

Sandhurst Future Leaders Fund

Monthly fund update - October 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 October 2020

Morningstar
Rating™
Overall³

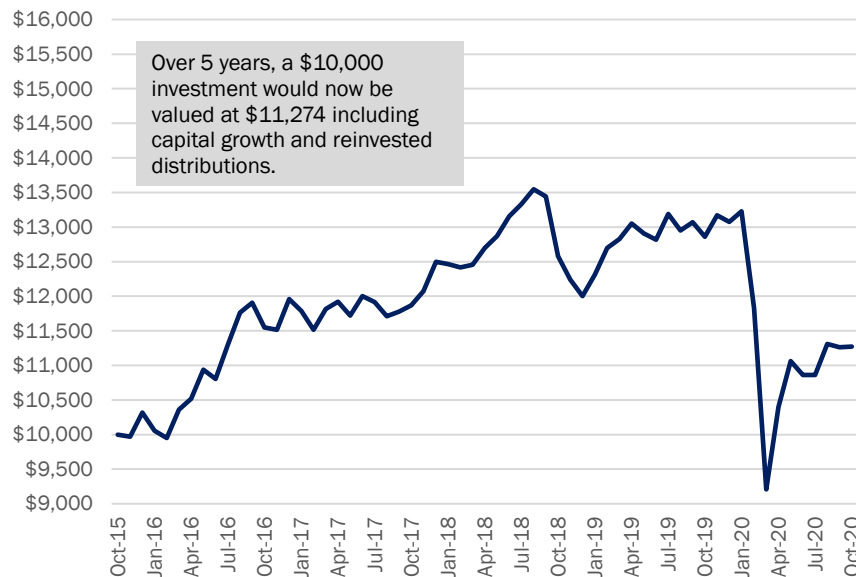
Morningstar
Category Rank
5 Year³

	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 Future Leaders Fund	★★★	11/13	0.10	3.80	-12.32	-1.69	2.43
Benchmark ²			3.70	7.20	4.90	6.50	10.40

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	+0.26% / -0.26%
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price

as at 31 October 2020

Application price	\$0.82989
Withdrawal price	\$0.82559

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 finished the month lower following a sell-off in the final week as further lockdowns were announced
- ▶ The Fund's ex-50 benchmark had a strong month, returning +3.7%, boosted by M&A activity

Amidst a significant uptick in volatility in the final week of the month, global equity markets finished the month lower, with the MSCI World Index falling -2.7% for the month, following September's -3% loss. All major bourses finished October in the red, unsettled by rising COVID cases through the US and Europe, the reintroduction of new lockdown measures throughout Europe and uncertainty arising from a contested US election. The US S&P500 fell -2.7% over the month, courtesy of a -6% fall in the final week. The tech-heavy Nasdaq index finished -2.3% lower over the month, with the Tech giants leading the sell-off after reporting earnings that failed to impress, coupled with cautious earnings guidance citing renewed pandemic risks. Across the Atlantic, Europe's Stoxx50 and the UK's FTSE100 index shed -7.3% and -4.8% respectively as European Governments reintroduced strict lockdown measures.

Domestically, the Federal Budget highlighted the significant impact of the pandemic on the nation's finances, with a projected deficit of \$214 billion for 2020-21, augmented by a fiscal stimulus package that was more generous than widely expected. Complementing the fiscal spend, the RBA cut rates by 0.15% in early November, taking the cash rate down to a new record low of 0.10%, whilst announcing a further \$100 billion in asset purchases as part of their QE programme.

The Fund's ex-50 benchmark performed strongly over the month, up +3.7%, supported by most sectors finishing in positive territory. The IT sector continued its ascent, returning a further +9% over the month, as the fear of missing out trade continued to buoy the likes of Afterpay and WiseTech, and the takeover offer for Link significantly boosted its share price. The Consumer Staples sector also had a good month returning +9%, as Coca-Cola Amatil's share price rallied following a takeover approach. The Financials sector also enjoyed a strong month returning +7%, also boosted by the takeover bid for AMP.

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 Fund had a lacklustre month gaining +0.1%, well below the benchmark's strong return of +3.7%. IML's continued caution to much of the speculative froth within the Tech sector held back relative returns, however the sector remains significantly overvalued in their view and they continue to find much better value elsewhere. Some of the Fund's core holdings had a lacklustre month with Event Hospitality and Entertainment and Crown Resorts both under pressure.

Over the month IML used strength in the share prices of Sky City, Steadfast and AusNet to trim their holdings as these companies rallied strongly. IML used this cash opportunisticly to add to their holdings in good quality companies such as Regis Healthcare, Crown and Tabcorp at what they assess as bargain basement prices for these well-established companies as their share prices continue to wallow over what are, in their view, relatively short-term issues.

Outlook⁵

With risk taking greatly encouraged by central banks' ultra-low interest rate policies, IML continue to stay disciplined and focused on companies that, in their view, have a strong franchise, experienced and capable management and a resilient business that can generate healthy cash flows over the next few years. While the portfolio's performance has lagged the sharemarket in recent times, IML remain very comfortable with the overall quality of the stocks and the positioning of the portfolio and continue to look for opportunities to add to their holdings when they believe prices look highly attractive.

Top 10 holdings

Pact Group
Crown Resorts
Home Consortium
Australian Pharmaceutical
Tabcorp
AusNet
Integral Diagnostics
Nine Entertainment
Skycity Entertainment
Tassal

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 15 Equity Australia Mid/Small Value funds as of 31 October 2020 and a 2-Star Five year rating out of 13 Equity Australia Mid/Small Value funds as of 31 October 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 October 2020 (unless stated otherwise) and is subject to change without notice.

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