

Monthly fund update - December 2020

Investment approach

Each Fund provides access to a selection of high quality, specialist active and index investment managers across a variety of asset classes via its underlying investments. The investment portfolios provide access to investments which have been constructed in a manner that Sandhurst believes will meet the investment return objective of each Fund. Each Fund aims to provide a total return after fees in excess of a stated percentage above inflation over a full market cycle (typically 7 to 10 years), where inflation is measured by the Australian Consumer Price Index (CPI).

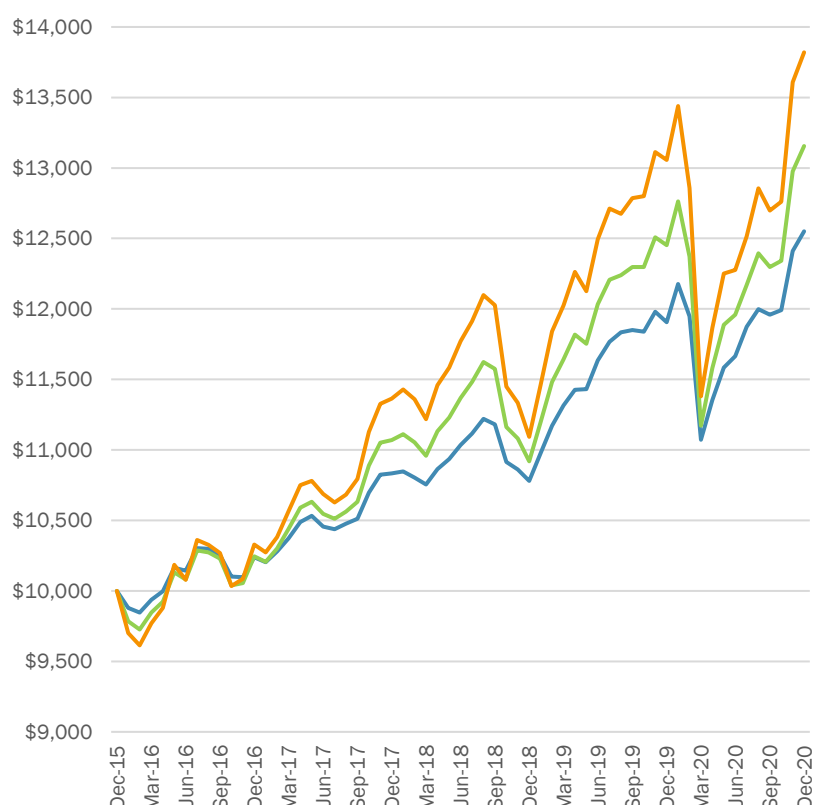
Fund performance¹

as at 31 December 2020	Distribution (cents per unit)	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Sandhurst Conservative Fund	\$0.0079	4.94	5.42	5.03	4.65	5.35
Sandhurst Balanced Fund	\$0.0083	6.98	5.64	5.92	5.64	5.50
Sandhurst Growth Fund	\$0.0089	8.84	5.85	6.74	6.68	6.02

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance over 5 years)



Fund facts

Fund inception date	7 June 2002
Distribution frequency	Half yearly

Sandhurst Conservative Fund

Fund APIR Code	STL0008AU
Return objective	CPI + 1.5%
Recommended investment timeframe	3 years +
Risk level	Low to medium
Management costs ²	1.50% p.a.
Buy / Sell Spread ²	+0.13%/-0.15%

Sandhurst Balanced Fund

Fund APIR Code	STL0009AU
Return objective	CPI + 2.5%
Recommended investment timeframe	4 years +
Risk level	Medium
Management costs ²	1.50% p.a.
Buy / Sell Spread ²	+0.14%/-0.15%

Sandhurst Growth Fund

Fund APIR Code	STL00010AU
Return objective	CPI + 3.5%
Recommended investment timeframe	5 years +
Risk level	Medium to high
Management costs ²	1.50% p.a.
Buy / Sell Spread ²	+0.15%/-0.15%

Do you have any questions?

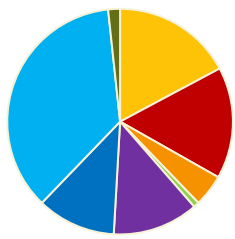
For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Unit prices

as at 31 December 2020	Application price	Withdrawal price
Sandhurst Conservative Fund	\$1.05592	\$1.05297
Sandhurst Balanced Fund	\$1.13692	\$1.13362
Sandhurst Growth Fund	\$1.08879	\$1.08553

