Sandhurst Future Leaders Fund

Monthly fund update - January 2022

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[1]

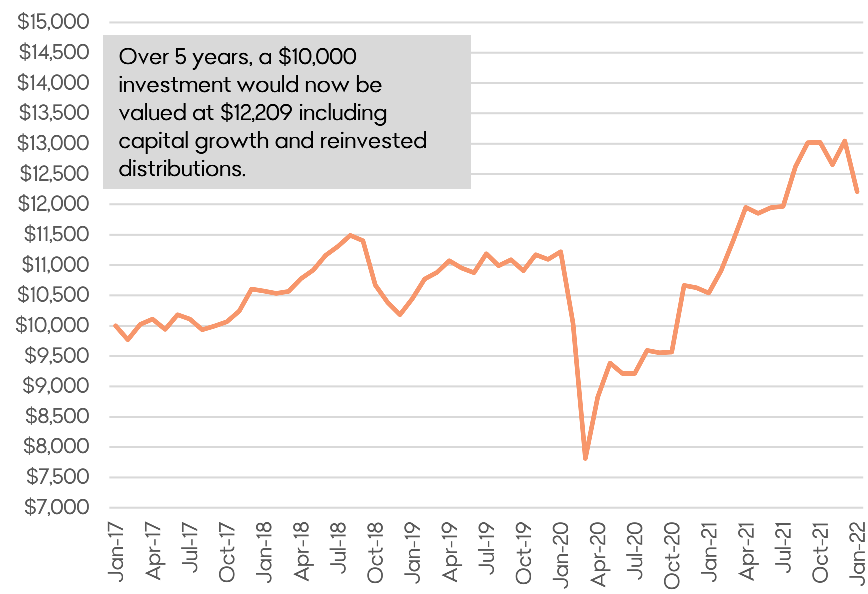
as at 31 January 2022

	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 Future Leaders Fund	★★	10/11	-6.42	-6.25	15.88	5.34	4.07
Benchmark[2]			*-8.80*	*-6.30*	*8.30*	*12.70*	*10.80*

An example of how your investment grows

Growth of $10,000[1]

(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[4]	1.25% p.a.
Buy / Sell spread[4]	+0.25% / -0.25%
Minimum investment / minimum balance	$2,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price

as at 31 January 2022

Application price	$1.02289
Withdrawal price	$1.01779

Distribution details (cents per unit)

30 June 2021	$0.00697
31 December 2021	$0.02500

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.

Do you have any questions?

For further information contact us on 1800 634 969 or visit our website: www.bendigobank.com.au/managedfunds

Refer to the next page for footnotes

Sharemarket commentary[5]

- Global sharemarkets endured a challenging start to 2022 as investors weighed the prospect of higher interest rates
- The Fund's ex50 benchmark also had a weak start to the year with a broad-based sell off

Global equity markets endured a tough start to the year with the MSCI World index falling -4.6% as the prospect of higher interest rates eroded investor enthusiasm for riskier assets. The US S&P500 endured its worst month since March 2020 and the worst start to the year since 2009, retreating -5.2%. The richly valued, tech-heavy and oft-times speculatively driven NASDAQ index fell -9.0%, with previous high-flyers such as Netflix and Tesla all falling heavily. Across the Atlantic Europe's Stoxx50 was a touch more resilient falling -2.7% given its lower weighting to both tech and 'new economy' stocks, whilst Japan's Nikkei fell heavily, down -6.2%.

The sharemarket declines have come about as investors reacted to signs that central banks around the world are planning to raise interest rates faster and more aggressively to combat surging inflation. Headline US CPI reached 7% in December, the highest rate since the 1980's. Additionally the proportion of companies raising their prices to pass onto consumers is at a 40-year high. The US Federal Reserve signalled its intent to hike interest rates as early as March with several investment houses such as Goldman Sachs and JP Morgan predicting that the Fed Funds rate will increase four times during 2022.

Top 10 holdings

Crown Resorts
Aust Pharmaceutical
AusNet
TPG Telecom
Pact Group
SG Fleet
Bega Cheese
Nine Entertainment
Bank of Queensland
Infomedia

The Fund's ex50 benchmark endured a challenging month falling -8.8%. All sectors finished in negative territory, with the exception of the Utilities sector which, finished in positive territory thanks to AGL which was higher as it looks set to benefit from the expected increase in electricity prices.

Portfolio performance & summary[5]

- IML continue to use volatility to top up in good quality companies they believe can do well over the next 3-5 years

The Fund shed -6.4% in January which, while disappointing, was far better than the benchmark's fall of -8.8%. IML's focus of only investing in stocks that they believe offer both value and quality held the portfolio in good stead, due in part to zero weighting in the speculative and concept driven segment of the market which was badly hit. The portfolio benefited from its holdings in good quality companies such as Crown Resorts (under takeover), Orica, AusNet (under takeover), Virgin Money and Tassal. IML used proceeds to top up opportunistically in good quality companies which fell to attractive levels over the month including Pact Group, Codan, Orica, TPG Telecom and Bank of Queensland, all of which they believe offer very strong long-term value.

Outlook[5]

Central banks around the world seem poised to raise interest rates in reaction to CPI numbers which have reached levels the world has not seen in almost 40 years. Whilst headline inflation levels will eventually normalise, it is now becoming increasingly evident to many investors that the prospect of ultra-low interest rates could soon be a thing of the past. IML believe that in this environment, the worst impacted will be many high-flying, concept and often purely speculative parts of the sharemarket – many of which were buoyed in the last few years by speculators using this cheap money. IML have always steered away from the riskier parts of the sharemarket and have remained focused on identifying and holding only what they assess to be good quality, well-managed companies in leading industry positions. While interest rates will increase from their current historic lows, economic growth remains firm, and in this environment companies which generate good cashflows and dividends and that can maintain margins by passing on higher input prices to customers, should continue to do well over the next 3-5 years.

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. Morningstar rates managed funds from one to five stars based on how well they've performed (after adjusting for risk) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods - three, five, and 10 years - and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying funds worthy of further research, but shouldn't be considered buy or sell recommendations. Sandhurst Future Leaders Fund received a 2-Star Overall Morningstar Rating™ out of 15 Equity Australia Mid/Small Value funds as of 31 January 2022. In the Morningstar Equity Australia Mid/Small Value Category, the Sandhurst Future Leaders Fund 5 year return was ranked 10 out of 11 funds as of 31 January 2022. '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
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4. Management costs are based on costs incurred by the Fund in the past financial year and may be different in the current and future financial years. 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.