

Monthly fund update - August 2020

Investment approach

Each Fund provides access to a selection of high quality, specialist active and index investment managers across a variety of asset classes via its underlying investments. The investment portfolios provide access to investments which have been constructed in a manner that Sandhurst believes will meet the investment return objective of each Fund. Each Fund aims to provide a total return after fees in excess of a stated percentage above inflation over a full market cycle (typically 7 to 10 years), where inflation is measured by the Australian Consumer Price Index (CPI).

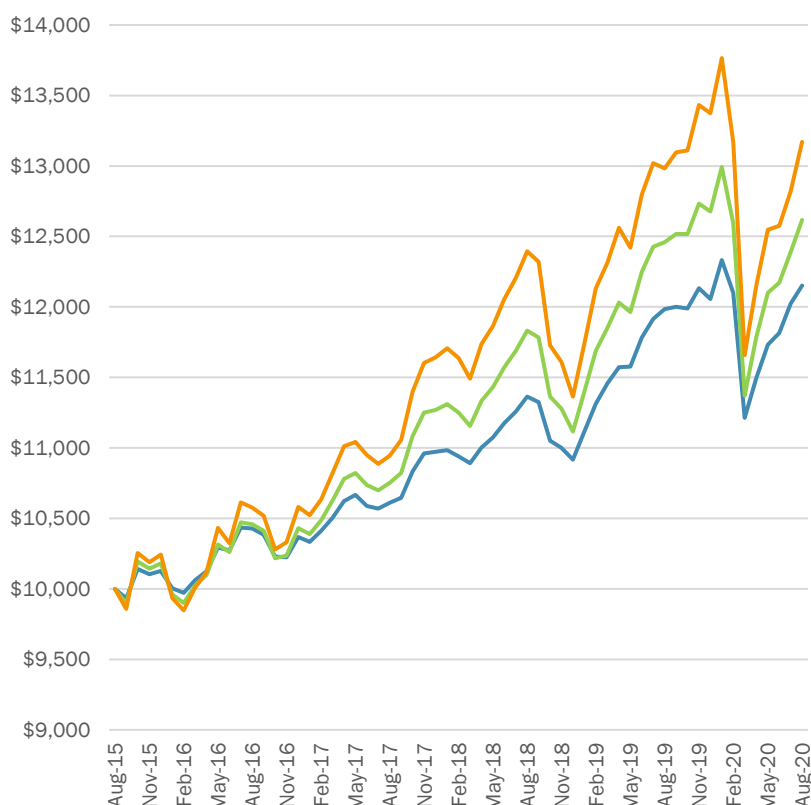
Fund performance¹

as at 31 August 2020	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Sandhurst Conservative Fund	3.58	1.39	4.62	3.97	5.19
Sandhurst Balanced Fund	4.28	1.28	5.48	4.76	5.26
Sandhurst Growth Fund	4.95	1.43	6.37	5.66	5.72

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance over 5 years)



Fund facts

Fund inception date	7 June 2002
Distribution frequency	Half yearly

Sandhurst Conservative Fund

Fund APIR Code	STL0008AU
Return objective	CPI + 1.5%
Recommended investment timeframe	3 years +
Risk level	Low to medium
Management costs ²	1.50% p.a.
Buy / Sell Spread ²	+0.11%/-0.20%

Sandhurst Balanced Fund

Fund APIR Code	STL0009AU
Return objective	CPI + 2.5%
Recommended investment timeframe	4 years +
Risk level	Medium
Management costs ²	1.50% p.a.
Buy / Sell Spread ²	+0.13%/-0.20%

Sandhurst Growth Fund

Fund APIR Code	STL00010AU
Return objective	CPI + 3.5%
Recommended investment timeframe	5 years +
Risk level	Medium to high
Management costs ²	1.50% p.a.
Buy / Sell Spread ²	+0.14%/-0.19%

Do you have any questions?

