5.72% p.a.[1]

Year ending 31 January 2018

Sandhurst Future Leaders Fund

Monthly fund update - January 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.

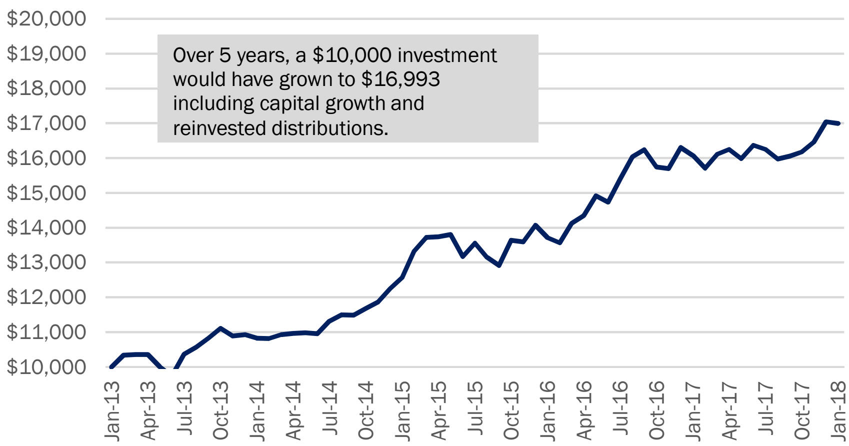
Fund performance[1]

as at 31 January 2018	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	★★★	13/20	-0.29	5.03	5.72	10.56	11.19
Benchmark[2]			*-0.10*	*6.50*	*22.70*	*15.20*	*10.80*

An example of how your investment grows

Growth of $10,000[1]

(Based on historic Fund performance over 5 years)



Fund facts

Fund APIR code	STL0011AU
Fund start date	7 June 2002
Fund size	$17.67 m
Minimum investment / minimum balance	$2,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price (ex distribution)

Application price	$1.02151
Withdrawal price	$1.01641

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.

® 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

Refer to the next page for footnotes

Sharemarket commentary[4]

- ► Global sharemarkets started 2018 strongly with many markets reaching new highs as bullish sentiment prevailed
- ► The Fund's ex50 benchmark finished flat, with mid and small cap miners correcting following their recent momentum

Global sharemarkets extended their strong run into 2018 with the MSCI World Index returning +5.6% in January, its best start to the year since 1987. The US S&P500 returned +5.6% to log its longest monthly winning streak in nearly 60 years. Europe's Stoxx50 index enjoyed a solid start to the year returning +3.0%, while the Nikkei 225 finished the month +1.5% higher, reaching a 26-year high in mid-January. Reflecting the very bullish mood, the MSCI Emerging Markets index spiked +8.3% as strong commodity prices and improving global economic growth forecasts increased many investors' appetite for riskier assets.

Equities showed signs of strain late in the month as investors reacted to weakness in the bond markets as yields spiked higher reflecting increased expectations for higher inflation and less accommodative monetary policy moving forward. The US 10yr yield jumped 30bps to 2.73%, a near 4 year high, whilst the German 5 year yield finally moved back into positive territory, the first time since 2015. Similarly, the Australian 10yr yield also moved higher finishing the month up 18bps to 2.8%.

Top 10 holdings

Tox Free
Pact
Clydesdale Bank
Shopping Centres Australasia
Spark Infrastructure
Crown Resorts
Ansell
Z Energy
Southern Cross Media
Fletcher Building

The US Federal Reserve left rates unchanged in their January meeting, although expectations remain of a further three US rate hikes in 2018. The Fed's narrative was a little more hawkish than in December, citing increased inflation pressures, alongside a rather upbeat assessment of the US economy, despite a weaker than expected Q4 GDP print. Commodity markets extended their upward trajectory with iron ore and oil prices gaining +4.8% and +3.7% respectively, once again reflecting many global investors bullish frame of mind. Domestically, the ASX300 index had a soft month, shedding 0.4%, as strength in the Resources sector was offset by a sluggish Industrials sector.

Similarly, the Fund's ex 50 benchmark had a soft month, finishing flat in January. Mid and Small cap resources were weighed by a significant pull back in Lithium miners such as Galaxy and Pilbara, on news of supply increases out of Chile. Conversely, the Energy stocks rallied with the oil price, with the sector also benefiting from a higher takeover bid for AWE (held in the Fund) from Japanese company Mitsui, valuing the company at $600m.

The Mid and Small cap industrials sector was held back by the upward movement in bond yields with many interest rate sensitive and defensive sectors such as Utilities and REITs retreating -6.6% and -3.0% respectively. Conversely, the Healthcare sector had a good month thanks to a +66% jump in Sirtex (held by the Fund) following a bid from US pharmaceutical giant Varian, while Resmed jumped +14% after delivering a strong quarterly result. The Consumer Staples sector was also buoyant in January, with ongoing enthusiasm for companies exposed to the Chinese 'daigou' channels, with Bellamy's up +42% following an upgrade to its earnings, citing better than expected sales in China, along with a2 Milk up +12%.

Portfolio performance & summary[4]

- ► The sell off and pick up in volatility in early February has seen much of the froth in the small cap market pull back

The Fund finished January relatively flat, in line with its benchmark. Whilst the Fund was impacted by the pull back in interest rate sensitive stocks, such as Spark Infrastructure and Shopping Centres Australasia, IML remain comfortable with this positioning given the expected projected growth in the respective yields of the stocks. The Fund benefited over the month from good performances from takeover targets Sirtex and AWE, along with rallies in the share prices of Ansell, Pinnacle Investments, Bravura Solutions and Thorn Group.

Outlook[4]

The significant increase in volatility and pull back in global markets experienced in early February was in IML's opinion well overdue, yet it has to be kept in perspective of the strong rises on global markets over the preceding 12 months. While the direction of world growth does remain positive, it remains a challenging environment for many companies to grow their earnings given the intensely competitive nature of most sectors. While sharemarkets will likely rebound at some point, IML believe it is likely that the combination of high valuations for many sectors as well as rising bond yields will lead to increased volatility in sharemarkets over 2018. IML expect the correction in Australia will be mainly felt in high flying areas like the Resources sector as well as many lower quality smaller companies where IML have seen excessive speculation. IML will be looking to use the cash in their portfolios to add to positions in quality industrial companies at attractive valuations.

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. 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.