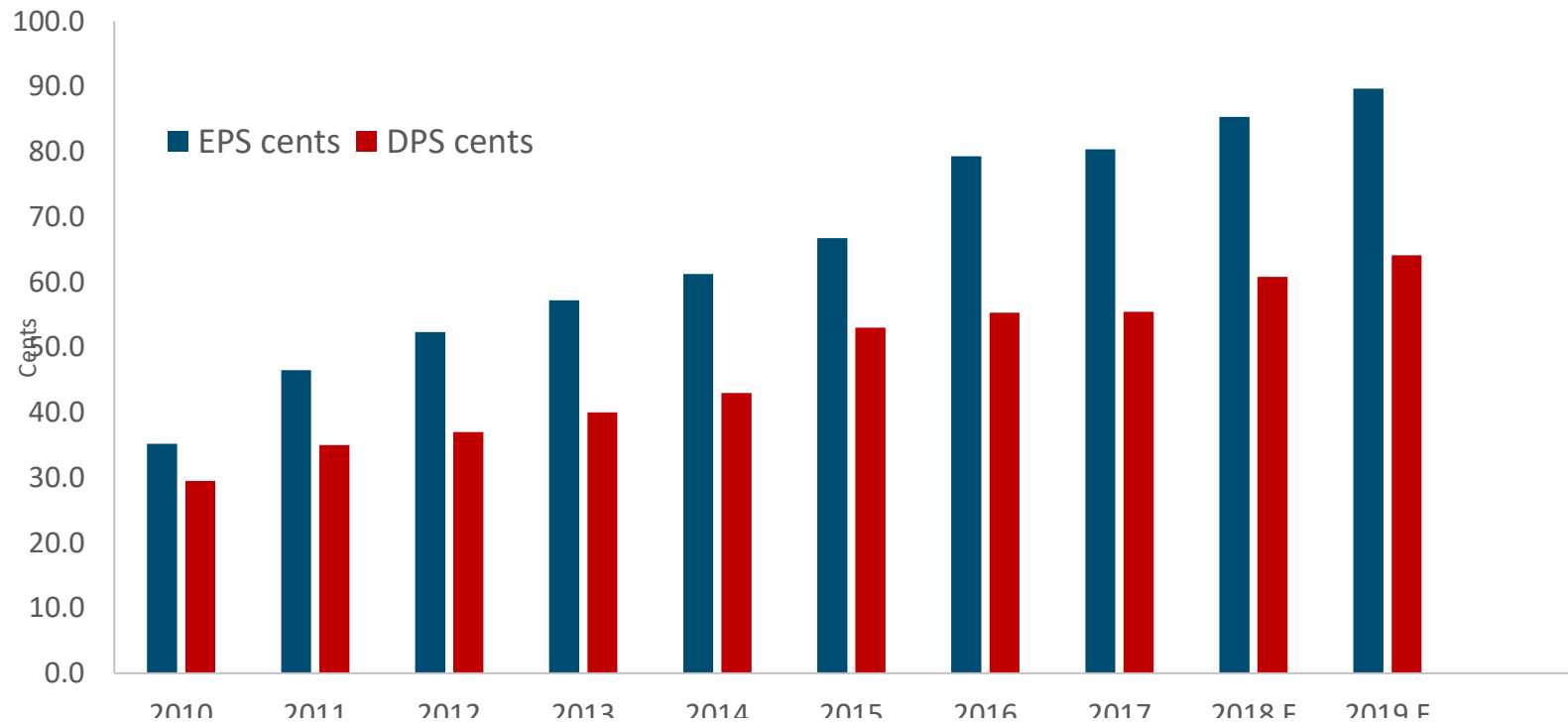
Source: Credit Suisse

## Long-term focus?



Source: IRESS

## Long term focus: Ansell

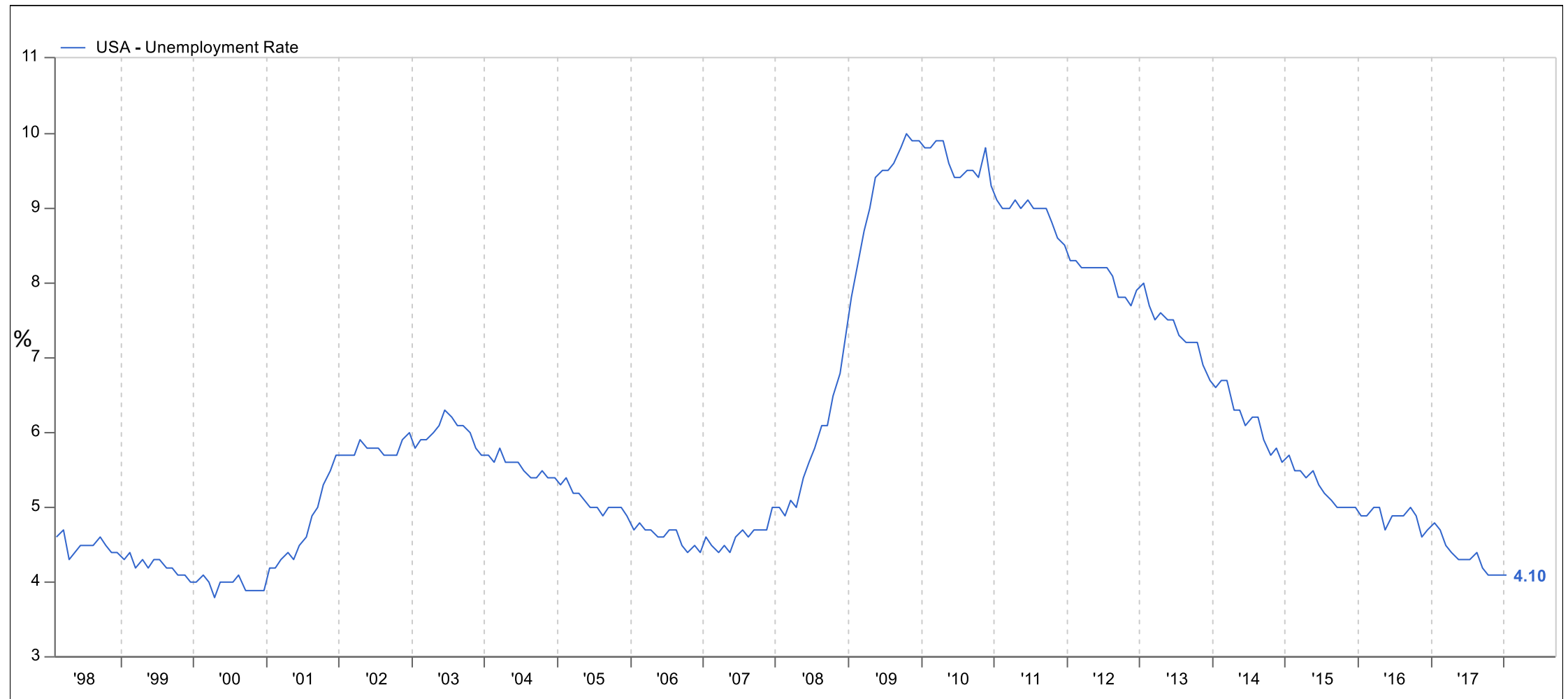


