

1.39% p.a.¹

Year ending 30 November 2018

Sandhurst Future Leaders Fund

Monthly fund update - November 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 performance¹

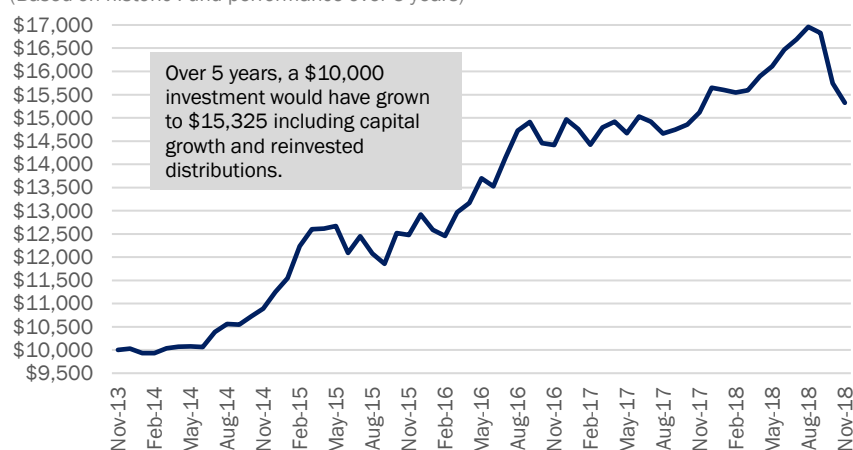
as at 30 November 2018

	Morningstar Rating™ Overall 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	★★★	10/18	-2.68	-9.64	1.39	7.09	8.91
Benchmark ²			-2.90	-12.10	-3.10	10.80	9.40

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance over 5 years)



Fund facts

Fund APIR code	STL0011AU
Fund start date	7 June 2002
Fund size	\$16.59 m
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	5 years +
Risk level	High

Unit price (ex distribution)

Application price	\$0.97005
Withdrawal price	\$0.96522

Distribution details (cents per unit)

30 December 2017	\$0.02400
30 June 2018	\$0.03555

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

► Global sharemarkets endured another volatile month, albeit finding support from a more supportive US Fed

► The Fund's ex-50 benchmark finished down another -2.9%, with the Energy sector particularly weak

Global equity markets endured another volatile month, albeit finishing +1.3% higher courtesy of a sharp rally late in the month. The US S&P 500 index finished the month up +1.8%, rebounding +5% in the final week of the month, whilst the tech heavy NASDAQ index rebounded +8% to finish the month flat. The catalyst for the rally was a more dovish tone from the US Federal Reserve, detailing that their key policy rate was now marginally below the neutral rate, implying a less aggressive path of interest rate rises into 2019. Europe's Stoxx 50 index fell -0.8% as the continent muddles through the latest Brexit saga as the March 2019 deadline fast approaches, coupled with concerns over Italy's fiscal largesse and French riots over increases in the price of diesel.

The broader Australian sharemarket had another negative month with the ASX 300 down -2.2%. The weakness in our sharemarket was led by the large cap Resources sector which fell -6.5%, in sympathy with the weakness in the prices of both oil and iron ore. Similarly, the ex 50 index had a challenging month shedding -2.9%, with Resources weighing on overall returns, in particular the Energy sector which was down -12%.

The Industrials ex-50 segment returned -1.9% with the IT sector, the only sector to manage a positive return following its heavy sell off the month prior on excessive valuation concerns, after a profit upgrade by Appen helped sentiment. Elsewhere an upbeat AGM from Costa Group saw its share price gain +25% (leaving the company trading on a PE of 26 times), takeover bids for TradeMe and Greencross helped stymie general weakness within the Consumer Discretionary sector which finished down -2.1%.

Pact Group
Crown Resorts
Southern Cross Media
Bank of Queensland
Spark Infrastructure
Z Energy
Integral Diagnostics
GWA Group
Skycity Entertainment
Clydesdale Bank

Portfolio performance & summary⁴

► The sell-off and pick up in volatility allowed IML to selectively top up the Fund's positions in good quality industrials

In a challenging and volatile month, the Fund finished -2.7% lower, which while disappointing was slightly above the benchmark's return of -2.9%. The portfolio benefited from many solid performances in a difficult market with Integral Diagnostics, Qantm, A2B (previously known as Cabcharge), Ruralco, Genesis Energy and recent addition Regis Healthcare all gaining over the month. The portfolio was impacted by weakness in the share prices of Clydesdale Bank, Mayne Pharma and Integrated Research and general weakness in the market which saw many share prices trade lower as buying support for many stocks dried up.

Qantm Intellectual Property (QIP) rallied over the month following news of a merger with Xenith IP Group, which will lead to the unlocking of \$7m of synergies. With this announcement the industry leader, IPH, also announced their interest in bidding for QIP for a mixture of cash and scrip. We are of the belief that the IPH proposal is a superior outcome for shareholders and are engaged with the company to see that this proposal is pursued.

Clydesdale Bank fell heavily over the month following the release of the bank's FY18 result after they pointed to unexpected margin deterioration in the recently acquired Virgin Money operation. This margin pressure is expected to ease in FY20 once Clydesdale is able to integrate Virgin's operations into the bank and utilise the cheaper cost of funding from its deposit base to help fund Virgin's loan book.

Outlook⁴

Investor confidence has been shaken in the last few months as various macro issues continue to cloud the outlook for economic growth as we enter 2019. These issues include weakness in China's economy and continued uncertainty with the trade tariffs and Brexit. In Australia, the situation is further clouded by the impending Federal election in early 2019 while policy uncertainty in areas such as Banking and Electricity is also undermining investor confidence. IML remain cautious on the sharemarket and look for opportunities to use weakness in good quality companies to put some of the Fund's cash holding to work. Thus, over the month IML took the opportunity to top up the Fund's holdings in well run companies such as Southern Cross Media and Regis Healthcare which in their view offer very good medium to long term prospects.

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 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.
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.

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This information is current as at 30 November 2018 (unless stated otherwise) and is subject to change without notice.