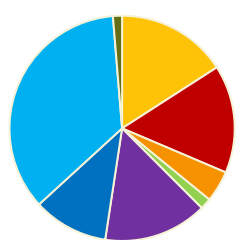
For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Unit prices

as at 31 August 2020	Application price	Withdrawal price
Sandhurst Conservative Fund	\$1.01738	\$1.01423
Sandhurst Balanced Fund	\$1.07952	\$1.07596
Sandhurst Growth Fund	\$1.02151	\$1.01814

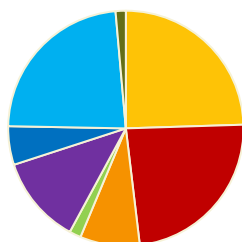
Asset allocation

Sandhurst Conservative Fund



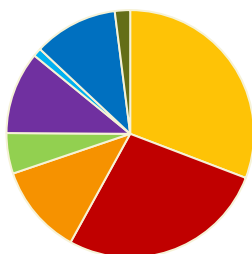
■ Aust Sh	15.9%
■ Int Sh	15.5%
■ Int Sh (Hedged)	4.5%
■ Property & Infra	1.6%
■ Cash	14.9%
■ Int FI	10.8%
■ Aust FI	35.5%
■ Alternative	1.3%

Sandhurst Balanced Fund



■ Aust Sh	24.5%
■ Int Sh	23.6%
■ Int Sh (Hedged)	8.2%
■ Property & Infra	1.6%
■ Cash	12.1%
■ Int FI	5.3%
■ Aust FI	23.3%
■ Alternative	1.4%

Sandhurst Growth Fund



■ Aust Sh	30.8%
■ Int Sh	27.2%
■ Int Sh (Hedged)	11.8%
■ Property & Infra	5.3%
■ Cash	10.8%
■ Int FI	1.1%
■ Aust FI	11.0%
■ Alternative	2.0%

Performance commentary

The three risk profile funds continued their good run over the month, significantly outperforming the peer group benchmark. Aiding returns relative to peers, was strong performance from our active managers. Within Australian equities, Bennelong returned over 10% for the month, while Ellerston high single digits. Within global equities, managers Franklin Global Growth and T Rowe Price continue to contribute, in which the economic shakeup in a Covid world has provided many opportunities for proactive investment managers.

Given economic and market conditions, diversification is key. The Funds are exposed to a wide variety of currencies, geographic regions and have both deflation and inflation insurance protection through exposures in gold, inflation linked bonds and US treasuries.

Economic commentary

Global equity markets moved higher over the month of August as broadly declining global Coronavirus cases and supportive monetary policy from the US Federal Reserve boosted risk appetite. Whilst markets face uncertainty regarding the upcoming US election, increased tensions with China and the continual threat of the virus, momentum continues to be positive for risk assets.

In Australia, August is a busy time for corporate earnings updates and while companies are generally careful to guide markets ahead of results, it is interesting to see the trends cemented in the updates. Overall, the conditions since the Coronavirus outbreak has divided many stocks, with consumer related companies such as JB Hi-Fi, Kogan, Afterpay and Bunnings Warehouse enjoying the fiscal stimulus, super withdrawals and mortgage deferrals. While travel companies, for example Qantas, Corporate Travel Management and Flight Centre face the opposite fate. Australian banks have been on the wrong side of the ledger with low interest rates eating profit margins as well as rising bad debts and constrained private credit growth. Within listed property, retail trusts such as Scentre Group have seen their price fall by over 40% for the calendar year to August, while industrial property has proven favourable in which Goodman Group is up close to 35% over this same period.

The other interesting dynamic is the current surge in US housing despite the pandemic, where a combination of improved affordability through interest rate declines, a general lack of supply and movement out of major city centres are impacting on the positive price side. This dynamic is playing out in homebuilder companies, with Australian listed building materials company James Hardie experiencing good growth. Australian mining companies have also been benefiting, with commodity prices lifting on the back of government construction programs aimed at stimulating ailing economies.

Whilst conditions have favoured some and not others, looking forward the prices of the beneficiaries reflect this reality. For active managers the easy money appears to be behind them, with the next movements in equity markets highly dependent on monetary and fiscal action. Governments so far have put aside fears of large deficits, putting to the test as to whether government deficits do not actually matter, as a rising voice of monetary theorists claim.

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. Funds start date 7 June 2002.
2. Other fees and costs may apply. See the Product Disclosure Statement for full details.

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The information is current as at 31 August 2020 (unless stated otherwise) and is subject to change without notice.

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