

# 7.82% p.a.<sup>1</sup>

Year ending 28 February 2018



## Sandhurst Future Leaders Fund

### Monthly fund update - February 2018

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

as at 28 February 2018

Morningstar  
Rating™  
5 Year<sup>3</sup>

Morningstar  
Category Rank  
5 Year<sup>3</sup>

1 month %

3 months %

1 year %

3 years %p.a.

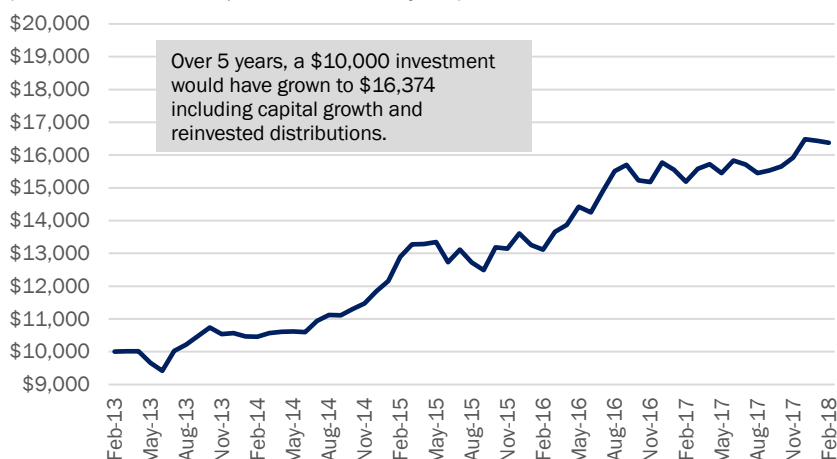
5 years %p.a.

Sandhurst Future Leaders Fund	★★★	12/19	-0.37	2.85	7.82	8.30	10.37
Benchmark <sup>2</sup>			0.60	3.80	22.00	12.70	10.40

#### An example of how your investment grows

##### Growth of \$10,000<sup>4</sup>

(Based on historic Fund performance over 5 years)



#### Fund facts

Fund APiR code	STL0011AU
Fund start date	7 June 2002
Fund size	\$17.58 m
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	5 years +
Risk level	High

#### Unit price (ex distribution)

Application price	\$1.01772
Withdrawal price	\$1.01265

#### Distribution details (cents per unit)

30 June 2017	\$0.02482
31 December 2017	\$0.02400

#### 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](http://www.sandhursttrustees.com.au)

## Sharemarket commentary<sup>4</sup>

- ▶ Global sharemarkets experienced their first major dose of volatility as equity markets corrected -10% early in the month
- ▶ The Australian market proved relatively resilient in comparison, as interim reporting season hit full speed

Global equity markets corrected during early February following the release of a US employment report which spooked investors after it showed US wages accelerating at their fastest pace in 9 years. The US S&P 500 finished the month down -3.7% (after having been down by -10% at one point) while Europe's Stoxx50 fell -4.6% and Japan's Nikkei fell -4.4% over the month.

In a busy month for the Australian market, the ASX300 finished virtually unchanged in February, proving itself somewhat more resilient than many of its global peers. Whilst major markets sold off -10% during the correction earlier in the month, the ASX300 fell only half that amount at its worst. Most Australian companies also reported their interim results during February and whilst some earnings growth was seen across most sectors, earnings quality remains relatively patchy. Despite the pick up in global growth, domestic companies continue to find top line growth challenging amidst tighter competition and a softer environment for consumers.

The ex50 segment of the market finished the month slightly up, with Midcap Resources strongly outperforming Midcap Industrials. Reporting season proved volatile and very much stock driven, with many of the fully valued stocks punished if earnings disappointed. Within the industrials segment, it remains a somewhat patchy environment for earnings growth, whilst there were no obvious discernible trends, an emerging theme is companies being more challenged by rising input costs, a challenge for margin expansion.

Sector performance was mixed, Consumer Staples shed -0.9% courtesy of the continued unpredictability in the soft commodities / Chinese 'Daigou' plays. Bellamy's added a further +22% over the month, whilst Blackmores lost -17% on softer than expected results. BWX, a 2017 market darling, similarly lost -34% as its results disappointed, highlighting the unpredictability of these high flying stocks. Financials were the underperforming sector down -5.4% as many of the fund managers sold off in sympathy with heightened volatility in global sharemarkets, coupled with Platinum Asset Management shedding -23% after the announcement that its longstanding CEO would be stepping down. Healthcare outperformed up +4.2% with solid results from Mayne Pharma, API and Primary Healthcare.

## Portfolio performance & summary<sup>4</sup>

- ▶ The sell off and pick up in volatility allowed IML to top up positions in good quality industrials

The Fund shed -0.4%, underperforming its benchmark. The portfolio benefited from several of its holdings enjoying a strong month including GWA, Lifehealthcare (up +40% following its proposed takeover bid from Pacific Equity Partners), Here, There & Everywhere, Mayne Pharma, Bravura, Pact Group and Melbourne IT. Fletcher Building had a poor month following further impairments in its construction division, although in IML's opinion the company has now more than provided for any eventual losses in this division and believe the company remains well placed going forward given its strong market position in NZ. Whilst IPH Ltd weighed on performance after the company reported a weaker than expected result, IML retain their confidence in the company given the quality of management, strong balance sheet and position in the intellectual property market.

## Outlook<sup>4</sup>

The significant increase in volatility and pull back in global markets was in IML's opinion well overdue, although has to be kept in perspective with many markets recording strong gains over the preceding 12 months. While the direction of world growth remains positive, it remains a challenging environment for many companies to grow their earnings given the intensely competitive nature of most sectors. With US interest rates set to increase further in the near future and with the ECB due to slow or stop its quantitative easing policy some time in 2018, IML remain cautious. IML will continue to use weakness in good quality industrial names to put some of the Fund's cash holding to work.

## Top 10 holdings

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Tox Free Solutions
Pact Group Holdings
Spark Infrastructure Group
Shopping Centres Australasia
Clydesdale Bank
Crown Resorts Ltd
Z Energy
GWA Group
Southern Cross Media Group
Ansell Ltd

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### 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. © 2018 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](http://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 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.
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.

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This information is current as at 28 February 2018 (unless stated otherwise) and is subject to change without notice.

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