

Sandhurst Future Leaders Fund

Monthly fund update - July 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 performance¹

as at 31 July 2020

**Morningstar
Rating™
Overall³**

**Morningstar
Category Rank
5 Year³**

	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.
Sandhurst Future Leaders Fund	-0.01	4.43	-17.66	-3.05	1.78
Benchmark ²	1.80	12.50	-4.40	6.90	9.10

Sandhurst Future Leaders Fund

★★★

12/14

Benchmark²

An example of how your investment grows

Growth of \$10,000⁴

(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	1.50% 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 July 2020

Application price	\$0.79936
Withdrawal price	\$0.79537

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

Sharemarket commentary⁵

► Global sharemarkets continued their strong rebound in July driven by US technology companies

► The Fund's ex-50 benchmark returned +1.8%, driven by the ex-50 Resources sector which returned +7%

The MSCI World Index continued to rally in July rising a further +4.0% led by US technology stocks. The US S&P 500 index returned +5.6% in July, its fourth consecutive month of gains, as the technology sector continued to reach new record highs as evidenced by the +7% rise in the Nasdaq over the month. Other global markets were more subdued with Europe's Stoxx50 and Japan's Nikkei shedding -1.5% and -2.6% respectively.

Optimism in US sharemarkets was despite the release of some fairly dismal data over the month. Additionally, as COVID-19 cases continue to soar a number of US states are now rolling back reopening plans for their economies. Similarly, European GDP fell by -12.1% in the June quarter, the EU's largest fall on record. In Australia, the JobKeeper programme was extended to continue to support small businesses and the many people 'stood down' as a result of the lockdowns and restrictions in place in various states throughout Australia. With the precarious state-of-affairs in Victoria and with the rest of the country on high alert, the ASX300 had a lacklustre month, returning +0.6%.

The Fund's ex-50 benchmark delivered a return of +1.8%, courtesy of a very strong month from the ex-50 Resources sector which gained +7%, while the ex-50 Industrials returned +0.4% for July. The Consumer Discretionary sector enjoyed a buoyant month gaining +2%, with retailers such as Harvey Norman, Nick Scali, Super Retail Group and Kogan pushing firmly higher on the expectation of higher earnings as consumers redirect their savings away from holidays and into home improvement, in many cases using COVID-related hardship payments. On the negative side of the ledger, the Financials sector fell -1.3%, led down by AMP which fell -21% following a disappointing update on its 2020 first half operating earnings. The Health Care sector was also down -0.6%, with several of the more highly speculative Medtech companies such as Polynovo, Nanosonics, Clinuvel and Pro Medicus, receiving a dose of buyer fatigue.

Portfolio performance & summary⁵

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

The Fund was flat for the month, which lagged the benchmark's return of +1.80%. IML's caution to the Resources sector, which had a very strong month, was the primary factor holding back its relative performance. On the positive side, the Fund's holdings in Spark New Zealand, AusNet, McPherson's, Integrated Research, Spark Infrastructure and SkyCity all enjoyed a strong month. IML also added to the Fund's existing positions in Metcash and Home Consortium with the latter announcing a capital raise of \$170m to predominantly fund the acquisition of three supermarket-anchored shopping centres from Woolworths at an attractive cap rate. The Fund used this as an opportunity to significantly increase its holding in Home Consortium at a discount to NTA.

Outlook⁵

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. Company reporting season in August will highlight that the outlook for many Australian-based companies remains very challenging, as companies continue to defer or cut capex, scale back expansion plans and reduce staff in light of anticipated tougher trading conditions ahead. As such, IML remain cautious on the medium-term prospects for the global and Australian economies.

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 July 2020 and a 2-Star Five year rating out of 14 Equity Australia Mid/Small Value funds as of 31 July 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
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, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision. This information is current as at 31 July 2020 (unless stated otherwise) and is subject to change without notice.

Top 10 holdings

Crown Resorts
Pact Group
Aust Pharmaceutical
Salmat
AusNet
Integral Diagnostics
SkyCity Entertainment
Home Consortium
McPherson's
Integrated Research

Proudly part of



**Bendigo and
Adelaide Bank**