Sandhurst Diversified Funds

(Previously known as Bendigo Managed Funds)

SandhurstTrustees

Monthly fund update - June 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[1]

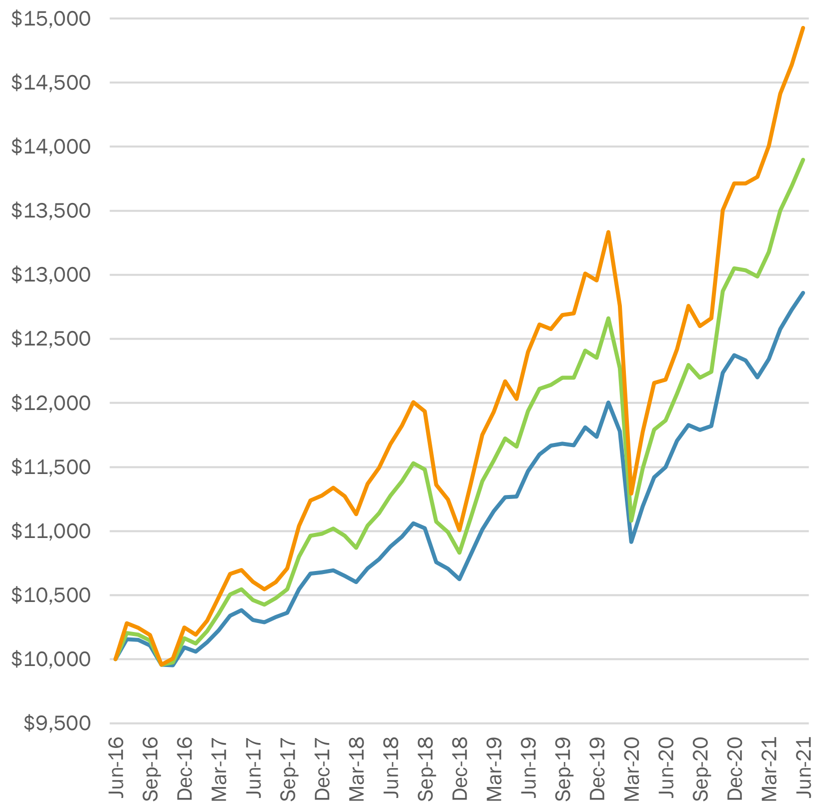
as at 30 June 2021

	Distribution (cents per unit)	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Sandhurst Conservative Fund	$0.0809	4.19	11.82	5.73	5.16	5.42
Sandhurst Balanced Fund	$0.1049	5.46	17.16	7.21	6.80	5.70
Sandhurst Growth Fund	$0.1058	6.57	22.54	8.52	8.34	6.33

An example of how your investment grows

Growth of $10,000[1]

(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]	1.550% 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]	1.569% 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]	1.586% 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

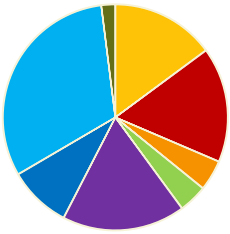
as at 30 June 2021

	Application price	Withdrawal price
Sandhurst Conservative Fund	$1.01635	$1.01351
Sandhurst Balanced Fund	$1.10562	$1.10242
Sandhurst Growth Fund	$1.07904	$1.07581

Refer to the next page for footnotes

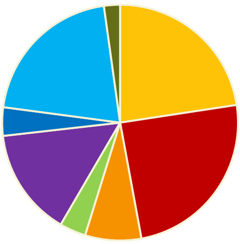
Asset allocation

Sandhurst Conservative Fund



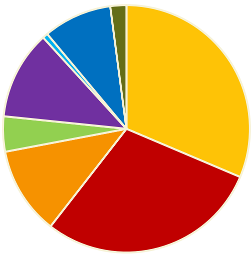
Aust Sh	14.9%
Int Sh	16.5%
Int Sh (Hedged)	4.4%
Property & Infra	4.1%
Cash	17.7%
Int FI	9.0%
Aust FI	31.4%
Alternative	2.0%

Sandhurst Balanced Fund



Aust Sh	22.6%
Int Sh	24.5%
Int Sh (Hedged)	7.7%
Property & Infra	3.6%
Cash	14.8%
Int FI	3.9%
Aust FI	20.7%
Alternative	2.2%

Sandhurst Growth Fund



Aust Sh	31.4%
Int Sh	29.2%
Int Sh (Hedged)	11.5%
Property & Infra	4.6%
Cash	11.6%
Int FI	0.7%
Aust FI	9.0%
Alternative	2.1%

Performance commentary

Over the quarter investment markets produced high positive returns, resulting in great outcomes across the portfolios. The Funds outperformed the Morningstar peer group over the quarter and over the financial year. Given the strength of the rebound from the Covid lows in March 2020, returns for the financial year ranged from 11.8% for the conservative portfolio up to 22.5% for the growth fund.

Positioning in Australian inflation linked bonds over fixed coupon bonds benefited the Funds. Inflation linked bonds offer protection within the portfolio against rising inflation and will outperform fixed coupon bonds when inflation rises faster than market interest rates. Detracting from performance was overweight positions in emerging markets which underperformed developed world equities.

Economic commentary

The past quarter was a strong period for investment markets with the Australian sharemarket (S&P ASX 300) and the US sharemarket (S&P 500) both up over 8%. In what was a deviation from the previous quarter, interest rates and inflation expectations both fell, providing capital gains in fixed income bonds. Given the fall in inflation expectations, this led to a shift from investors out of cyclical stocks, such as banks and resource companies, into higher growing segments of the market such as technology.

Over the quarter global economic data flow on an annualised basis impressed. The closely watched US CPI rose to 5.4% year on year, as Covid related bottlenecks continue to disrupt supply chains. Much of the data over the quarter was impacted by what is termed the base effect, in which data appears abnormally strong given the starting point is from the cyclical low, being the Covid impacted May and June 2020 period.

Within Australia, low interest rates, home builder grants, first home buyer incentives, stamp duty concessions together with falling vacancy rates and improvements in the labour market have led to a red-hot residential property market. Lending by owner occupiers is up more than 60% prior to the pandemic, while lending by investors is at the strongest since 2015. Given this rapid expansion of credit, this is expected to provide a strong tailwind to the economy over the preceding 12 months. Historically rapid expansion of household credit has the tendency to increase inflation over the shorter term, while being deflationary over the longer horizon, as the increased debt is required to be repaid, which reduces aggregate demand.

Over the quarter global central banks, including the Australia's RBA, hinted that cash rates may need to eventually rise. This has resulted in an increase interest rates over the one-to-five-year period, while longer term rates have fallen (a flattening of the yield curve). Essentially interest rate markets believe that if cash rates rise over the shorter term, this will decrease demand and inflation over the longer term.

Looking forward, risks to the upside and downside appear evenly balanced. High monetary and fiscal government support and low interest rates, against the new delta strain and China political tensions, make the outlook cloudy at best. Given the array of outcomes, diversification is key across asset class, security, region, and currency.

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.