

# Sandhurst IML Industrial Share Fund

## Monthly fund update - May 2020

### Investment approach

The Fund aims to deliver capital growth with regular income over the long term by investing in a diversified portfolio of quality ASX listed industrial shares (excluding resource shares) where these assets are identified by Investors Mutual Limited (IML) as being undervalued. The Fund expects to invest predominantly in the Sandhurst Industrial Share Fund for which IML is currently the investment manager.

### Fund performance<sup>1</sup>

as at 31 May 2020

**Morningstar  
Rating™**  
Overall<sup>3</sup>

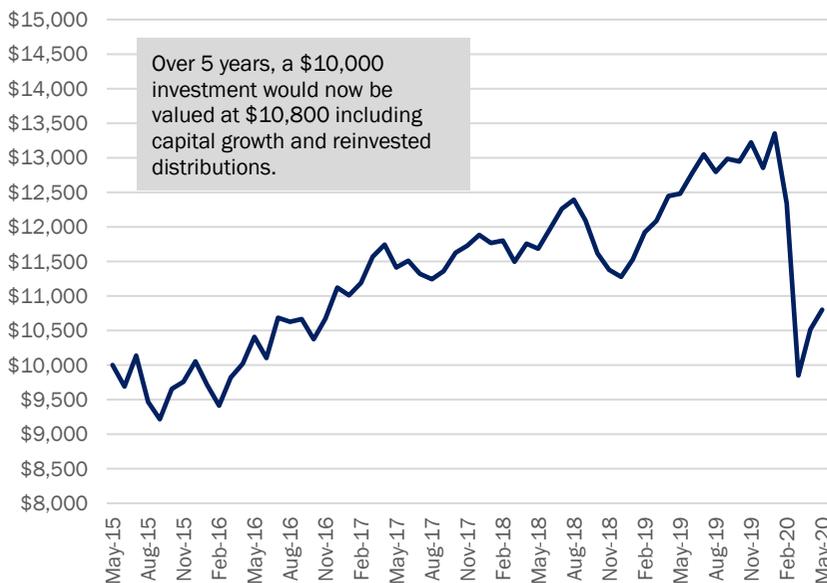
**Morningstar  
Category Rank**  
5 Year<sup>3</sup>

	Morningstar Rating™ Overall <sup>3</sup>	Morningstar Category Rank 5 Year <sup>3</sup>	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.
Sandhurst IML Industrial Share Fund	★★★★	25/93	2.72	-12.48	-13.48	-1.82	1.55
Benchmark <sup>2</sup>			3.70	-12.70	-7.50	2.60	3.50

### An example of how your investment grows

#### Growth of \$10,000<sup>1</sup>

(Based on historic Fund performance over 5 years)



### Fund facts

Fund APIR code	STL0101AU
Fund inception date	11 January 2001
Fund size	\$102.65 m
Distribution frequency	Half yearly
Management costs <sup>4</sup>	0.95% p.a.
Buy / Sell spread <sup>4</sup>	+0.25% / -0.25%
Minimum investment / minimum balance	\$50,000
Recommended investment timeframe	5 years +
Risk level	High

### Unit price

as at 31 May 2020

Application price	\$0.99338
Withdrawal price	\$0.98843

### Distribution details (cents per unit)

30 June 2019	\$0.10582
31 December 2019	\$0.02700

### Make the most of your investment

#### ► The power of compounding

Compounding can be a powerful tool in wealth creation. Reinvesting distributions can be one of the easiest and cheapest ways to increase your holdings over time. You're compounding your investment's growth by continually adding more units which, in turn, will generate distributions of their own.

#### Why not reinvest your half yearly distributions?

#### ► The benefits of making it regular

Making regular contributions to your investment can both grow your investment and smooth the effects of market highs and lows.

**Why not add a Regular Savings Plan to your investment? Establish one from as little as \$50 per month.**

You can also use BPAY® to add to your investment at any time with as little as \$100. See your statement for your BPAY reference number.

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### Do you have any questions?

For further information contact us on 1800 634 969 or visit [www.sandhursttrustees.com.au](http://www.sandhursttrustees.com.au)

## Sharemarket commentary<sup>5</sup>

- ▶ Global sharemarkets continued their strong rebound in May building on the strong rebound from the March lows
- ▶ The Australian sharemarket rebounded +4.6% in sympathy with global sharemarkets

Global equity markets continued their recovery from the sell off in March, with the MSCI World Index gaining a further +4.2% in May, following April's return of +10%. The strong rally in global sharemarkets comes despite the continued poor economic numbers being released in most parts of the world. Domestically, the RBA kept rates at a record low of 0.25%. RBA Governor Philip Lowe expressed concern over the RBA's central economic scenario, which has the local economy contracting by 10% over the first half of 2020 and the unemployment rate nearing 10%.

