IML INVESTORS MUTUAL LTD

'We are a true to label Australian equities value manager'

Future Leaders Fund

Fund Report
As at March 31, 2011

Sharemarket Commentary

The Australian mid and small cap sector finished the quarter down by -0.8%, thereby lagging the overall index's return. Strength in overseas sharemarkets due to optimism of world growth helped many sharemarkets rally strongly during January and February although the tsunami in Japan, as well as unrest in many parts of the Middle East and North Africa led markets to fall sharply in early March. Sharemarkets however regained their poise in late March and while the overall index ended higher for the quarter, the mid and small cap sector finished the quarter with a negative return. Despite rising geopolitical tensions and a higher oil price, the US S&P500 finished stronger up 5.4% and near two year highs. Many emerging markets returns were subdued over the quarter on inflation concerns exacerbated by rising oil and food prices. The Australian economy grew by 0.7% qtr on qtr in the December quarter although growth is expected to slow in the current quarter due to the impact of the Queensland floods. With Australian CPI inflation at 2.2%, the market is now assigning only a marginal probability of further rate rises during 2011. The Australian dollar finished at a record high of 103 US cents, despite trading as low as 97 US cents during the Japanese disaster.

The mid and small cap market ended the quarter down 0.8% due to a selloff that occurred during March which saw large falls recorded, in particular, in some of the mining stocks highlighting the risks inherent in this sector. For the quarter, the sector's overall return was negatively impacted predominantly by falls in the mining laden Materials and Energy sectors, with Uranium stocks particularly impacted by the nuclear incident in Japan, whilst the Industrials sector rose on the back of strong gains in mining services stocks like Monadelphous, United Group and Campbell Brothers.

Corporate news for the quarter was dominated by the December half-year earnings reports. Company results were generally in-line with expectations with the key themes being weaker than expected sales growth offset by some cost improvement. Most outlook statements remained subdued while dividend payments were generally increased. In a theme consistent with most retail exposed stocks, both David Jones and Myer downgraded guidance with Myer announcing that sales momentum had deteriorated since November and that it expected the challenging retail environment to continue into the second half. In other news, WA News announced it would acquire 100% of Seven Media Group from Seven Group Holdings. Downer announced a restructure of several business segments and downgraded guidance while also announcing another capital raising, Billabong downgraded its FY11 profit expectations due to the Japanese earthquake and Metcash downgraded earnings guidance due to the difficult environment with earnings growth now expected to be in the range 3-5% while the company's legal challenge to the ACCC's disallowance of their proposed acquisition of Franklins reached the courts.

Portfolio Performance & Strategy

The Future Leaders Fund had a strong quarter gaining +3.5% which was a strong result given the benchmarks decline of -0.8%. The Fund benefited from many good performances over the quarter including Credit Corp, Prime Television, GPG, Ansell, Campbell Brothers, Bathurst Resources and Transfield Services Infrastructure Fund, which rallied after Thai company Ratchaburi Electricity bid 85c cash for it.

Credit Corp reported a strong first half result of $10.6m. This was a record for the company, up over 50% on the prior comparable period. The result was driven by higher collection efficiency as well as higher debt purchasing. As a result of the strong cashflows that the company generated, it was able to reduce debt and increase its interim dividend to 10cps from 3cps in the prior period.

GPG rallied over the month following news that management was moving to address the gap between its share price and the underlying value of its investment portfolio. This announcement comes after much shareholder agitation, including IML. The news will see the company move to realise its investments and make a capital return of at least A$120m this year. The end outcome of this process could be that GPG becomes a pure exposure to Coats, a leading global manufacturer of thread and cord. Pleasingly, Coats reported a significant increase in full year profit to USD$132m, up 38% on the back of an improved result by its Industrial division due to market share gains and a lift in underlying apparel demand.

Ansell rallied over the month, after another strong result. Despite significantly higher input costs, Ansell grew earnings per share by 14% on the back of a record result from their Occupational glove division which grew EBIT by 52%, due to higher sales which were up over 30%. Ansell has been a long-term holding for IML and we continue to see strong growth prospects for the company, as they continue to be the market leader and innovator in industrial gloves. Demand for these products continues to grow as safety standards around the world continue to improve.

We continue to be cautious in our outlook for the market and remain focused on companies that can continue to do well in what we believe will be a slow growth environment.

We continue to believe that earnings growth expectations are still too high for many cyclical companies and we remain focused on companies with strong, sustainable cash flows and strong market positions. We continue to see opportunities to buy such stocks at favourable valuations.

Performance Update

Period	Fund Return*	Benchmark**
1 month	+1.2%	0.0%
3 months	+3.5%	-0.8%
6 months	+11.2%	+9.3%
1 year	+16.0%	+9.8%
2 years^	+27.7%	+28.2%
3 years^	+5.3%	-0.8%
5 years^	+5.3%	+3.3%
Since Inception^	+11.5%	+11.8%

^ % Performance per annum

* Fund returns are calculated net of management fees, and assuming all distributions are re-invested.