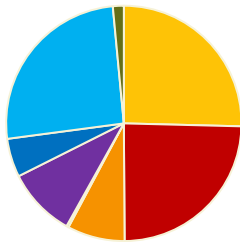
Asset allocation

Sandhurst Conservative Fund



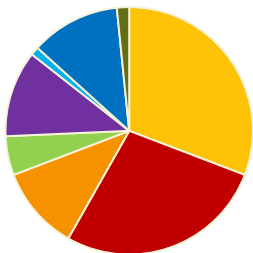
■ Aust Sh	17.2%
■ Int Sh	16.0%
■ Int Sh (Hedged)	4.6%
■ Property & Infra	0.8%
■ Cash	12.3%
■ Int FI	11.3%
■ Aust FI	36.1%
■ Alternative	1.7%

Sandhurst Balanced Fund



■ Aust Sh	25.4%
■ Int Sh	24.5%
■ Int Sh (Hedged)	7.9%
■ Property & Infra	0.3%
■ Cash	9.5%
■ Int FI	5.3%
■ Aust FI	25.6%
■ Alternative	1.5%

Sandhurst Growth Fund



■ Aust Sh	30.8%
■ Int Sh	27.4%
■ Int Sh (Hedged)	11.0%
■ Property & Infra	5.1%
■ Cash	11.3%
■ Int FI	1.1%
■ Aust FI	11.7%
■ Alternative	1.6%

Performance commentary

From both a peer relative and absolute return perspective, the Sandhurst Diversified Funds performed well over the quarter. Risk assets across the board all performed strongly, with tilts away from infrastructure towards emerging markets within the growth allocation and positions in inflation linked bonds within the defensive component, both proving beneficial. Active management was mixed with outperformance from T Rowe Price (global equities) benefiting the Funds over the quarter, while AB Managed Volatility (Australian equities) detracted.

Looking forward, we believe the Funds are well positioned for any potential rise in inflation with a meaningful exposure to gold, inflation linked bonds and emerging markets.

Economic commentary

Over the quarter markets were focussed on the outcome of the US Presidential election and COVID-19 vaccine, both of which significantly boosted share markets over the quarter. Given the outcome of the election, market consensus further shifted to a higher inflation probability. This was reflected in a higher Australian dollar, emerging market outperformance versus developed markets, a strong rise in commodity prices and rising bonds yields. The Democrats policies are clearly pro inflation and growth, with proposals for large scale infrastructure (including clean energy), health care funding, debt forgiveness and cash payouts. The Georgia run-off elections have been pivotal in regard to whether Democrat policies pass through the senate, with both Democrat candidates in Georgia, tipping the delicate balance of the senate into the hands of the Democrats.

Given vaccine rollouts throughout much of the developed world, markets are seeing through the rapid spread of COVID-19 in which is enforcing growth crippling shutdowns. Given cheap money, markets remain somewhat speculative in pockets, with many unproven businesses with little or no earnings continuing to attract investment.

Within Australia, the Reserve Bank of Australia (RBA) cut interest rates to a record low of 0.10% in November, reduced the targeted yield of the 3 year Australian Government bond to around 0.1% and announced the purchase of \$100 billion of government bonds of maturities of around 5 to 10 years over a six month period. The RBA expects a protracted and uneven recovery, and the measures undertaken are expected to lower financing costs for borrowers, contribute to a lower exchange rate than otherwise and support asset prices, in which in-turn would help to strengthen corporate and household balance sheets. Despite these measures the AUD has risen against the USD from around 71.5c upon the November announcement to close to 77c as of the end of December. This presents a problem for the RBA, in which a higher exchange rate negatively impacts export led industries.

Looking forward, markets will be shaped by government policies. Monetary policy has largely run its course in its ability to stimulate the economy. Given high global debt levels, governments hold preference to inflate out of the debt situation, in which we are likely to see rates held low and continued government stimulus until persistent inflation and growth emerges.

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. Funds start date 7 June 2002.
2. Other fees and costs may apply. See the Product Disclosure Statement for full details.

The managed funds detailed in this update (individually referred to as 'Fund' or collectively as 'Funds') are issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906 a subsidiary of Bendigo and Adelaide Bank Limited (the Bank) ABN 11 068 049 178 AFSL 237879. Sandhurst and the Bank receive remuneration on the issue of the Funds or the service they provide, full details of which are contained in the relevant Product Disclosure Statement (PDS). Investments in the Funds are not deposits with, guaranteed by, or liabilities of the Bank or any of its related entities. Economic and outlook forecasts are not guaranteed to occur. Sandhurst has prepared this document based on information available to it. The information and opinions provided in this document have not been verified and Sandhurst has no obligation to notify you in the event that any information or opinions change. No representation is made to the fairness and accuracy of the information, opinions and conclusions contained in this document. This update is provided by Sandhurst and contains general advice only. Please consider your situation and read the relevant PDS available at www.sandhursttrustees.com.au/pds, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

The information is current as at 31 December 2020 (unless stated otherwise) and is subject to change without notice.

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