

-0.44% p.a.¹

Year ending 31 August 2017

Sandhurst Future Leaders Fund

Monthly fund update - August 2017

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

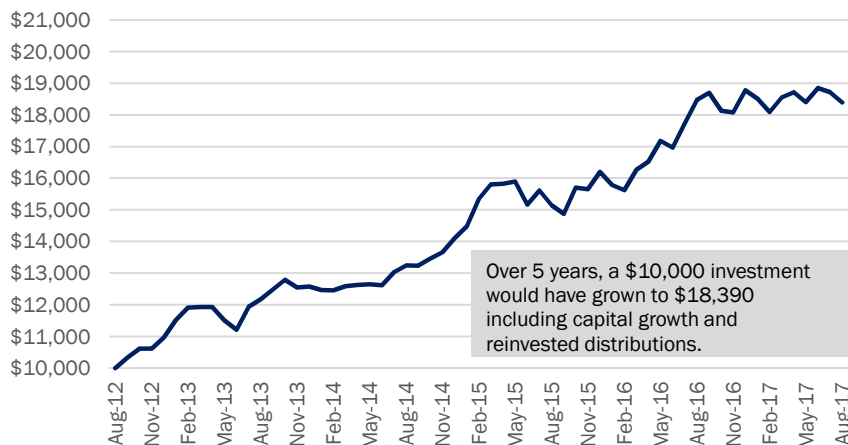
as at 31 August 2017

	Morningstar Rating™ 5 Year 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	★★★	11/18	-1.72	-0.06	-0.44	11.57	12.96
Benchmark ²			1.40	2.80	6.10	9.60	10.90

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 start date	7 June 2002
Fund size	\$17.35 m
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price (ex distribution)

Application price	\$0.98255
Withdrawal price	\$0.97765

Distribution details (cents per unit)

31 December 2016	\$0.02310
30 June 2017	\$0.02482

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.

© Registered to BPAY Pty Ltd ABN 69 079 137 518

Do you have any questions?

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

Sharemarket commentary⁴

- ▶ Global markets moved sideways as political discord in Washington and the North Korean situation deteriorated.

Global equities paused for breath in August following 9 months of gains as volatility picked up in the wake of continued political discord in Washington and geopolitical rumblings concerning North Korea. Over the month, the MSCI World Index fell 0.1%, with the US S&P500 edging up 0.3% while Europe's Stoxx50 and Japan's Nikkei Indices slipped 0.7% and 1.3% respectively. USD weakness persisted throughout the month and this continued to weigh on sentiment for the export driven European and Japanese markets.

The Fund's ex 50 benchmark had a strong month up 1.4% led by the materials and energy sectors up 3.1% and 5.8% respectively with strong gains in many resource companies following strength in iron ore, gold and base metals prices over the month. Thus, stocks such as gold, hopeful Beadell Resources up 13.5%, base metals play Western Areas up 14% and lithium producer Orocobre up 20.6% all surged over the month.

Industrial stocks had a lacklustre month apart from the consumer staples sector which gained strongly as A2 Milk was up 21.7% and Blackmores up 27.6% as investors chased both stocks for exposure to the Chinese export market. The financials sector also rallied strongly in August on the back of strong performances from asset managers Platinum and IOOF which rose 11.8% and 12.6% respectively. Most other sectors, such as the consumer discretionary and healthcare sectors were down 2.6% and 1.3% respectively amid a mixed reporting season. While most companies broadly met investors' expectations for FY 17, many outlook statements for FY 18 underwhelmed investors with good quality companies such as GWA and Ansell sold off on their results announcements.

Portfolio performance & summary⁴

- ▶ The Fund's S&P/ASX 300 Accumulation Index (excluding S&P/ASX 50) benchmark finished August higher, fuelled mainly by the volatile resources sector.
- ▶ IML continue to maintain a cautious approach and use any short term weakness to top up on preferred stocks.

The Fund had a disappointing month returning down 1.6%. The Fund's low weighting to the volatile resources sectors and to highly priced consumer staples stocks weighed on the Fund's performance relative to the benchmark. In addition, disappointing results from several key holdings, including Pact Group Holdings (PGH) and Mayne Pharma Group Ltd (MYX) also impacted August performance.

PGH announced that FY17 EPS grew by 5% while dividends for FY17 were lifted by 10% to 23 cps. However, the stock sold off as second half earnings disappointed due to slower demand and competition on some contract extensions. IML remain very positive on the company's prospects and were happy to use weakness in the share price to top up on the Fund's holding in this company. IML also added API and Sigma to the portfolio on the back of share price weakness in both of these companies after they lowered their guidance.

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. '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. Morningstar Category: Equity Australia Mid/Small Value. © 2017 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782 ("ASXO").
4. 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 August 2017 (unless stated otherwise) and is subject to change without notice.

Portfolio holdings

Top 10 holdings	% of Fund
Pact Group Holdings Ltd	3.47%
Tox Free Solutions Limited	3.39%
Spark Infrastructure Group	3.33%
Shopping Centres Australasia Property Gr	3.09%
Cybg PLC	3.06%
Ansell Limited	3.01%
Fletcher Building Limited	2.82%
Z Energy Limited	2.79%
Southern Cross Media Group Limited	2.74%
Bank of Queensland Limited	2.30%
Top 10 Stocks	30.00%
Other Stocks	57.15%
Cash	12.85%
Total	100.00%

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

MYX's share price declined markedly over the month after announcing a disappointing FY17 result due to strong competition in the US generics market in the second half of the year. While this pricing pressure will also impact FY18, a range of initiatives such as cost cutting and new product launches will help offset some of this weakness. In addition, the company's branded products and contact manufacturing divisions are expected to post good growth going forward. At current prices, IML believe the company is oversold, trading at a discount to peers in the US industry. IML continue to hold the Fund's position in the company while closely monitoring the company's progress into FY18.

Outlook⁴

IML remain cautious given the continued low growth and highly competitive economic environment which is making it difficult for many companies to grow their earnings. IML continue to hold a healthy level of cash in the portfolio as they await an opportunity to buy good quality stocks at the right level.