** The benchmark for this Fund is the S&P/ASX 300 Accumulation Index (Ex S&P/ASX 50, ex Property Trusts)

*** 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.

Portfolio Update

Fund start date	1 May 2002
Fund size	$255.2 Million
Application	$1.1129
Redemption	$1.1073
December 2010 distribution	2.5 Cents

	IMFL	Benchmark
Price/Earnings 2011	12.3	15.0
Dividend Yield 2011	4.7%	3.1%

Level of Franking* (%)			
FY June 10	FY June 09	FY June 08	FY June 07
59.2%	54.6%	13.5%	11.6%

*As per IFSA Standard

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Why IML - 'What you should expect from a Value Manager'

- ☑ Resilience in falling markets
- ☑ Reasonable capital growth in rising markets
- ☑ Consistent dividend income
- ☑ Low volatility
- ☑ Tax effective

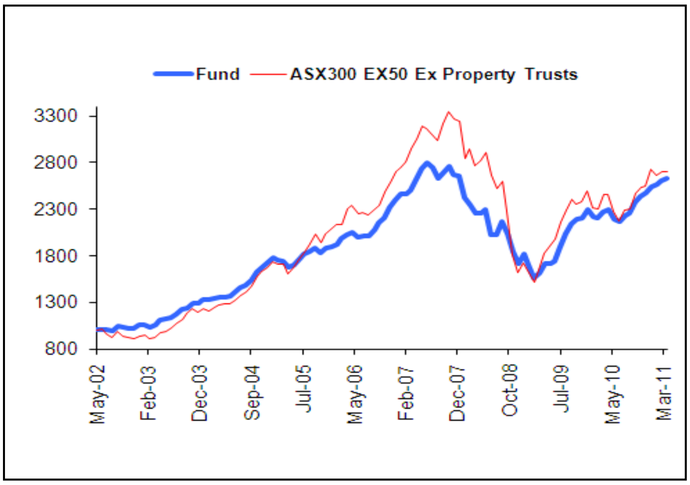
Sector Weights

Sector Name	Fund Weight %	Index Weight %	Active %
Energy	3.03%	10.98%	-7.95%
Materials	11.50%	33.51%	-22.00%
Industrials	26.09%	18.20%	7.89%
Consumer Discretionary	25.87%	13.56%	12.31%
Consumer Staple	11.07%	3.23%	7.84%
Health Care	3.18%	7.10%	-3.92%
Financials Ex. LPT	3.91%	7.07%	-3.16%
Listed Property Trusts	1.01%	0.00%	1.01%
Information Technology	0.00%	1.72%	-1.72%
Telecom Services	0.00%	1.05%	-1.05%
Utilities	6.58%	3.58%	3.00%
Other	0.00%	0.00%	0.00%
Cash	7.76%	0.00%	7.76%

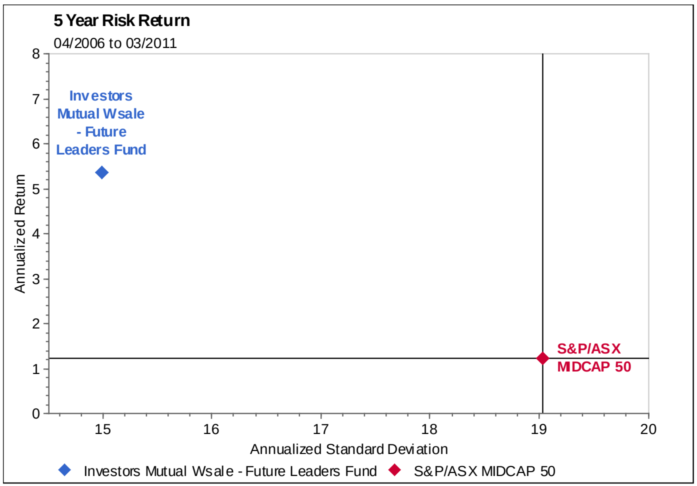
10 Top Holdings

Stocks	P/E 2011	Yield 2011
Amalgamated Holdings	11.9	6.2%
Metcash	12.2	6.7%
Energy Developments	13.0	NA
Cabcharge	11.2	5.1%
Credit Corp	12.1	4.0%
Salmat	11.0	6.6%
Guinness Peat Group	N/A	3.4%
Goodman Fielder	9.4	8.9%
Tatts Group	10.1	9.4%
Spotless	11.4	5.7%

IMFL vs S&P/ASX 300 Accumulation Index Ex50 Ex Property Trusts



5 Year Risk Return – IMFL vs Index March 2011



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