

6.84% p.a.¹

Year ending 31 December 2017

Sandhurst IML Industrial Share Fund

Quarterly fund update - December 2017

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 performance¹

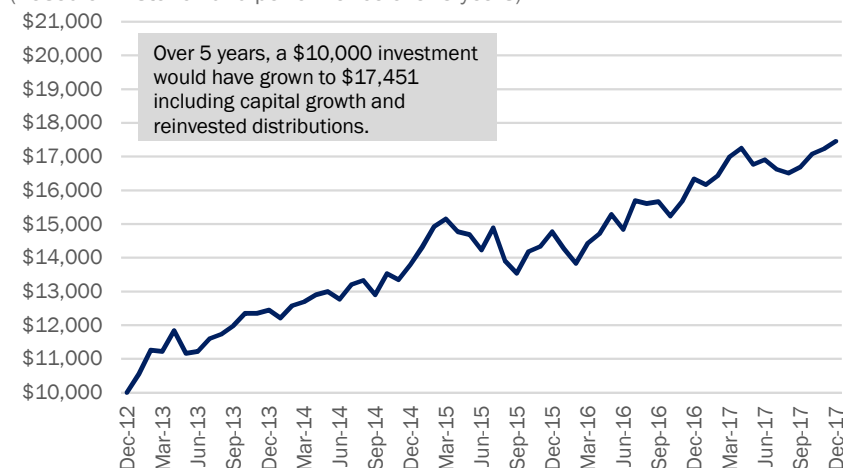
as at 31 December 2017

	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 IML Industrial Share Fund	★★★★	14/89	1.29	4.59	6.84	8.15	11.78
Benchmark ²			0.70	6.10	9.20	8.30	12.30

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance over 5 years)



Fund facts

Fund APIR code	STL0101AU
Fund start date	11 January 2001
Fund size	\$179.04 m
Minimum investment / minimum balance	\$50,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price (ex distribution)

Application price	\$1.39685
Withdrawal price	\$1.38988

Distribution details (cents per unit)

30 June 2017	\$0.13117
31 December 2017	\$0.03850

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

Sharemarket commentary⁴

- ▶ Global sharemarkets posted their strongest year in 8 years thanks to increased confidence in global economic growth
- ▶ The Australian sharemarket had a good year gaining +11.9% helped by a strong Resource sector which rallied by over 20%

Global equity markets enjoyed their strongest return in 8 years and finished at record highs as investors reacted favourably to a confluence of accelerating global economic growth, rebounding commodity prices, continued low interest rates and the passage of President Trump's long promised US tax reform bill in late December.

The Australian sharemarket as measured by the ASX300 gained +11.9% in calendar year 2017, finishing the year at its highest level in a decade. Despite the market's solid return, the ASX300 significantly lagged global peers as earnings growth in many sectors remained lacklustre. The Industrials index returned +9.2% for CY17, held back by a strong Resource sector which rallied +20%, buoyed by resurgent commodity prices.

Portfolio performance & summary⁴

- ▶ IML continue to adopt a selective approach given the fairly full valuation of many stocks

The Fund posted a return of +4.6% for the final quarter of 2017, which while a positive return, was below the benchmark's return of +6.1%. The Fund's return benefited from good performances from several of its key Industrial holdings such as IAG, Clydesdale Bank, Brambles, Skycity, AGL, Pact and takeover target Westfield Corp all performing well as did newly introduced Crown Resorts. Relative performance was held back by the Fund's underweight position to some Consumer Discretionary stocks which enjoyed a Christmas rally, and IML's continued caution to 'soft commodity' plays with exposure to China such as a2 milk & Treasury Wines.

Outlook⁴

Investor sentiment remains buoyed as the global economy appears likely to grow fairly strongly in 2018. While this may be so, 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, IML remain cautious as many markets are at record highs and some excesses are beginning to appear. IML continue to focus their attention on good quality companies that IML believe are well positioned to grow their earnings and dividends in the years 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 Industrials Accumulation Index.
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 Large 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. 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.

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This information is current as at 31 December 2017 (unless stated otherwise) and is subject to change without notice.

Top 10 holdings

National Australia Bank
Westpac
Commonwealth Bank
CSL
Telstra
Insurance Australia Group
Clydesdale Bank
Fletcher Building
Pact
Wesfarmers

Sector active weights

■ Utilities	3.40%
■ Materials	3.30%
■ Health Care	1.90%
■ Consumer Discretionary	0.90%
■ Telecommunication Services	0.20%
■ Information Technology	-1.20%
■ Industrials	-3.70%
■ Consumer Staple	-4.10%
■ Financials	-4.90%
■ Real Estate	-5.80%

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.

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