



# Sandhurst Professional GVI Global Industrial Fund

As at 30 September 2011

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

World equity markets as measured by the MSCI World Index (unhedged) and MSCI World Index (AUD Hedged) experienced high levels of volatility during the September quarter and fell -8.2% and -14.3% respectively in one of the worst quarterly returns since 2008. The protracted process of resolving the European sovereign debt issues, downgrades to Italy's credit rating and large French banks (Societe Generale and Credit Agricole), the ballooning USA deficit, the unhelpful debt ceiling debate and S&P downgrade all combined to render company fundamentals largely irrelevant over the quarter. The bulk of the third quarter's declines were experienced in late July/early August where a very large proportion of global stock prices moved in a highly correlated manner, non-discriminating between one company and the next. Comments from the IMF that the global economy has entered a "dangerous new phase" with warnings that the US and Europe could fall back into recession exacerbated fears as did comments that the global financial system is more vulnerable now than at any time since the 2008 financial crisis. Predictably, European markets fell heavily (-17.5%) while the Eurozone markets bore the brunt of the falls (-22.2%) as Italy fell by -25.5%, Germany -25.4% and France -24.1%. In the US, the equity markets declined by -14.0% on European woes as well as U.S. Federal Reserve's warning of significant risks to the economy. Reflecting the debt and growth concerns, the Materials sector was worst hit over the quarter (-22.1%) closely followed by Industrials (-20.6%), Financials (-20.5%), Energy (-18.4%) and Consumer Discretionary (-15.9%). Sectors that experienced less drastic falls were IT (-9.4%), Healthcare (-8.3%) and Telecoms (-7.5%) with Utilities (-5.2%) and Consumer Staples (-4.0%) sectors proving more resilient.

## Fund information

Application	\$0.7049
Redemption	\$0.7007
ICR (% p.a.) as at 30 September 2011	1.40%
<b>Fund start date</b>	<b>1 June 2006</b>
Fund size as at 30 September 2011	\$39.33 Million

## Fund performance

Performance period	Fund return*	Benchmark**
1 month	-5.4%	-6.0%
3 months	-15.0%	-14.3%
1 year	-8.3%	-1.6%
3 years <sup>^</sup>	-4.8%	-0.1%

<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 MSCI World Accumulation Index (AUD) Hedged.



# Sandhurst Professional GVI

## Global Industrial Fund

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

The GVI Global Industrial Share Funds Hedged and Unhedged moderately underperformed their respective benchmarks over the quarter which was largely attributable to the relatively large contingency of European-based global companies that fell in tandem with the broader Eurozone markets. While we commenced moving the portfolio towards US, UK and Japanese markets in July on the basis that the escalating macro/political risks in Europe outweighed the benefits of attractive valuations, the speed and scale of the Euro market falls affected overall results.

However, the results could have been far worse if not for the decision to reduce European equity exposure during the early part of the quarter. Companies that detracted the most from performance over the quarter were, Vallourec, Daimler, Bayer, Verbund CNOOC and Wacker Chemie while stocks that provided positive returns included Newmont Mining, Cheung Kong Infrastructure, Medtronic, Singapore Telecom, WellPoint and Vodafone. The European regional exposure at the start of the quarter was 43.3% and at quarter's end, it was 21.0% (incl. UK) while North American exposure rose from 18.7% to 43.9% over the same period. We initiated positions in quality companies such as Medtronic, Hitachi, IHI Corporation, K's holdings, BSKyB, Cisco systems, Dell and International Power.

The main challenge for investors today is the way in which government policy will tackle the issues mentioned above. As long-term value investors, the periods of highest uncertainty and fear also represent the most compelling opportunities for long term investment. If we look beyond current volatility and take a three year view from current levels, we believe investing in companies that can deliver very good earnings streams, generate healthy after-tax free cashflow yields, have solid balance sheets and reward shareholders along the way with growing dividend payments, it will be an effective way to weather the market fluctuations. Many of these companies are trading at heavily discounted prices. This month we feature UK television service provider BSKyB.

**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 Professional GVI Global Industrial Fund (Fund) is issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906, a subsidiary of Bendigo and Adelaide Bank Limited (Bank) 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). Investments in this Fund are not deposits with, guaranteed by, or liabilities of the Bank or any of its subsidiaries. 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 & summary are provided by Global Value Investors Limited.

The information provided in this update is current as at 30 September 2011 and is subject to change.

### Portfolio holdings

International region allocation	% of Fund
Europe	21.0%
North America	43.9%
Asia	17.1%
Cash (Australia)	4.1%
United Kingdom	13.9%
<b>Total</b>	<b>100.0%</b>

Please note the portfolio information 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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