

# 6.52% p.a.<sup>1</sup>

Year ending 30 September 2017

## Sandhurst IML Industrial Share Fund

### Quarterly fund update - September 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 performance<sup>1</sup>

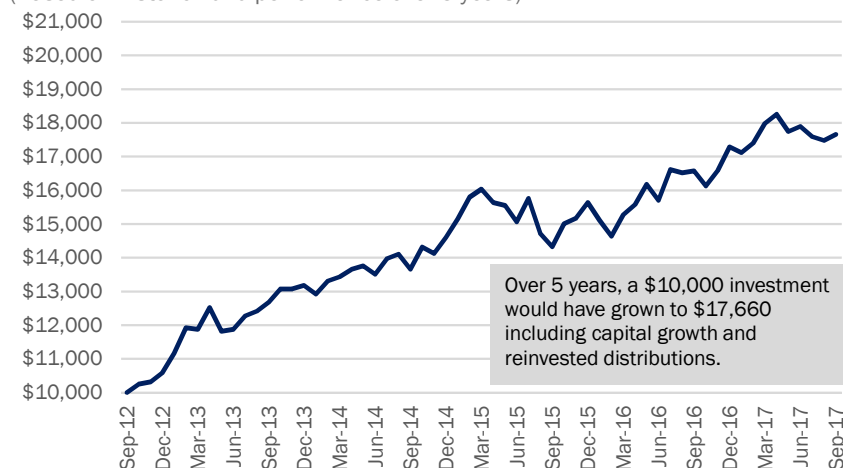
as at 30 September 2017

	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 IML Industrial Share Fund	★★★★	12/89	1.05	-1.30	6.52	8.94	12.05
Benchmark <sup>2</sup>			0.30	-0.80	7.40	8.60	12.60

#### An example of how your investment grows

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

(Based on historic Fund performance over 5 years)



#### Fund facts

Fund APIR code	STL0101AU
Fund start date	11 January 2001
Fund size	\$173.91 m
Minimum investment / minimum balance	\$50,000
Recommended investment timeframe	5 years +
Risk level	High

#### Unit price

Application price	\$1.37251
Withdrawal price	\$1.36566

#### Distribution details (cents per unit)

31 December 2016	\$0.04300
30 June 2017	\$0.13117

#### 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 continued to rally over the quarter thanks to strength in the US markets, which hit new record highs.
- ▶ The Australian sharemarket returned a modest gain, helped by a resurgent resources sector.

Global equity markets finished the September quarter on a firm note with the MSCI World Index gaining 5.0%. Global bourses were led higher by the US, as the Dow Jones continued its run of record highs and the S&P500 Index finishing the quarter up 4.5%. Europe's Stoxx50 and Japan's Nikkei were similarly strong over the quarter finishing 4.8% and 2.2% higher respectively.

Sentiment improved late in the quarter as equity markets looked to brush aside geopolitical rumblings such as the threat of nuclear war with North Korea. With markets reacting positively as the Republican Administration finally released a blueprint of corporate tax reforms. Also in the US, the Federal Reserve minutes released in September highlighted the need for further policy normalisation by enacting a program to wind back its balance sheet, a move which pundits labelled QT (quantitative tapering).

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

- ▶ IML continue to be cautious given the competitive pressures impacting companies and the uneven economic environment.

The Fund had a tough quarter with its unit price declining 1.3% against the benchmark's fall of 0.8%. Many of the Fund's mid cap industrial holdings such as Sonic Healthcare, Pact and Events Hospitality all had disappointing quarters although IML remain very comfortable with the management and long term outlook for these companies. On a positive note, Clydesdale Bank, Steadfast and Shopping Centres Australasia all had a solid quarter.

Telstra (TLS) fell 15.2% over the quarter after it surprised investors by cutting its FY18 dividend from the current level of 31cps to a lower than expected 22cps from FY18 onwards. Telstra stated that this new level of dividends represented a payout ratio of 70-90% post NBN earnings and also included an unspecified special dividend component. Subsequent announcements by management indicated that 22cps was a level that the company felt was sustainable for the foreseeable future and was a level from which the company felt it could look to grow from. IML believe that the ongoing caution as to whether the 22cps dividend is sustainable is unwarranted and thus used this weakness to add to the Fund's position late in the quarter.

## Outlook<sup>4</sup>

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 focus their attention on good quality companies that IML believe are well positioned to sustainably grow their earnings and dividends in the years ahead while also maintaining a healthy level of cash in the portfolio as IML await further opportunities to buy good quality Industrial stocks at the right level.

## Top 10 holdings

National Australia Bank
Westpac
Commonwealth Bank
CSL
Insurance Australia Group
Telstra
Clydesdale Bank
Amcor
Fletcher Building
Ansell

## Sector active weights

■ Utilities	3.70%
■ Materials	3.60%
■ Health Care	2.90%
■ Telecomm. Services	-0.20%
■ Consumer Discretionary	-0.30%
■ Information Technology	-0.70%
■ Consumer Staple	-4.40%
■ Financials	-4.50%
■ Industrials	-4.70%
■ Real Estate	-6.20%

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.

## 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](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 (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 30 September 2017 (unless stated otherwise) and is subject to change without notice.

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