## Economic update

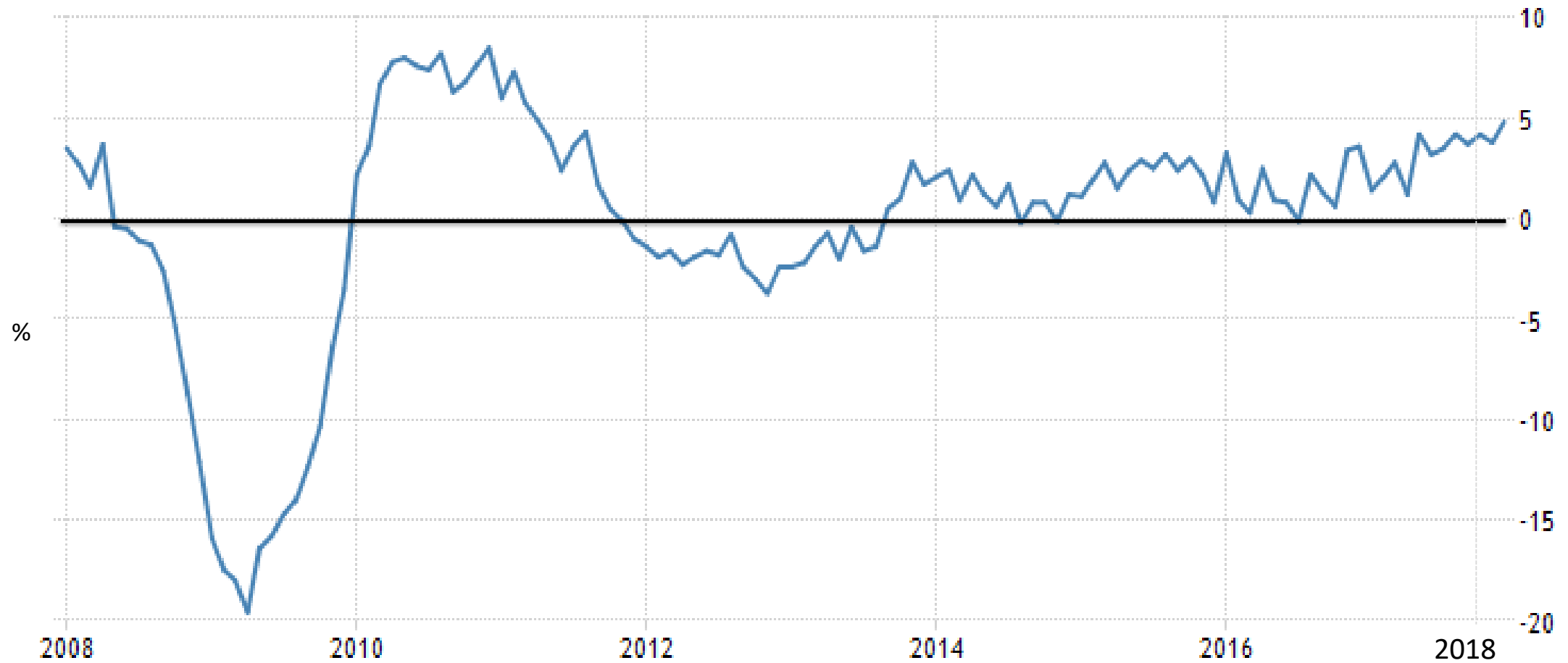
---

- US economy continues to grow
- European recovery broadens
- China still on track
- Overall global growth outlook positive

