

# Sandhurst Industrial Share Fund

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

Despite stronger overseas sharemarkets, the Australian sharemarket closed the month down slightly with the ASX300 down 0.3% in another uncertain and volatile month. The US (S&P500) continued its rally, up 2.8% over the month and the European (Euro Stoxx 50) was up 3.4%, while emerging markets as measured by the MSCI EM were up 2.8%. The ASX performance was held back by the performance of the strong AUD which gained 6.2% against the USD, to finish at a record high of US\$1.097.

Sovereign debt issues continued to resurface over the month as S&P placed US government debt on 'negative watch', & Portugal sought EU funding assistance. While the 1Q US company reports were largely positive with 78% beating expectations, much of this was helped by the weak US dollar. US economic data released indicates that the US economy remains relatively weak with 1Q GDP coming in at only at 1.8% annualized. Due to escalating inflation, the Chinese authorities announced their fourth interest rate hike & seventh increase in the Reserve Bank ratio since the tightening phase began in November. Economic statistics in Australia were mixed with the March quarter CPI coming in at 3.3% which was above expectations largely on the back of rising food prices, employment rose 37.8k in March, while home loan approvals dropped by 5.6% m/m in February. The higher CPI led to predictions that the RBA may have to raise interest rates again later in the year.

Many stocks in the Australian market traded lower on the back of investor concerns over the potential for further tightening from the RBA, as well as on concerns about the negative impact that the high Australian dollar would have on many sectors in the Australian economy – such as the resource, manufacturing, discretionary retail and tourism sectors. The best performing sectors were the Telecommunications (+3.2%) & the Banks (+2.6%) sectors largely because they were seen as unaffected by the surging AUD

While many stocks in the Australian sharemarket remain attractively priced, we believe that given the uncertainties over the strength of earnings growth, the sharemarket will continue to trade in a sideways pattern until investors are confident that economic activity & earnings can rise sustainably in the years ahead. We continue to focus on stocks that we believe can do well in the present environment.

| Fund information                       |                        |
|--|------------------------|
| <b>Sandhurst Industrial Share Fund</b> |                        |
| Application                            | \$1.3912               |
| Redemption                             | \$1.3842               |
| ICR (% p.a.) as at 30 June 2010        | 2.07%                  |
| <b>Fund start date</b>                 | <b>1 December 1999</b> |
| Fund size as at 30 April 2011          | \$256.33 Million       |

| Fund Performance             |              |             |
|------------------------------|--------------|-------------|
| Performance period           | Fund Return* | Benchmark** |
| 1 month                      | +0.7%        | +0.5%       |
| 3 months                     | +2.5%        | +2.3%       |
| 1 year                       | +1.8%        | +0.3%       |
| 3 years <sup>^</sup>         | +0.4%        | -1.0%       |
| 5 years <sup>^</sup>         | +1.1%        | +0.3%       |
| Since Inception <sup>^</sup> | +9.3%        | +6.1%       |

<sup>^</sup> % performance per annum.

\* Performance figures are calculated before tax and after fees and costs; using redemption prices and assumes distributions are reinvested. Past performance is not an indication of future performance.

\*\* The benchmark for this Fund is the S&P/ASX 300 Industrial Accumulation Index.

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

The Fund's unit price rose by 0.7% during the month, which was better than the benchmark's return of 0.5%. This was due to some strong performances from key positions such as Telstra, Sky City and Westpac although Goodman Fielder and CSL both underperformed.

Telstra (+3.2%) traded higher during the month. During the month Telstra announced the acquisition of the 2012-2016 AFL online and mobile rights for c.\$150m. This includes mobile rights to stream all games live & exclusive to mobile phones and tablets & online/IPTV rights that will enable all games to be streamed live to Bigpond customers. Telstra continues to benefit from very strong positive subscriber trends (1.3m new mobile customers this fin year), progression on the NBN deal and the Future Fund sell-down nearing its conclusion.

Sky City also had a good month rising 5.2% during the month as the company continues to make operational improvements. Sky's earnings streams are from its New Zealand and Australia casinos and are consistent in uncertain economic times. Sky City's management is excellent and the co. has a strong balance sheet. We believe SKC is attractively priced with potential growth in VIP play, an expansion in Adelaide, a National Convention Centre in Auckland, and the 2012 Rugby World Cup.

CSL detracted from performance during the month falling 3.9%, mainly on the back of the strong rise in the AUD. This hurts CSL's earnings on a translated basis as the company makes over 80% of its profits in offshore markets. The announcement of the re-entry of Octapharma (a competitor) back into the plasma market also effected sentiment. Despite this, we remain positive on the outlook from CSL, as plasma demand remains strong particularly outside the US. CSL continues to win market share and migrate its customers onto its higher margin premium products.

The overall global economic outlook continues to look mixed. While the US economy continues to slowly recover from recession, uncertainty remains as to how it will perform after June when the Fed's quantitative programme ends. The high AUD is also causing issues for many Australian exporters as well as companies that compete with imports.

### Portfolio holdings

| Portfolio                       | % of Fund |
|---------------------------------|-----------|
| Westpac Banking Corporation     | 13.34%    |
| Commonwealth Bank of Australia  | 9.57%     |
| National Australia Bank Limited | 7.47%     |
| Telstra Corporation Limited     | 7.41%     |
| CSL Limited                     | 4.76%     |
| Amcor Limited                   | 4.21%     |
| Woolworths                      | 4.03%     |
| Amalgamated Holdings Limited    | 3.23%     |
| Sky City Entertainment Group    | 2.84%     |
| Insurance Australia Group       | 2.78%     |
| Top 10 Stocks                   | 59.64%    |
| Other Stocks                    | 31.72%    |
| Cash                            | 8.64%     |
| Total                           | 100.00%   |

For further information contact our Customer Service Centre on 1800 634 969 or visit our website: [www.sandhursttrustees.com.au/investments](http://www.sandhursttrustees.com.au/investments)

The Sandhurst Industrial Share Fund (Fund) is issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906, a subsidiary of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879. Each of these companies 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). This update is provided by Sandhurst and contains general advice only. Please consider your personal circumstances and read the PDS, available at Bendigo Bank branches or by phoning 1800 634 969, before making an investment decision. <sup>#</sup>Sharemarket commentary and Portfolio performance & strategy are provided by Investors Mutual Limited. (SMRISF1005)