

# Sandhurst IML Industrial Share Fund

## Monthly fund update - July 2020

### Investment approach

The Fund aims to deliver capital growth with regular income over the long term by investing in a diversified portfolio of quality ASX listed industrial shares (excluding resource shares) where these assets are identified by Investors Mutual Limited (IML) as being undervalued. The Fund expects to invest predominantly in the Sandhurst Industrial Share Fund for which IML is currently the investment manager.

### Fund performance<sup>1</sup>

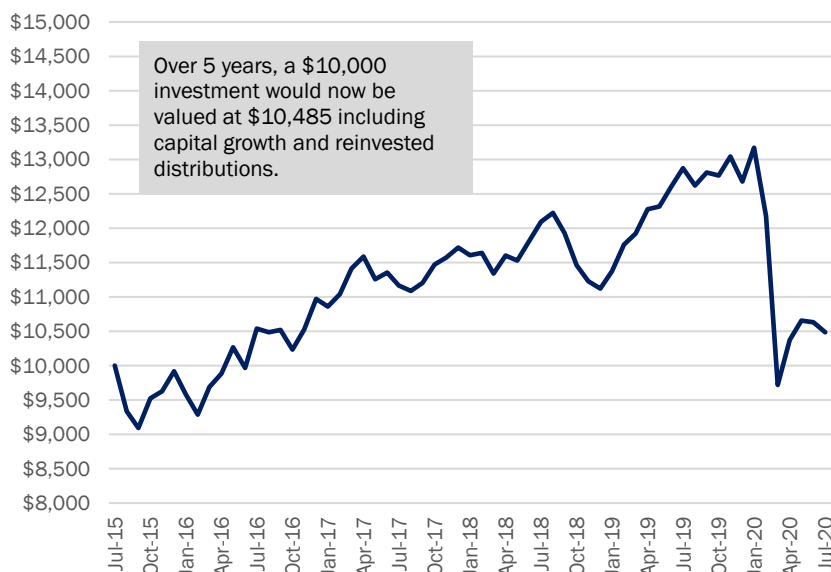
as at 31 July 2020

	Morningstar Rating™ Overall <sup>3</sup>	Morningstar Category Rank 5 Year <sup>3</sup>	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.
Sandhurst IML Industrial Share Fund	★★★★	46/94	-1.40	1.09	-18.54	-2.07	0.95
Benchmark <sup>2</sup>			-0.40	6.00	-11.20	3.50	3.80

### An example of how your investment grows

#### Growth of \$10,000<sup>1</sup>

(Based on historic Fund performance over 5 years)



### 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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### Fund facts

Fund APIR code	STL0101AU
Fund inception date	11 January 2001
Fund size	\$97.66 m
Distribution frequency	Half yearly
Management costs <sup>4</sup>	0.95% p.a.
Buy / Sell spread <sup>4</sup>	+0.25% / -0.25%
Minimum investment / minimum balance	\$50,000
Recommended investment timeframe	5 years +
Risk level	High

### Unit price

as at 31 July 2020

Application price	\$0.95121
Withdrawal price	\$0.94647

### Distribution details (cents per unit)

31 December 2019	\$0.02700
30 June 2020	\$0.02662

### Do you have any questions?

For further information contact us on 1800 634 969 or visit [www.sandhursttrustees.com.au](http://www.sandhursttrustees.com.au)

Sharemarket commentary<sup>5</sup>

- ▶ Global sharemarkets continued their strong rebound in July driven by US technology companies
- ▶ The Australian sharemarket returned a lacklustre +0.6%, with the Industrials Index down -0.4%

The MSCI World Index continued to rally in July posting +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. Thanks to this rally, the Nasdaq is now up +20% since the beginning of the year. Other global markets were mixed with Europe's Stoxx50 and Japan's Nikkei shedding -1.5% and -2.6% respectively.

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 market was aided by a very strong +5% rise in the Resources sector, while the Industrials index returned -0.4%, reflecting the continued uncertain environment for most companies.

The Industrials sector decline would have been larger had it not been for a +5% jump in the IT sector which followed the Nasdaq's lead, despite the fact that many of the stocks in Australia's IT sector are barely, or not at all profitable. The defensive Communication Services sector enjoyed a solid month gaining +3.5%, courtesy of Telstra's +7% move higher. The Consumer Staples sector gained +3% buoyed by the supermarkets as spending data continues to be supportive. In addition, with the prospect of tougher lockdowns in Victoria, supermarkets will likely benefit from a reduction in discretionary food spending.

On the negative side of the ledger, Financials shed -1.0%, the major banks sold off late in the month following APRA's guidance on dividend payments, stipulating that the banks must retain at least half of their earnings when making decisions on capital distributions, such as dividends.

Portfolio performance & summary<sup>5</sup>

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

The portfolio endured a challenging month returning -1.4% against the benchmark's return of -0.4%. IML's caution to the overvalued Technology sector, which continues to capture investors' imaginations, held back their relative performance. The Fund's holdings in CSL and Aurizon had a softer month on little news flow although they remain very comfortable with their positioning in these high quality and cash generative businesses. IAG had a disappointing month after announcing that its full year 2020 result would be impacted by several one-off provisions, although Australia's largest insurer remains well placed to navigate the uncertain period ahead. On the positive side the Fund's holdings in Telstra, Tabcorp, Coles, Orica and SkyCity all enjoyed a better month.

Outlook<sup>5</sup>

Major uncertainties remain about the sustainability of economic growth as government income support and self-imposed bank interest deferrals come to an eventual end. 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 Industrial Accumulation Index.
3. Sandhurst IML Industrial Share Fund received a 4-Star Overall Morningstar Rating<sup>TM</sup> out of 100 Equity Australia Large Value funds as of 31 July 2020 and a 3-Star Five year rating out of 94 Equity Large 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/7045](http://www.morningstar.com.au/Funds/FundReport/7045)
4. Other fees and costs may apply. See the Product Disclosure Statement for full details.
5. The 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 IML Industrial Share (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](http://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

National Australia Bank
Telstra Corporation
CSL Limited
Westpac
Amcor PLC
Coles Group
AusNet Services
Aurizon Holdings
Insurance Australia Group
Suncorp Group

Sector active weights

Materials	8.10%
Communication Services	6.90%
Utilities	3.20%
Consumer Discretionary	-1.20%
Consumer Staples	-1.40%
Industrials	-1.60%
Information Technology	-3.00%
Health Care	-5.90%
Real Estate	-6.80%
Financials	-8.10%

Please note the portfolio information and sector active weights supplied above is based on the underlying managed investment scheme, in addition, the Fund may directly hold small amounts of cash.