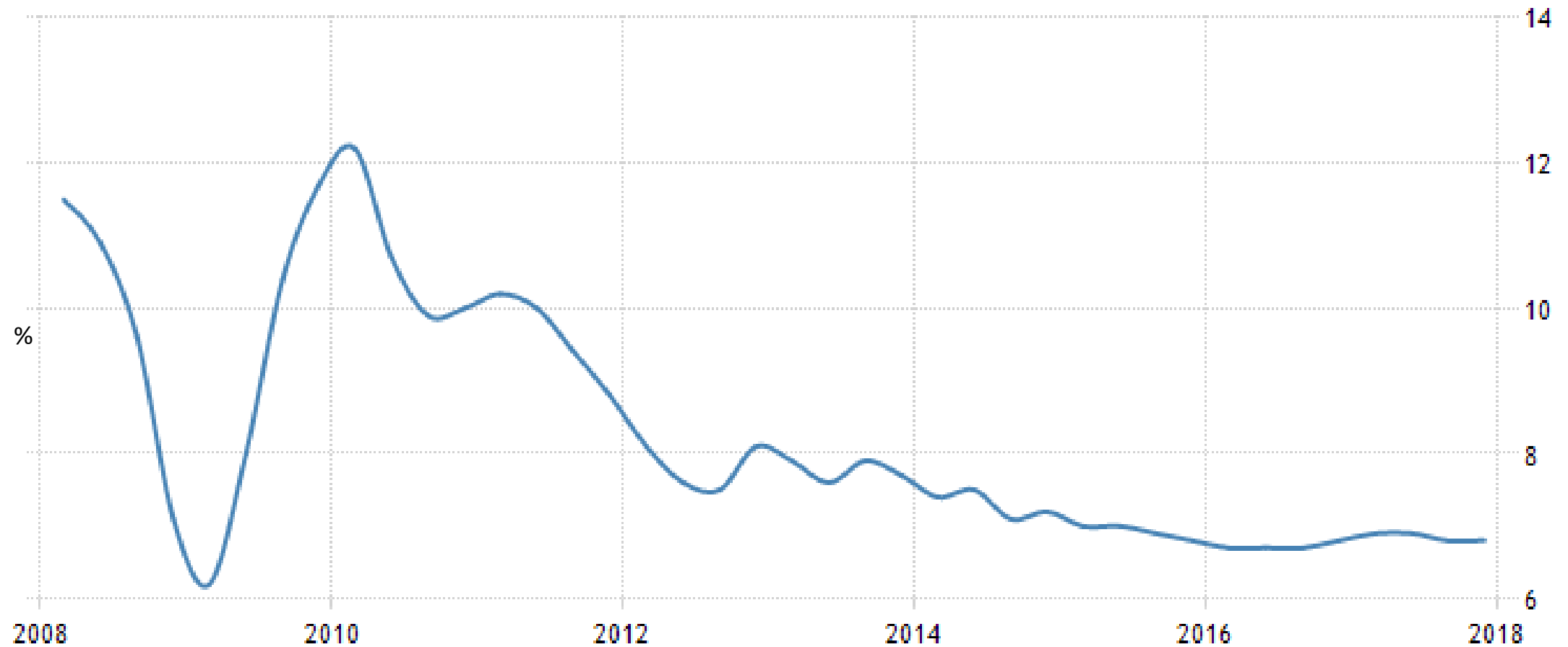
# US Unemployment rate – last 20 years



# European Industrial Production



# China GDP Annual growth since 2008





## *Current Issues*

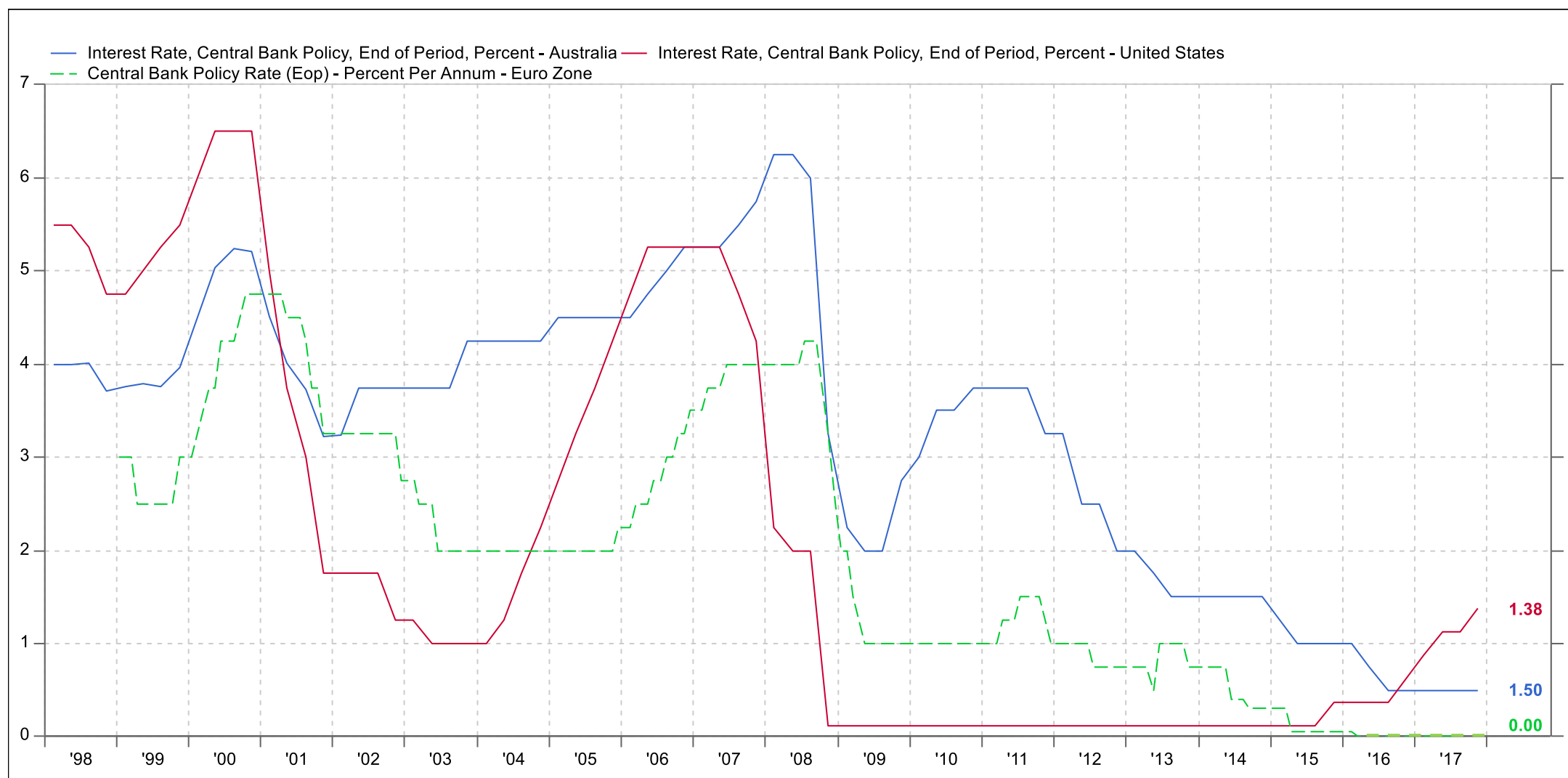
Interest rates, ending of QE & inflation

