

# Sandhurst Future Leaders Fund

## Monthly fund update - August 2020

### Investment approach

The Fund aims to deliver income and capital growth over the long term by providing exposure to a diversified portfolio of quality ASX listed shares outside the top 50 shares listed on the ASX where these assets are identified by Investors Mutual Limited (IML) as being undervalued.

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

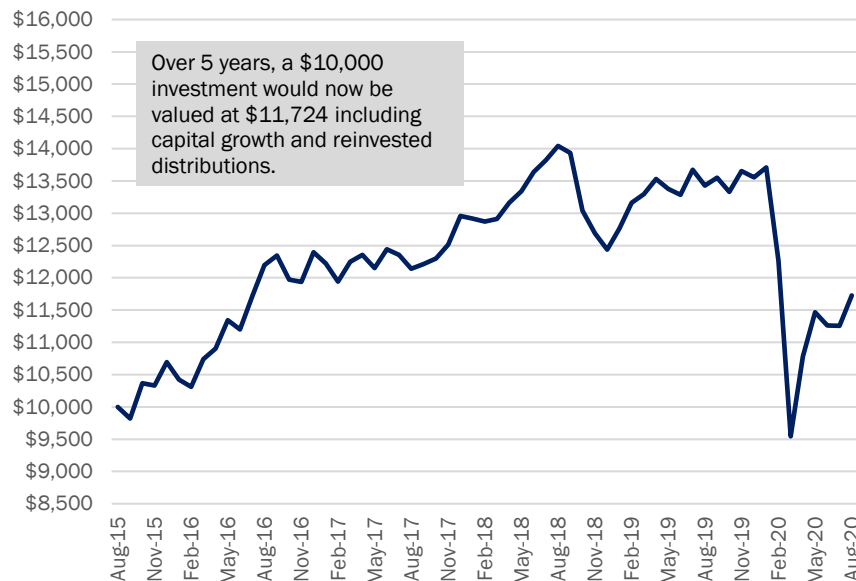
as at 31 August 2020

	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 Future Leaders Fund	★★★	12/14	4.14	2.24	-12.68	-1.16	3.23
Benchmark <sup>2</sup>			6.70	10.00	5.90	8.70	11.60

### An example of how your investment grows

#### Growth of \$10,000<sup>4</sup>

(Based on historic Fund performance over 5 years)



### Fund facts

Fund APIR code	STL0011AU
Fund inception date	7 June 2002
Distribution frequency	Half yearly
Management costs <sup>4</sup>	1.50% p.a.
Buy / Sell spread <sup>4</sup>	+0.26% / -0.26%
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	5 years +
Risk level	High

### Unit price

as at 31 August 2020

Application price	\$0.83260
Withdrawal price	\$0.82828

### Distribution details (cents per unit)

31 December 2019	\$0.02850
30 June 2020	No Distribution

### 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 rally in August driven mainly by a surge in the share prices of US technology companies

► The Fund's ex-50 benchmark returned +6.7% helped by strength in the Technology sector and cyclical stocks

The MSCI World Index enjoyed another strong month, rising a further +6% in August led by a strong rally in the share prices of US technology companies and the continued very accommodative conditions created by central banks around the world. The US S&P500 index returned +7% in August, its fifth consecutive month of gains taking the index to a new record high. Technology stocks led the charge as evidenced by the +10% jump in the tech heavy Nasdaq with the unbridled enthusiasm for this sector continuing. Signs of technology companies overheating were apparent over with Tesla shares rallying over +70% in August, to round out a +500% gain so far this year, while a good result by Zoom saw its market cap overtake that of technology stalwart IBM. Around the globe, markets were also positive with Europe's Stoxx50 index and Japan's Nikkei gaining +3% and +7% respectively.

The Fund's ex-50 benchmark enjoyed a very strong month, returning +6.7%, led by the Consumer Discretionary and IT sectors which both rallied over +15%. The ex50 Technology sector enjoyed a strong month, with the momentum in the Nasdaq encouraging investors to charge into local technology stocks such as Afterpay and WiseTech, which both finished the month with gains of over +30%. Despite strength in most commodity prices over the month the ex-50 Resources sector was fairly flat for the month, weighed down by weakness in both gold and oil producers.

The overriding theme of the reporting season was the large divide between winners and losers in the wake of the COVID pandemic as investors continue to bid up stock prices on any snippet of positive news, regardless of valuation. The Consumer Discretionary sector was buoyed by a strong performance by online bookmaker PointsBet following news of a US media partnership and the company's entry into the Illinois sports wagering market. In addition, stocks such as IDP Education, Webjet and Corporate Travel rallied on expectations that travel restrictions would ease at some stage. The performance of discretionary retailers was also strong, with very strong sales from companies such as JB HiFi, Nick Scali, Lovisa and shoe retailer Accent Group, buoyed in large part by government stimulus payments and super withdrawals.

The ex-50 Financials sector enjoyed a mixed month, returning +4%, with the euphoria for anything in the Buy Now Pay Later (BNPL) segment boosting the sector. The likes of Zip Co and Money3 gained a further +54% and +27% respectively, with investors hoping to ride on the coat tails of Afterpay. The high risk and low barriers to entry 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.

## 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 had a strong month returning +4.1%, albeit this was below the benchmark's return of +6.7%. IML's caution to the speculative froth within the Technology sector and the BNPL space held back relative performance. Also weighing on the Fund's relative returns was its limited exposure to discretionary retailers which were up strongly over the month, driven by what appears to be unsustainably strong sales activity. Encouragingly, the Fund's holdings in good quality industrials such as Integral Diagnostics, McPherson's, Nine Entertainment and Event Hospitality all enjoyed a strong month. The Fund took advantage of strength in the share prices of Integral Diagnostics, Integrated Research and Spark NZ to trim its exposure over the month and realise part profits, whilst topping up on good quality companies such as SkyCity and Metcash at attractive prices.

## Outlook<sup>5</sup>

Major uncertainties remain about the sustainability of economic growth as government income support and self-imposed bank interest deferrals come to an eventual end. IML anticipate unemployment will remain relatively high going into 2021 and given record household debt in Australia, this could affect the level of demand across certain sectors of the economy and cause a substantial pick up in non-performing bank loans. IML continue to maintain a cautious stance by focusing 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 the current uncertain economic times and beyond. While the Fund's performance continues to lag the current market, IML remain comfortable with the way the portfolio is positioned in light of the uncertainties ahead.

### 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 Accumulation Index (excluding S&P/ASX 50, excluding property trusts).
3. Sandhurst Future Leaders Fund received a 3-Star Overall Morningstar Rating™ out of 16 Equity Australia Mid/Small Value funds as of 31 August 2020 and a 2-Star Five year rating out of 14 Equity Australia Mid/Small Value funds as of 31 August 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/9227](http://www.morningstar.com.au/Funds/FundReport/9227)
4. Other fees and costs may apply. See the Product Disclosure Statement for full details.
5. This 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 Future Leaders Fund (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 August 2020 (unless stated otherwise) and is subject to change without notice.

## Top 10 holdings

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Pact Group  
Crown Resorts  
Integral Diagnostics  
Aust Pharmaceutical  
AusNet Services  
McPherson's  
Tabcorp Holdings  
Home Consortium  
Skycity Entertainment  
Event Hospitality

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