

Sandhurst IML Industrial Share Fund

Monthly fund update - September 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 performance¹

as at 30 September 2020

Morningstar
Rating™
Overall³

Morningstar
Category Rank
5 Year³

	Morningstar Rating™ Overall ³	Morningstar Category Rank 5 Year ³	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.
Sandhurst IML Industrial Share Fund	★★★★	53/94	-2.28	-1.81	-18.50	-2.33	2.80
Benchmark ²			-3.20	-0.10	-11.50	3.50	6.00

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance over 5 years)



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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Fund facts

Fund APIR code	STL0101AU
Fund inception date	11 January 2001
Fund size	\$73.58 m
Distribution frequency	Half yearly
Management costs ⁴	0.95% p.a.
Buy / Sell spread ⁴	+0.25% / -0.25%
Minimum investment / minimum balance	\$50,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price

as at 30 September 2020

Application price	\$0.94719
Withdrawal price	\$0.94247

Distribution details (cents per unit)

31 December 2019	\$0.02700
30 June 2020	\$0.02662

Do you have any questions?

For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Sharemarket commentary⁵

- ▶ Global sharemarkets finished the quarter higher despite a sell off in September
- ▶ The Australian sharemarket finished the quarter flat, as September's losses neutralised the gains made in July & August

Despite a pickup in volatility and weakness across the major global bourses during the month of September, the MSCI World index returned +7% for the quarter. Following continued strength in July and August, September heralded some caution as the economic recovery looked increasingly complicated.

The Australian sharemarket as measured by the ASX300 finished the September quarter flat, with September's -3.6% fall neutralising the gains made in both July and August. The FY 2020 reporting season in August was a mixed affair with the impact of the pandemic very apparent.

Over the quarter, sector performance was mixed. The Utilities sector was weak falling -8%, as AGL fell -17% following the release of disappointing FY20 earnings and a gloomier than expected outlook for FY21. This contrasts with AusNet's +13% share price gain over the quarter. The Financials sector endured a challenging quarter falling -6%. The major banks fell roughly -5% over the quarter given the challenging environment the banks are facing, made especially contentious given half of the interest deferrals as a result of COVID, are now up for review. On the positive side of the ledger, the Technology sector continued its record run, returning +13% for the quarter. The sector has delivered a staggering +135% return since late March, courtesy of the momentum from the Nasdaq, as well as the mania for largely unprofitable Buy-Now-Pay-Later (BNPL) companies such as AfterPay and Zip Co. However, the high risk attached to these stocks became apparent in early September when US online payments giant PayPal announced the launch of its Pay-in-4 credit platform – heralding its entrance into the BNPL space. The Consumer Discretionary sector gained +10% for the quarter, buoyed by strong performances from travel stocks such as Flight Centre, Webjet and Corporate Travel as investors start to price in a resumption of travel.

Portfolio performance & summary⁵

- ▶ IML continue to adopt a cautious approach to the sharemarket while looking to selectively deploy some of the Fund's cash

The portfolio endured a challenging quarter falling -1.8% against the Industrials benchmark's flat return. The Fund lagged the benchmark's strong return early in the quarter, primarily due to IML's caution to the richly valued IT sector which performed strongly over the quarter. Also weighing on relative returns was the Fund's low exposure to many of the discretionary retailers, which have been driven up by strong sales results supported by Government payments and super withdrawals. Importantly, the Fund did fall less than the benchmark in September when the market sold off. Weighing on the Fund's performance were IAG, Telstra and Crown Resorts which had a sub-par quarter, although IML maintain their positive view on these well established and well managed companies. Encouragingly, the Fund's holdings in AusNet, SkyCity, Amcor, Incitec Pivot and Nine Entertainment all finished the quarter with their share prices higher. Over the quarter IML used the ensuing volatility to their advantage, by trimming the Fund's holdings in stocks such as Sonic Healthcare, CSL and SkyCity into strength. IML used the cash opportunistically to add to the Fund's holdings in IAG, Telstra, Incitec Pivot and Metcash, as well as buying a stake on weakness in Cleanaway.

Outlook⁵

The recent Federal Budget's initiatives have helped support the Australian sharemarket and offset concerns regarding the economic impact of the tapering off of the Jobkeeper allowance and the interest deferrals from Australia's major banks coming to an end as we head into 2021. Having said this, uncertainties remain as most interstate borders and international travel remain effectively closed for the foreseeable future. IML maintain a cautious stance and continue to focus on companies that, in IML's view, have a strong franchise, experienced capable management and a resilient business that can continue to generate healthy cash flows through uncertain economic times. While the Fund's performance has lagged the current market, IML remain comfortable with the way the portfolio is positioned.

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™ out of 103 Equity Australia Large Value funds as of 30 September 2020 and a 3-Star Five year rating out of 94 Equity Large Value funds as of 30 September 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
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, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

This information is current as at 30 September 2020 (unless stated otherwise) and is subject to change without notice.

Top 10 holdings

National Australia Bank
CSL Limited
Telstra
Westpac
Coles Group
Amcor
Aurizon Holdings
Crown Resorts
AusNet Services
Suncorp Group

Sector active weights

Materials	7.40%
Communication Services	6.90%
Utilities	3.00%
Consumer Staples	-0.80%
Industrials	-1.30%
Consumer Discretionary	-1.50%
Information Technology	-3.60%
Health Care	-5.70%
Financials	-7.00%
Real Estate	-7.40%

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.

Materials

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