Government debt levels

Consumer debt

Excessive speculation

# Cash rates in the last 20 years



# Inflation debate

---

## For low inflation

- Overcapacity
- China
- Technology
  - Industry
  - Consumer

# Inflation debate

---

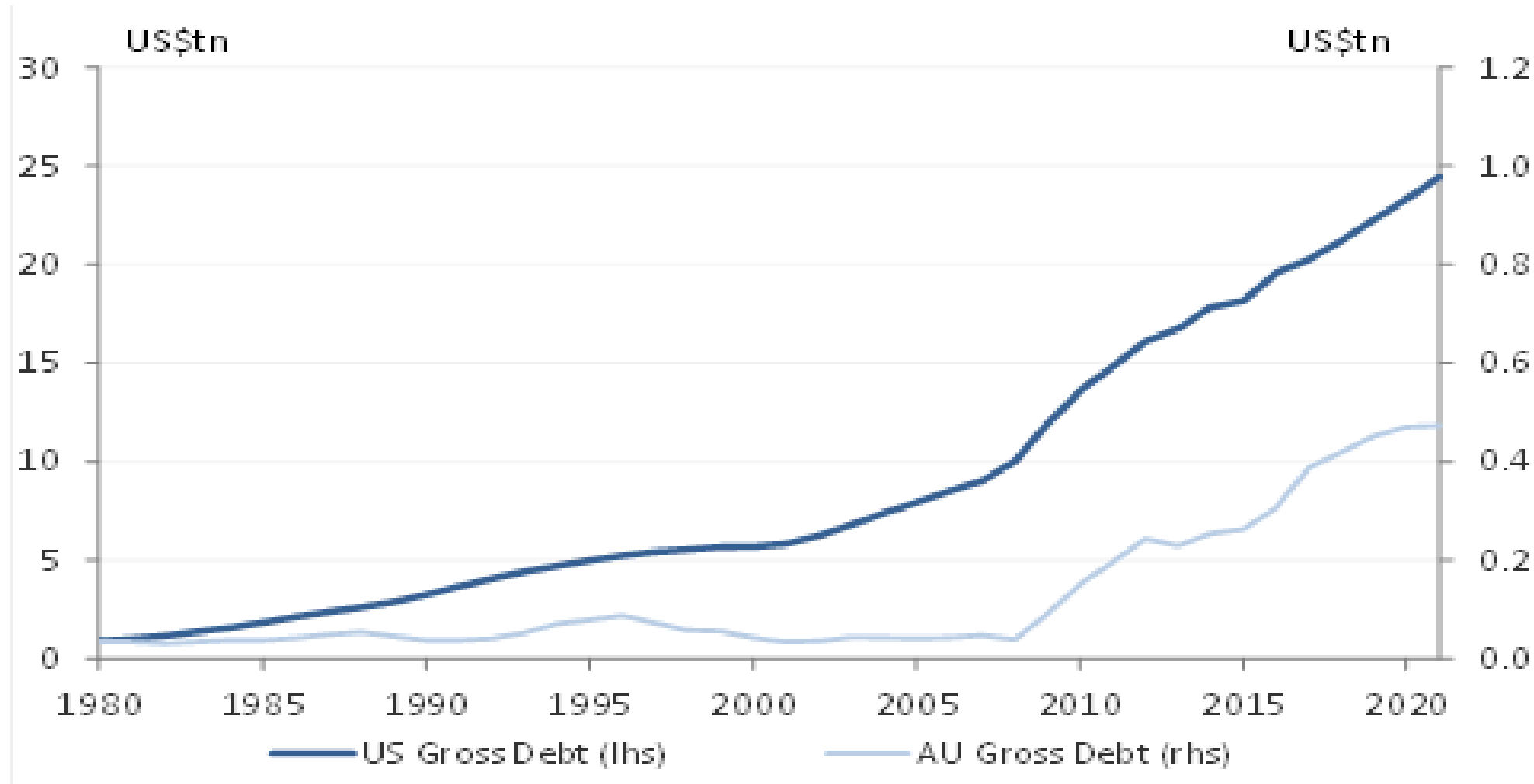
## For low inflation

- Overcapacity
- China
- Technology
  - Industry
  - Consumer

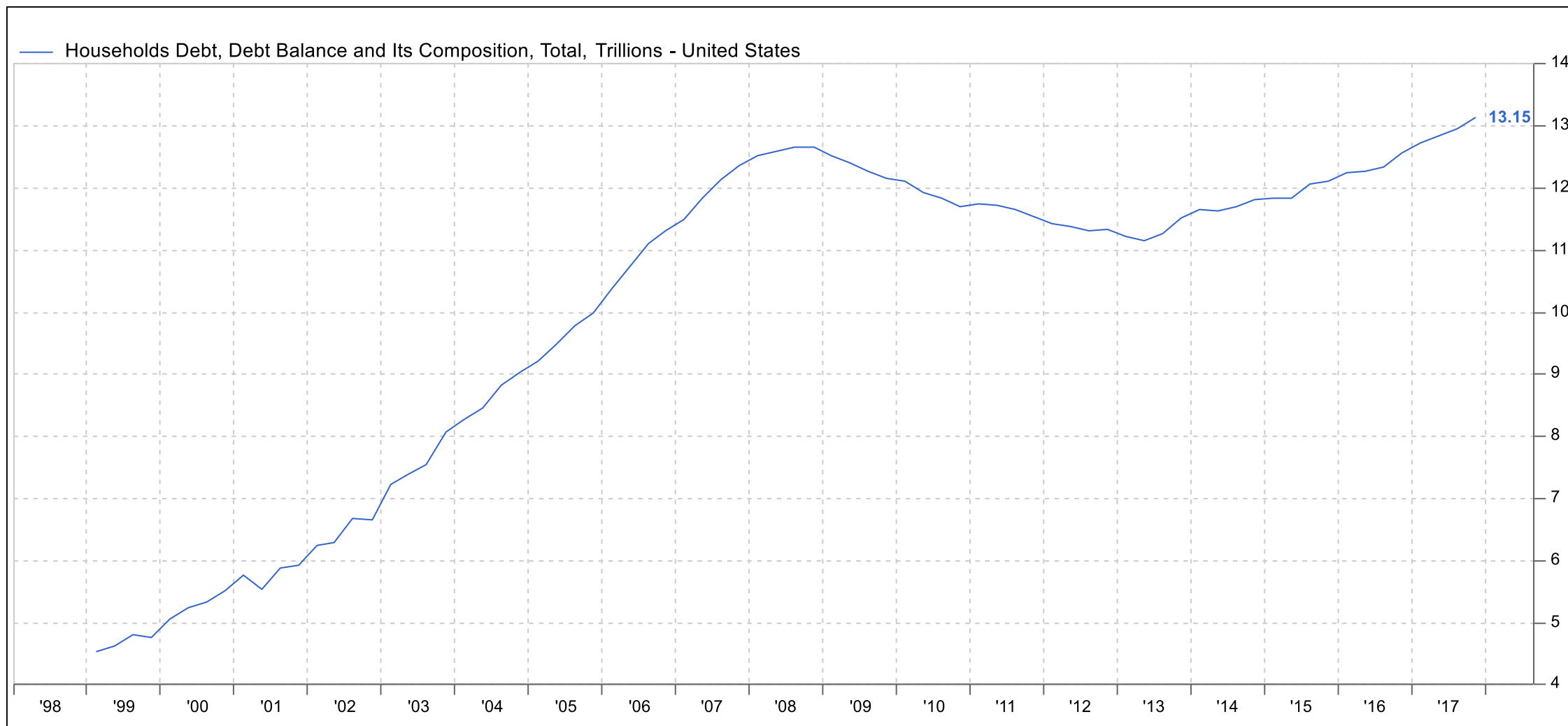
## Against low inflation

- Low unemployment
- US stimulus
- US tariffs ??

