

Sandhurst Future Leaders Fund

Monthly fund update - May 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

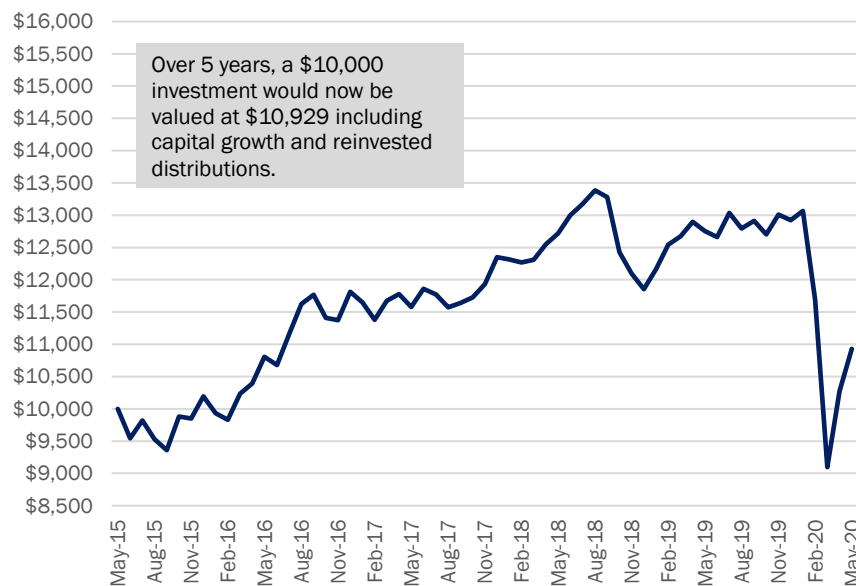
as at 31 May 2020

	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	★★★	12/14	6.36	-6.50	-14.29	-1.90	1.79
Benchmark ²			9.10	-0.90	-1.10	6.30	7.30

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 May 2020

Application price	\$0.81416
Withdrawal price	\$0.81010

Distribution details (cents per unit)

30 June 2019	\$0.01736
31 December 2019	\$0.02850

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 May building from their March lows
- ▶ The Fund's ex-50 benchmark rebounded +9.1% in May 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 US S&P 500 climbed +4.8% in May, building on April's +13% gain, with the index having retraced over half of its losses from the sell off in March. Similarly, Europe's Stoxx50 and Japan's Nikkei gained +4.7% and +8.3% respectively. Whilst investors have been encouraged by the gradual removal of restrictions and the reopening of economies around the world, equity markets have been driven higher by both the fiscal and monetary stimulus packages launched across the globe, which at this stage totals around US\$8 trillion.

The strong rally in global sharemarkets comes despite the continued poor economic numbers being released in most parts of the world. Estimates for US unemployment level reached 19% in May. Consumer spending is also down heavily, falling -14% for April and US core inflation is at its lowest level in 9 years. Euro-Zone GDP dropped -3.8% in the March quarter, with Germany entering its first recession since the financial crisis.

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 Fund's ex-50 benchmark similarly enjoyed a strong month gaining +9.1% in May, with all sectors finishing in positive territory. The Communications Services sector gained +12%, with many media stocks such as Southern Cross Media and Nine Entertainment recovering some of their March quarter losses. Also posting strong gains were the more cyclically exposed sectors such as the Technology, Resources, Consumer Discretionary and Financial sectors. The IT sector rose +15% following the US Nasdaq's strong gains. The ex-50 Resources sector gained +11% thanks to strength in the prices of iron ore and gold over the month. The Consumer Discretionary sector rose +9% with strong gains for the share prices of many retailers as the relaxation of lockdowns allowed many businesses to reopen their doors. The Financial sector was also up +9%, with many listed fund managers rising as financial markets rallied.

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 enjoyed a strong month returning +6.4%, albeit shy of the benchmark's return of +9.1%. The Fund's relative performance was held back by IML's caution to the highly valued and somewhat speculative Technology sector as well as the cyclical Resources sector. However, given the continued economic uncertainty, IML remain comfortable with the Fund's positioning going forward. Many of the Fund's industrial holdings enjoyed a strong month, including the likes of Southern Cross Media, Pro-Pac, Pact Group, Event Hospitality and Integral Diagnostics.

Over the month IML took advantage of capital raisings and subsequent weakness in the share prices of Metcash and Invocare to top up the Fund's holdings. In addition, IML added to the Fund's holdings in ProPac and Incitec Pivot on weakness. IML took advantage of share price appreciation to trim the Fund's holdings in stocks such as Southern Cross Media and oOh! Media which rallied strongly over the month.

Outlook⁵

Unprecedented central bank intervention, massive fiscal stimulus, significantly lower bond yields and optimism regarding the speed and strength of the ensuing economic recovery 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 a 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 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 May 2020 and a 2-Star Five year rating out of 14 Equity Australia Mid/Small 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/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 May 2020 (unless stated otherwise) and is subject to change without notice.

Top 10 holdings

Crown Resorts
Pact Group
Integral Diagnostics
Southern Cross Media
Aust Pharmaceuticals
Salmat
AusNet
McPherson's
Tassal
Event Hospitality

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