

Sandhurst Future Leaders Fund

Monthly fund update - September 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

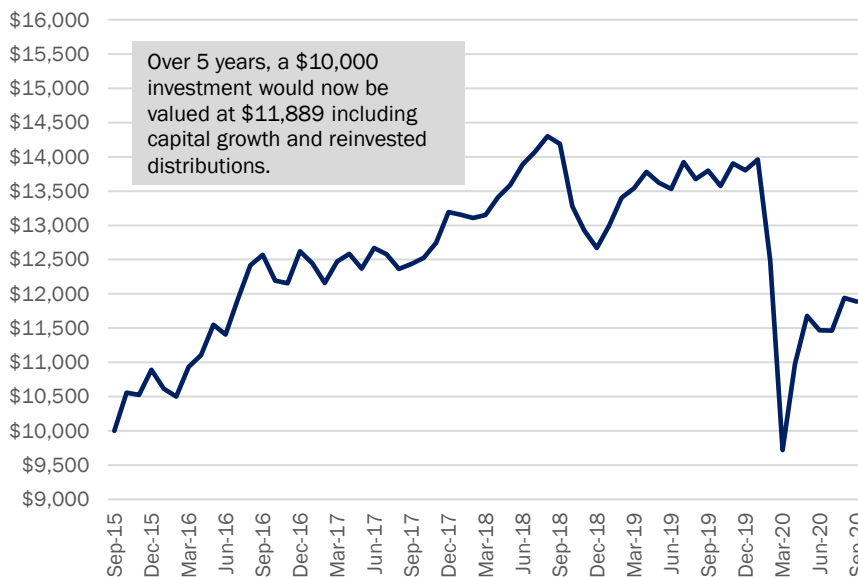
as at 30 September 2020

	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	★★★	11/13	-0.42	3.69	-13.84	-1.48	3.52
Benchmark ²			-3.10	5.20	0.60	7.30	11.20

An example of how your investment grows

Growth of \$10,000¹

(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 30 September 2020

Application price	\$0.82906
Withdrawal price	\$0.82476

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 quarter higher despite a sell off in September
- ▶ The ex-50 segment of the ASX enjoyed a strong quarter, with the Industrials buoying the market as Resources sold off

Despite the pickup in volatility and weakness across the major global bourses during the month of September, the MSCI World index returned +7% for the quarter.

Following continued strength in July and August, September heralded some caution as the economic recovery looked increasingly complicated. Investors confronted the reality of a second coronavirus wave through both the US and Europe, uncertainty about the prospects for additional stimulus measures from Governments around the world, coupled with concerns of overheating in the stockmarket, particularly in the technology sector.

The Australian sharemarket as measured by the ASX300 finished the September quarter flat, with September's -3.6% fall neutralising the gains made in both July and August. The FY 2020 reporting season in August was a mixed affair with the impact of the pandemic very apparent.

The Fund's ex-50 benchmark fared better than its large cap peers over the quarter, returning a strong +5.2%.

The Resources sector finished the quarter up +3%, despite falling in the month of September in sympathy with falling commodity prices, particularly the oil price. The Industrials segment of the market gained +6% with mixed sector performance. The Consumer Discretionary sector enjoyed an overwhelmingly strong quarter relative to most other sectors, returning +17%. IDP Education, Webjet and Corporate Travel rallied on expectations that travel restrictions would ease. The performance of discretionary retailers such as Nick Scali, Kogan, Lovisa and shoe retailer Accent Group, was also strong as recent sales were buoyed by large government stimulus payments and super withdrawals. Communication Services also enjoyed a solid quarter returning +5%, courtesy of a better than expected result from Vocus, coupled with strong rebounds in the share prices of both oOh! Media and Nine Entertainment. The ex50 Financials and Technology sector endured a volatile end to the quarter with the euphoria for the Buy Now Pay Later (BNPL) plays dissipating following news that online payments giant PayPal was to launch its Pay-in-4 credit platform - heralding its entrance into the BNPL space. Thus, rendering the perceived unbridled growth outlook in the BNPL space questionable - a clear example of the low barriers to entry in the sector.

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 enjoyed a solid quarter gaining +3.7%, albeit behind the benchmark's strong return of +5.2%. The Fund lagged the benchmark's strong return early in the quarter given IML's caution to both the highly cyclical Resource companies and the richly valued IT sector, both of which performed strongly. Importantly, the Fund did fall less than the benchmark in September when the market sold off, especially in the more speculative segments of the market. In addition, the Fund's holdings in Nine Entertainment, SeaLink, SkyCity, Event Hospitality, Home Consortium and A2B all enjoyed a very strong quarter.

Over the quarter IML used the ensuing volatility to their advantage, by trimming holdings in stocks such as Integrated Research, Steadfast and Integral Diagnostics into strength. IML used the cash opportunistically to add to holdings in Metcash and Home Consortium as well as increasing, on weakness, the Fund's stake in Cleanaway.

Outlook⁵

The recent Federal Budget's initiatives have helped support the Australian sharemarket and offset concerns regarding the economic impact of the tapering off of the Jobkeeper allowance and the interest deferrals from Australia's major banks coming to an end as we head into 2021.

Having said this, uncertainties remain as most interstate borders and international travel remain effectively closed for the foreseeable future. IML maintain a cautious stance and continue to focus on companies that, in IML's view, have a strong franchise, experienced capable management and a resilient business that can continue to generate healthy cash flows through uncertain economic times. While the Fund's performance has lagged the current market, IML remain comfortable with the way the portfolio is positioned.

Top 10 holdings

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

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 RatingTM out of 15 Equity Australia Mid/Small Value funds as of 30 September 2020 and a 2-Star Five year rating out of 13 Equity Australia Mid/Small Value funds as of 30 September 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 30 September 2020 (unless stated otherwise) and is subject to change without notice.