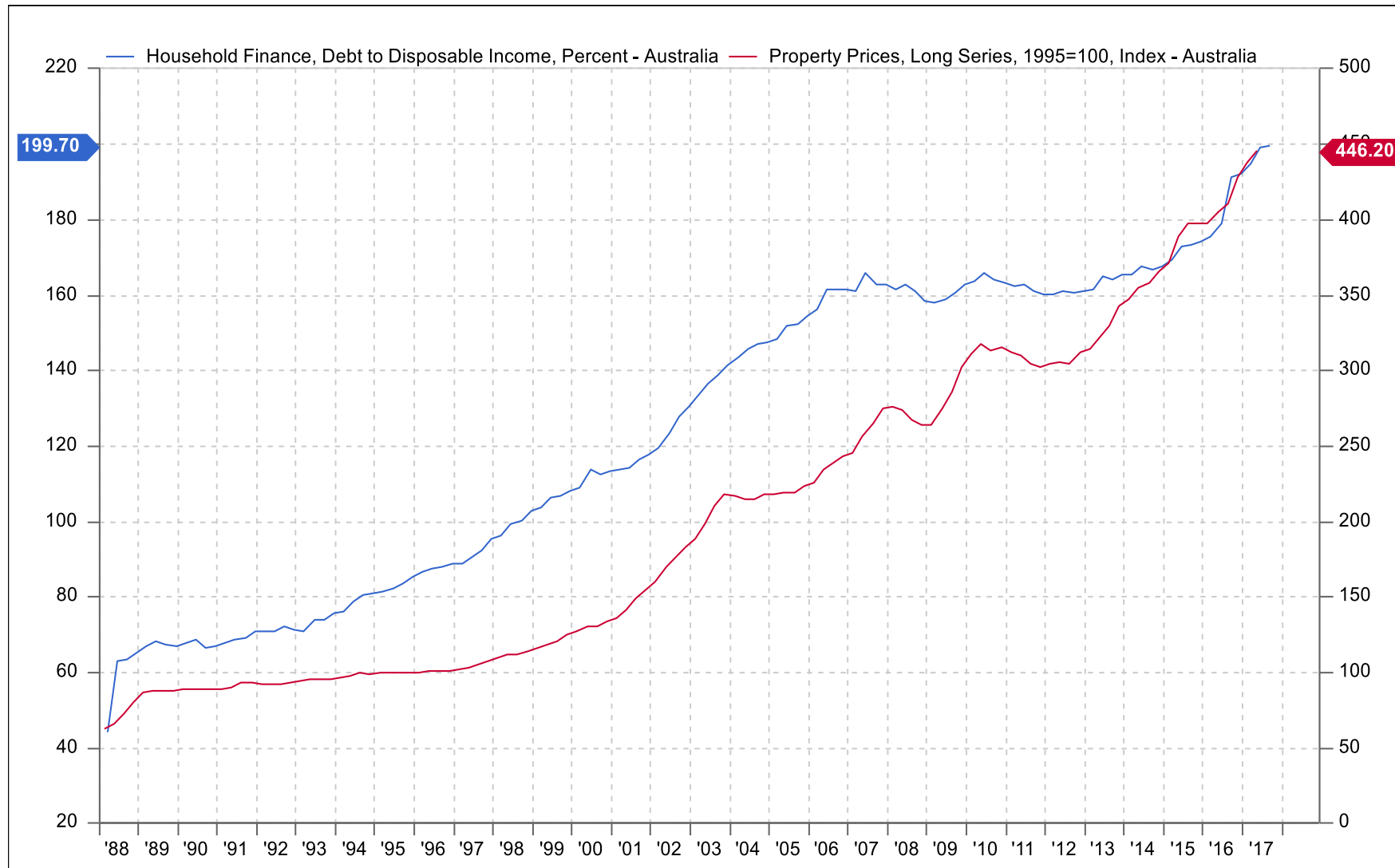
# Government debt levels : US and Australia lead the way !



