

## Monthly fund update - January 2021

### 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).

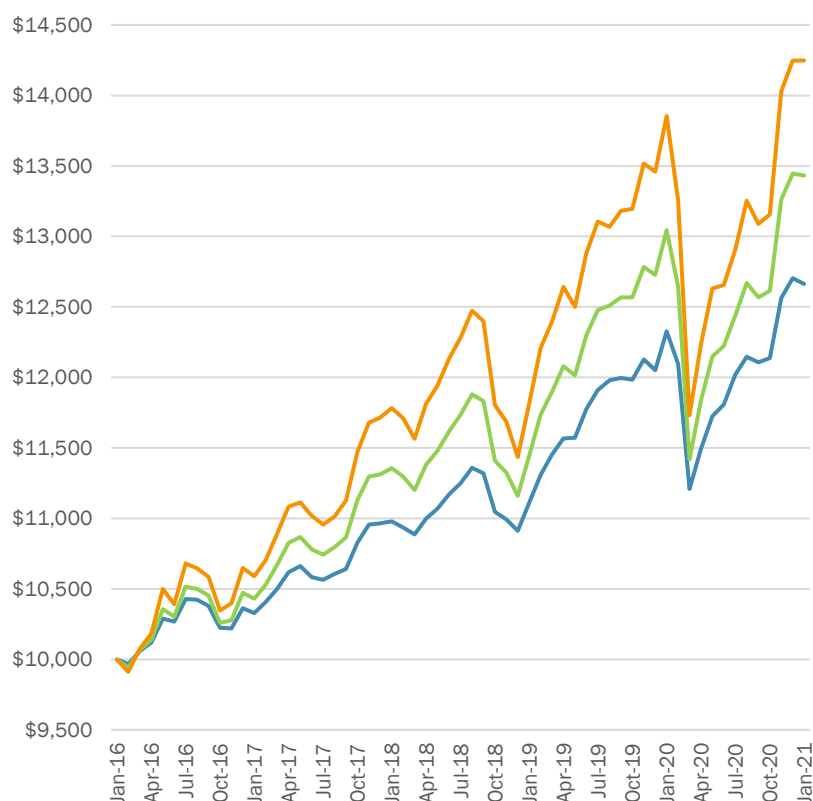
### Fund performance<sup>1</sup>

as at 31 January 2021	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
<b>Sandhurst Conservative Fund</b>	4.33	2.73	4.87	4.84	5.31
<b>Sandhurst Balanced Fund</b>	6.49	2.96	5.76	6.08	5.47
<b>Sandhurst Growth Fund</b>	8.31	2.85	6.54	7.34	6.00

### 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 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 <sup>2</sup>	1.550% p.a.
Buy / Sell Spread <sup>2</sup>	+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 <sup>2</sup>	1.569% p.a.
Buy / Sell Spread <sup>2</sup>	+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 <sup>2</sup>	1.586% p.a.
Buy / Sell Spread <sup>2</sup>	+0.15%/-0.15%

### Do you have any questions?

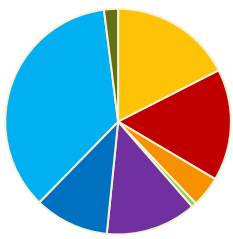
For further information contact us on 1800 634 969 or visit [www.sandhursttrustees.com.au](http://www.sandhursttrustees.com.au)

### Unit prices

as at 31 January 2021	Application price	Withdrawal price
<b>Sandhurst Conservative Fund</b>	\$1.05254	\$1.04959
<b>Sandhurst Balanced Fund</b>	\$1.13575	\$1.13246
<b>Sandhurst Growth Fund</b>	\$1.08884	\$1.08558

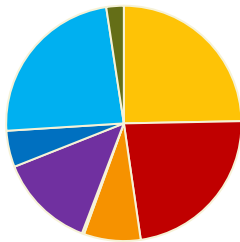
## Asset allocation

### Sandhurst Conservative Fund



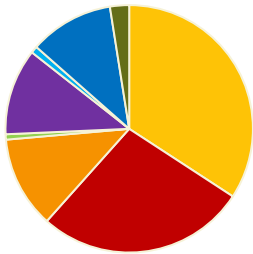
■ Aust Sh	17.5%
■ Int Sh	16.0%
■ Int Sh (Hedged)	4.4%
■ Property & Infra	0.7%
■ Cash	13.0%
■ Int FI	10.7%
■ Aust FI	35.7%
■ Alternative	2.0%

### Sandhurst Balanced Fund



■ Aust Sh	24.7%
■ Int Sh	23.0%
■ Int Sh (Hedged)	7.8%
■ Property & Infra	0.3%
■ Cash	13.2%
■ Int FI	5.0%
■ Aust FI	23.6%
■ Alternative	2.4%

### Sandhurst Growth Fund



■ Aust Sh	34.2%
■ Int Sh	27.4%
■ Int Sh (Hedged)	12.0%
■ Property & Infra	0.7%
■ Cash	11.3%
■ Int FI	0.9%
■ Aust FI	11.0%
■ Alternative	2.5%

## Performance commentary

Performance across the Funds was flat for January, as a late selloff in equity markets eroded early month gains. Over the month interest rates moved higher as markets began to price in higher inflation on the back of proposed government spending by the Biden Administration. The Fund's overweight positions in emerging markets and underweight in listed property aided returns over the month. Detracting from performance was the Funds positioning in Australian inflation linked bonds, in which markets expectations for inflation over the longer term did not move in line with rising bond yields. Active manager returns were mixed, with some outperformance from Bennelong mitigating small underperformance in other parts of the portfolio.

Looking forward, we believe the Funds are well positioned. Higher inflation is our base case, resulting in our overweight exposures to emerging markets, inflation linked bonds and Australian equities over interest rate sensitive investments infrastructure and listed property.

## Economic commentary

The month of January was a tale of two halves as markets rallied following the new year, before giving back gains to close the month mostly flat across the majority of risk assets. The catalyst for the late month correction being complications in vaccine rollouts, new outbreaks, and general concerns the market had got too far ahead of itself. While economic data releases were thin, notable market events include a re-rating in inflation expectations, particularly over the shorter term. US two-year breakeven inflation rates (investment markets expectation for forward inflation), lifted from approximately 2% to 2.4% by month end. This led to losses in bond markets as bond yields followed inflation expectations higher.

The predominate source of higher inflation expectations stemmed from the Georgia Senate runoff elections in early January. Whilst unassuming on face value, the weight of Democratic policy sat on the shoulders of senate candidates 33 year old Jon Ossoff and Reverend Raphael Warnock. The 2020 US election resulted in 48 – 50 Democrat to Republican Senate, with two seats undecided due to Georgia election laws requiring a candidate to obtain a minority 50% of the vote. A tip to an even Senate held large consequences in the Biden's administration to pass legislation, with a Republican victory reminiscent of the second term Obama administration in which a Republican senate majority formed a roadblock for Democrat policy change.

Biden's agenda is inflationary in nature, with large direct payments to households and states, student debt forgiveness, large scale infrastructure expenditure and healthcare support much of which requires Senate approval. Given the victory of the two Democrat candidates, this tipped the power of the Senate towards the Democrats, resulting in the market rapidly rerating inflation.

### 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. Management costs are based on costs incurred by the Fund in the past financial year and may be different in the current and future financial years. 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](http://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 January 2021 (unless stated otherwise) and is subject to change without notice.

Proudly part of



**Bendigo and  
Adelaide Bank**