The Australian sharemarket as measured by the ASX300 returned +4.6% helped by a strong rise in the last week of the month. The rally was led by the IT, Resources and Financial sectors which all posted strong gains. The IT sector returned +14% following the Nasdaq's strong gains, buoyed by stocks such as Afterpay and WiseTech. While the Resources sector gained +8% thanks to higher iron ore and oil prices over the month. The Financial sector rose +5%, courtesy of a sharp rally in the major Banks late in the month on hopes that the economic downturn in Australia will be short lived and will not result in larger than expected bad debt write offs. Defensive sectors such as the Health Care and the Consumer Staples eased over the month as many investors switched to more economically sensitive sectors on the premise that these sectors have more upside potential on the expectations of an economic recovery.

## Portfolio performance & summary<sup>5</sup>

- ▶ IML are adopting a cautious approach to the sharemarket and looking to selectively use some of the Fund's cash

The Fund's portfolio had a strong month gaining +2.72%, albeit below the benchmark's return of +3.70%. IML's caution to the IT and major banks sector weighed on the Fund's relative performance, however IML remain comfortable with this positioning given many companies in this sector are still looking fully valued despite the March correction. Having said this, many of the Fund's more defensive holdings such as Telstra, Amcor, Steadfast and Brambles all enjoyed a good month. In IML's view, good quality industrial companies such as Orora and AusNet appear well positioned to withstand the uncertain economic environment ahead, given the resilient nature of their core operations.

## Outlook<sup>5</sup>

Unprecedented central bank intervention, massive fiscal stimulus, significantly lower bond yields and optimism regarding the speed and strength of the ensuing economic recovery as lockdowns ease all contributed to sharemarkets regaining some of their losses during March. However, major uncertainties remain about the sustainability of economic growth post lockdowns as the current government handouts and self imposed interest deferrals by the banks come to an end. Unemployment in the second half of 2020 looks like it will remain relatively high and given record household debt in Australia this could impact the level of demand across certain sectors of the economy, as well as cause a material pick-up in non-performing loans for the banks. As such, IML remain cautious on the medium term prospects for the global and Australian economies. While many sharemarkets have rapidly recovered much of their March quarter losses, IML expect volatility in the sharemarkets to return as investors start to question how quickly the profitability of many companies will return to pre-virus levels. IML thus retain their very selective approach as they continue to focus on companies that, in their view, have a strong franchise, experienced capable management and a resilient business that can continue to generate healthy cash flows through uncertain economic times.

### Footnotes

1. Fund performance figures are calculated before tax and after fees and costs; using withdrawal prices and assumes distributions are reinvested. Past performance is not an indication of future performance.
2. The benchmark for the Fund is the S&P/ASX 300 Industrial Accumulation Index.
3. Sandhurst IML Industrial Share Fund received a 4-Star Overall Morningstar Rating<sup>TM</sup> out of 97 Equity Australia Large Value funds as of 31 May 2020 and a 4-Star Five year rating out of 93 Equity Large Value funds as of 31 May 2020.  
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The 'Morningstar Rating' is an assessment of a fund's past performance - based on both return and risk - which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. 'Morningstar Category Rank' is the Fund's performance rank relative to all funds in the same Morningstar Category. Investments are placed into Morningstar Categories based on their compositions and portfolio statistics so that investors can make meaningful comparisons. Source: [www.morningstar.com.au/Funds/FundReport/7045](http://www.morningstar.com.au/Funds/FundReport/7045)
4. Other fees and costs may apply. See the Product Disclosure Statement for full details.
5. The commentary is provided by Investors Mutual Limited (IML) and has not been verified by Sandhurst Trustees Limited. Economic and outlook forecasts are not guaranteed to occur.

The Sandhurst IML Industrial Share (Fund) is issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906 a subsidiary of Bendigo and Adelaide Bank Limited (the Bank) ABN 11 068 049 178 AFSL 237879. Sandhurst and the Bank receive remuneration on the issue of the Fund or the service they provide, full details of which are contained in the Product Disclosure Statement (PDS). Investments in the Fund are not deposits with, guaranteed by, or liabilities of the Bank or any of its related entities. This update is provided by Sandhurst and contains general advice only. Please consider your situation and read the PDS available at [www.sandhursttrustees.com.au/pds](http://www.sandhursttrustees.com.au/pds), any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

This information is current as at 31 May 2020 (unless stated otherwise) and is subject to change without notice.

## Top 10 holdings

National Australia Bank
CSL Limited
Telstra
Westpac
Amcor
Insurance Australia Group
Aurizon Holdings
Coles Group
Crown Resorts
Brambles Limited

## Sector active weights

Materials	7.60%
Communication Services	7.10%
Utilities	2.00%
Consumer Discretionary	-0.90%
Industrials	-1.70%
Consumer Staple	-2.30%
Information Technology	-2.50%
Health Care	-5.90%
Financials	-6.40%
Real Estate	-7.70%

Please note the portfolio information and sector active weights supplied above is based on the underlying managed investment scheme, in addition, the Fund may directly hold small amounts of cash.