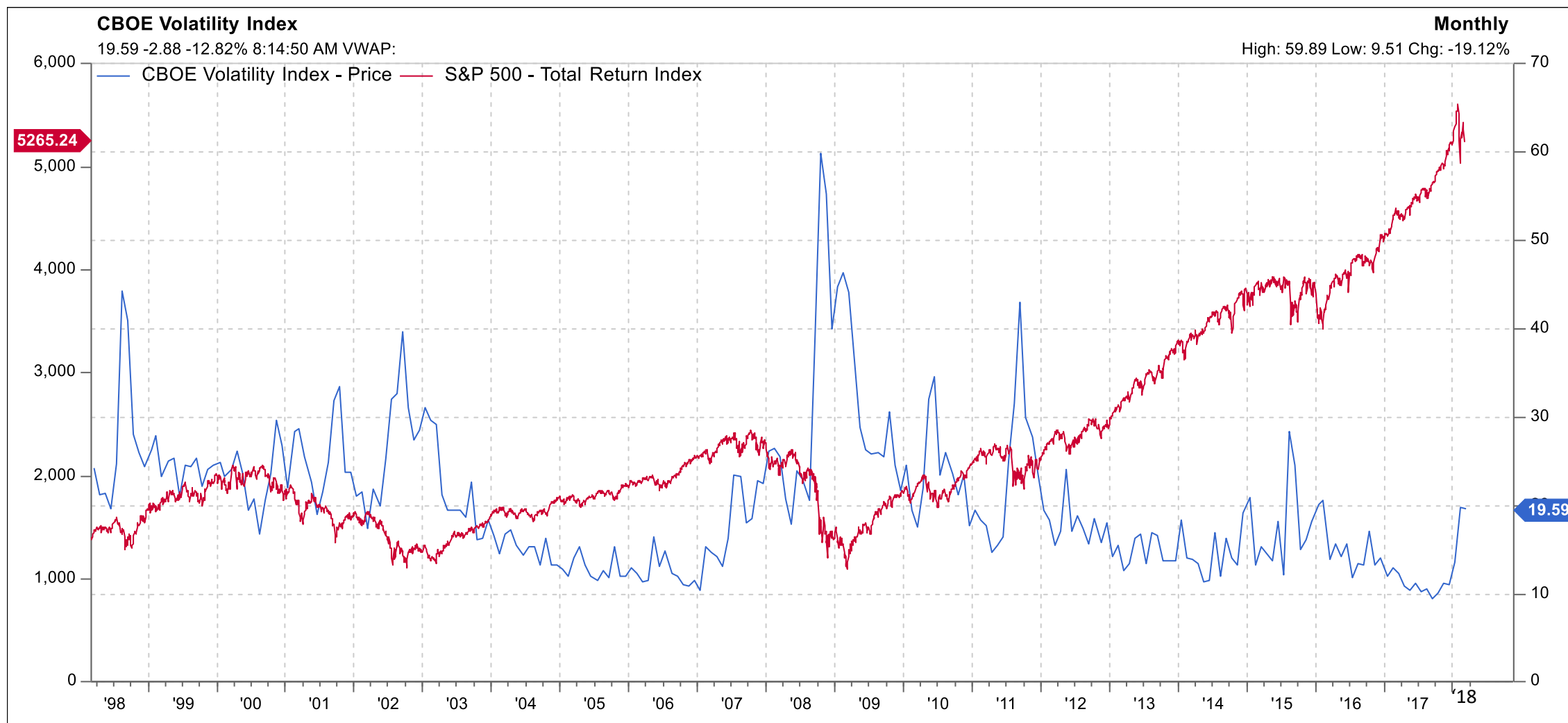
# US household debt



## Australian Housing: Household debt increases as property prices climb



# VIX at record low





## Factors that influenced the Australian sharemarket in 2017

---

- US stockmarkets surged to new records on Trump's tax cuts
- Commodities recovered
- Interest rates still at record lows

## IML's portfolio performance review

---

- Resources sector rebounds strongly
- Industrials sector lagged
- A few disappointing performers in the portfolio
- Caution towards momentum/concept stocks

## Where are we today?

---

- Global economies growing steadily
- Record low interest rates
- Ongoing volatility in the sharemarket
- Caution and being selective remains the key



## IML Equity Income Fund update

## EIF objectives

---

- Generate income from IML fundamental researched stocks
- Aim to generate some capital growth
- Reduce volatility of investment returns

## EIF investment guidelines

---

Holdings based on IML Australian Share Fund – quality and value

Using simple option strategies to enhance income

No gearing / no shorting

Effective cash range 0 – 50%

Paying quarterly distributions - with franking

## EIF objectives: income and risk

---

Retiree objectives	IML EIF objectives
High Income	<b>Greater net yield</b> than S&P/ASX300 yield +2%
Low Absolute Risk	<b>Lower standard deviation</b> of returns than S&P/ASX300

# Multiple sources of income

Income source	Long term yield expectation
Dividend	~4 %
Option Income	~2 %
Net Realised Capital Gain	~1 %
Total Distribution (paid quarterly)	ASX 300 yield +2%

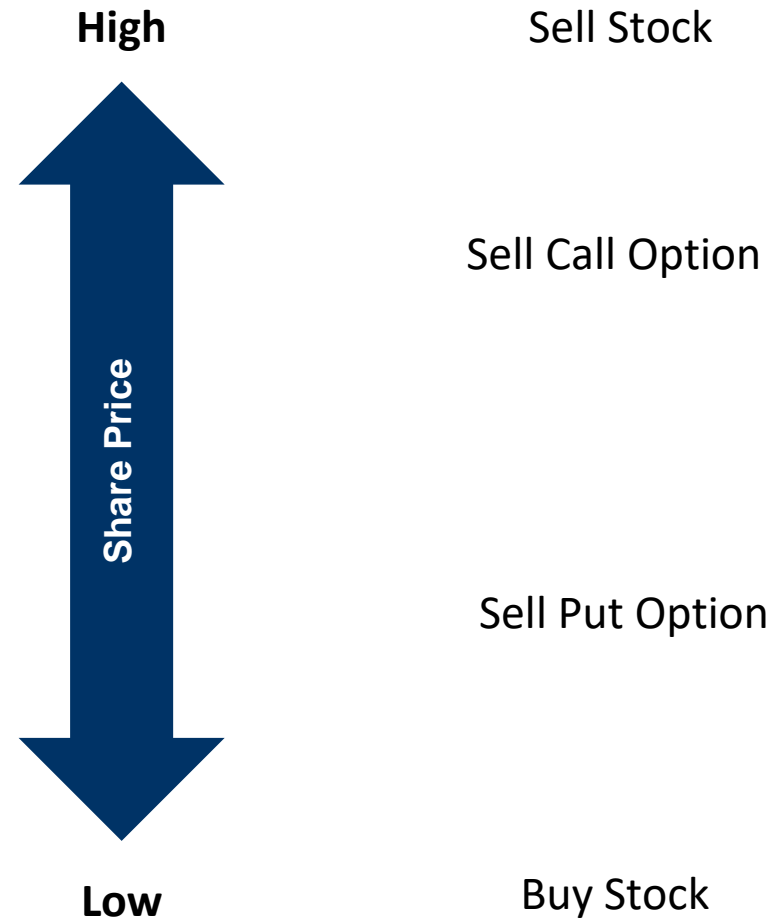


\* After fees, pre-franking

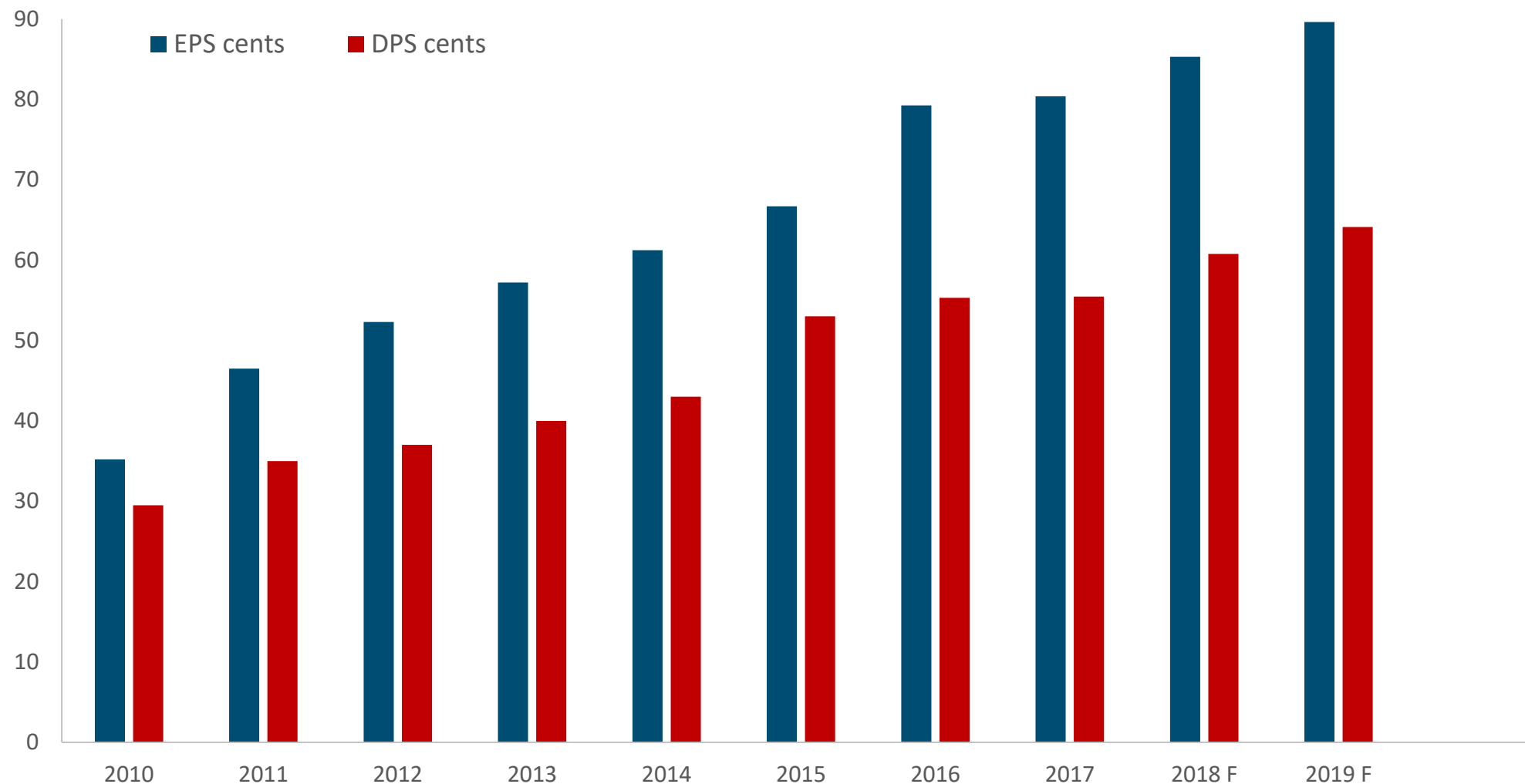


## EIF option strategy – buy / sell discipline

---



# EIF core holding: Amcor

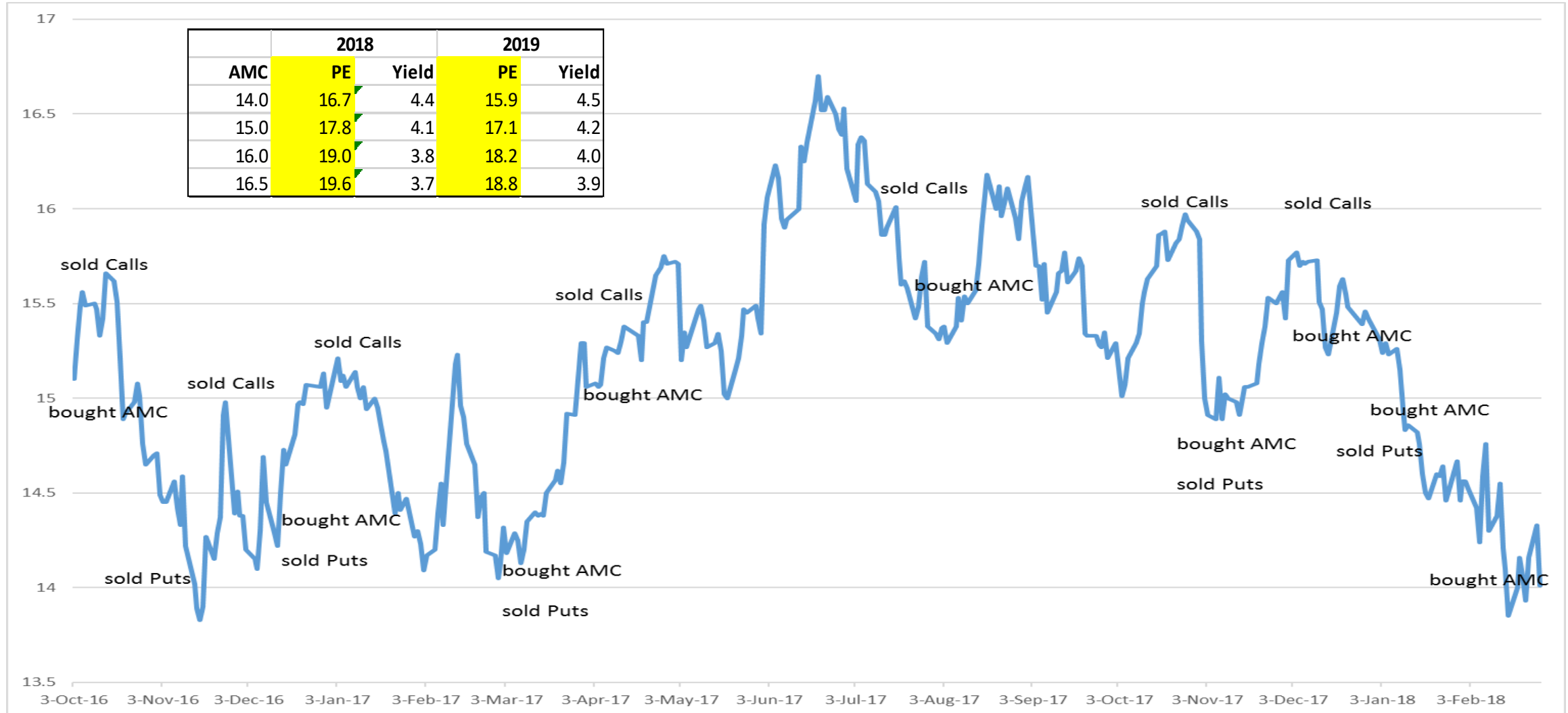


# EIF option strategy: Amcor



Source: IML, IRESS; As at February 2018

# 



## Dividends + option income = high income potential

Stock	Dividend yield (FY18)	3mth ATM option yield	Income potential
National Australia Bank	6.5%	2.9%	<b>9.4%</b>
Transurban Group	5.0%	3.3%	<b>8.3%</b>
Caltex Australia	3.4%	3.4%	<b>6.8%</b>
Spark Infrastructure	6.3%		<b>6.3%</b>
Shopping Centres Australasia	6.0%		<b>6.0%</b>

## EIF: income & capital growth

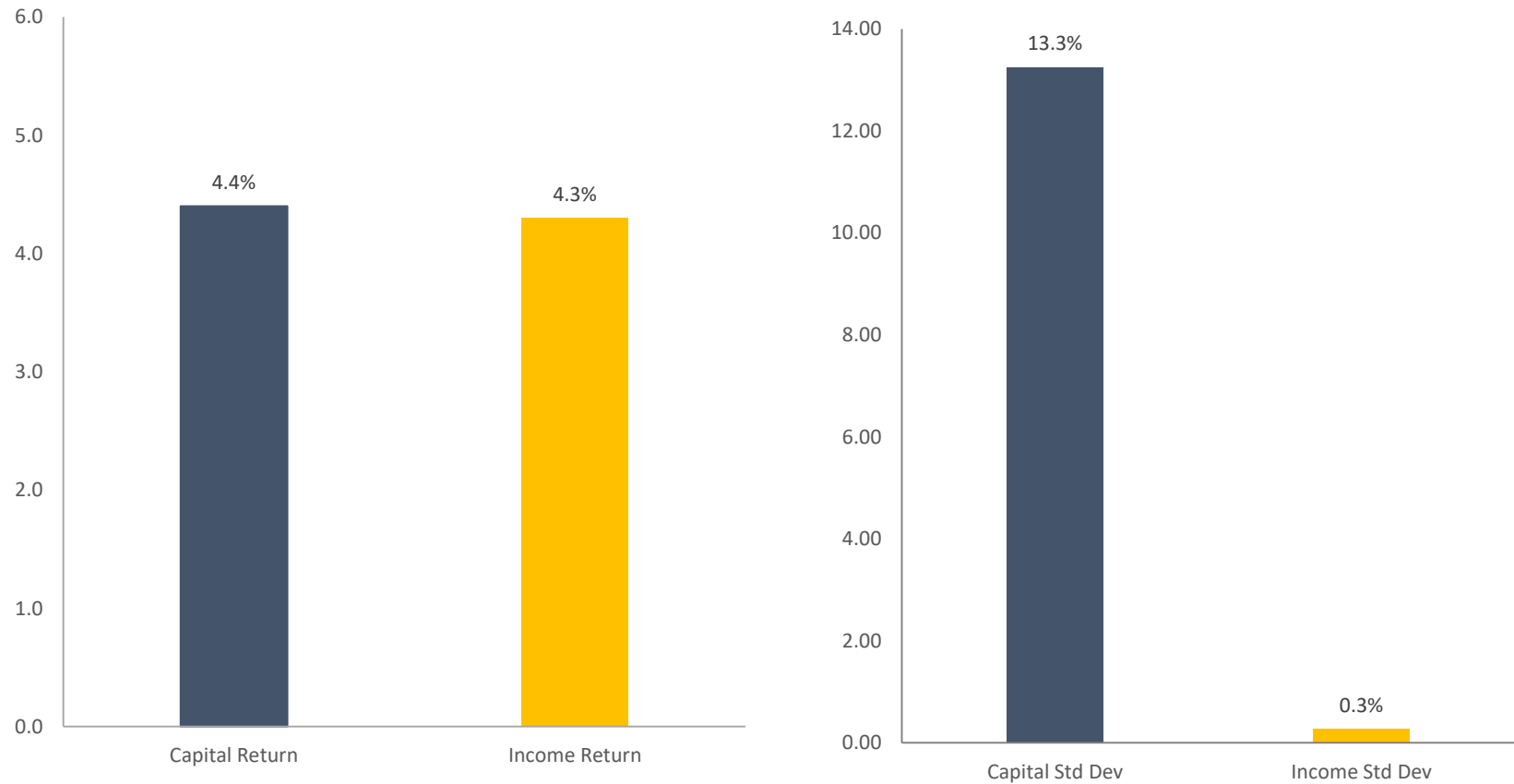
IML Equity Income Fund	Income* p.a.	Growth p.a.	Net Total Return p.a.
1 year	+8.9%	+0.9%	+9.8%
3 years	+8.3%	+1.1%	+9.4%
5 years	+8.6%	+2.4%	+11.0%
Inception (7 years)	+9.2%	+1.9%	+11.1%

\* pre-franking

Performance net of fees;  
As at 31 Dec 2017

# Income - the least volatile component of investment returns

Over 20 years – capital and income return broken up



Source: IRESS, ASX300 data since 1996. As at 31 December 2016

## EIF portfolio focus

---

Defensive portfolio approach given the economic environment

Stock specific focus – as always

Using volatility to our advantage

Healthy cash weighting



While the information contained in this presentation has been prepared with all reasonable care, Investors Mutual Limited accepts no responsibility or liability for any errors or omissions or misstatements however caused. This is general financial product advice only and is not intended to constitute a securities recommendation. This information does not account for your investment objectives, particular needs or financial situation. Statements of opinion are those of IML unless otherwise attributed. Except where specifically attributed to another source, all figures are based on IML research and analysis.

Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. Potential investors should seek independent advice as to the suitability of the Fund to their investment needs. The fact that shares in a particular company may have been mentioned should not be interpreted as a recommendation to either buy, sell or hold that stock. Any commentary about specific securities is within the context of the investment strategy for the given portfolio. Investors Mutual Limited is the issuer of the Investors Mutual Australian Share Fund, Investors Mutual Industrial Share Fund, Investors Mutual Future Leaders Fund, Investors Mutual Australian Smaller Companies Fund, Investors Mutual Small Cap Fund and Investors Mutual Equity Income Fund. Applications can only be made on the form in the current Product Disclosure Statements dated 20 September 2016, or through IDPS products that include these Funds. The Product Disclosure Statements can be obtained by contacting Investors Mutual or at <http://iml.com.au>. Potential investors should consider the Product Disclosure Statements before deciding whether to invest, or continue to invest in the Funds.

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.

© 2017 Morningstar, Inc. All rights reserved. Neither Morningstar, nor its affiliates nor their content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. To the extent that any of this information constitutes advice, it is general advice and has been prepared by Morningstar Australasia Pty Ltd ABN: 95 090 665 544, AFSL: 240892 and/or Morningstar Research Limited (subsidiaries of Morningstar, Inc.) without reference to your objectives, financial situation or needs. You should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement (in respect of Australian products) or Investment Statement (in respect of New Zealand products) before making any decision to invest. Neither Morningstar, nor Morningstar's subsidiaries, nor Morningstar's employees can provide you with personalised financial advice. To obtain advice tailored to your particular circumstances, please contact a professional financial adviser. Please refer to our Financial Services Guide (FSG) for more information [www.morningstar.com.au/fsg.asp](http://www.morningstar.com.au/fsg.asp)