

Sandhurst Diversified Funds

Quarterly fund update - June 2023

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 30 June 2023

| | Distribution (cents per unit) | 3 months % | 1 year % | 3 years %p.a. | 5 years %p.a. | Since inception %p.a. |
|------------------------------------|----------------------------------|------------|----------|---------------|---------------|-----------------------------|
| Sandhurst Conservative Fund | \$0.0077 | -0.21 | 4.08 | 2.27 | 2.49 | 4.67 |
| Sandhurst Balanced Fund | \$0.0078 | 0.34 | 5.30 | 3.85 | 3.33 | 4.92 |
| Sandhurst Growth Fund | \$0.0058 | 0.66 | 5.80 | 5.52 | 4.15 | 5.50 |

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 fees & costs ² | 1.42% p.a. |
| Buy / Sell Spread ² | +0.12%/-0.15% |

Sandhurst Balanced Fund

| | |
|--------------------------------------|---------------|
| Fund APIR Code | STL0009AU |
| Return objective | CPI + 2.5% |
| Recommended investment timeframe | 4 years + |
| Risk level | Medium |
| Management fees & costs ² | 1.44% p.a. |
| Buy / Sell Spread ² | +0.14%/-0.16% |

Sandhurst Growth Fund

| | |
|--------------------------------------|----------------|
| Fund APIR Code | STL00010AU |
| Return objective | CPI + 3.5% |
| Recommended investment timeframe | 5 years + |
| Risk level | Medium to high |
| Management fees & costs ² | 1.47% p.a. |
| Buy / Sell Spread ² | +0.15%/-0.16% |

Do you have any questions?

For further information contact us on
1800 634 969 or visit our website:
www.bendigobank.com.au/managedfunds

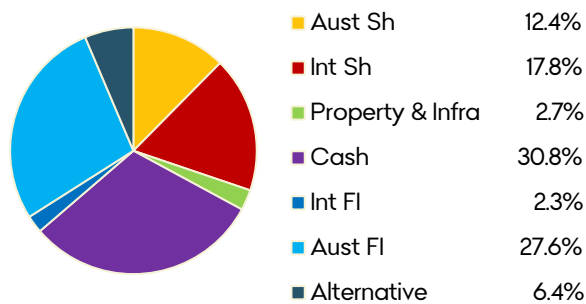
Unit prices

as at 30 June 2023

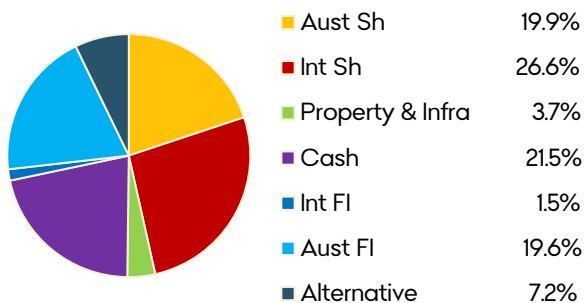
| | Application price | Withdrawal price |
|------------------------------------|-------------------|------------------|
| Sandhurst Conservative Fund | \$0.96213 | \$0.95953 |
| Sandhurst Balanced Fund | \$1.01300 | \$1.00996 |
| Sandhurst Growth Fund | \$0.95475 | \$0.95179 |

Asset allocation

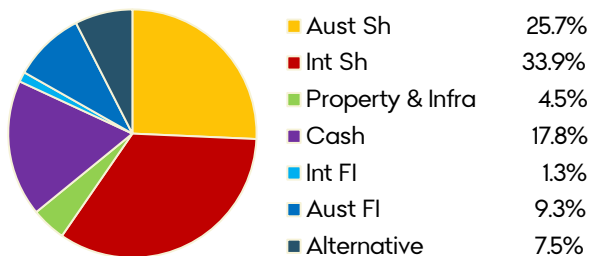
Sandhurst Conservative Fund



Sandhurst Balanced Fund



Sandhurst Growth Fund



Performance commentary

The Funds have underperformed peers over the period. Driving the relative performance was a preference for cash yielding investments, defensive equities and the net underexposure to US technology companies. We believe equity markets are not an attractive proposition at this point given the headwinds to earnings, high valuations and an attractive alternative in fixed income and cash. Whilst we acknowledge equity markets may move higher over the shorter term, we believe a sustained move higher in prices requires robust earnings growth, in which this ingredient is missing from the market.

Economic commentary

Returns for the quarter were mixed across asset classes, with Australian and European equity markets relatively flat, UK lower, while the US share market rose strongly. Positioning within equities globally has been well below historical averages, with the threat of a global recession driven by rising interest rates holding investors on the sideline. Over the period investors were drawn into large technology stocks of the likes of Apple, Nvidia, Tesla, Microsoft and Meta as the allure of artificial intelligence coupled with safe balance sheets gave the green light for investors starved of good ideas, despite the high valuations of this segment of the market.

We believe equity markets to be particularly challenging. The mechanism of central banks raising interest rates to reduce inflation, is via the demand function. Rising interest costs result in companies scaling back future investments due to the higher cost of capital, and consumer demand falling as interest burdens gain a higher proportion of the household budget. Whilst we have seen some softening in economic conditions, the consumer has been surprisingly resilient, particularly in the US.

Generally, equity markets are expensive relative to historical averages, particularly US technology companies, which we believe do not reflect the headwinds facing the market. Buoying valuations is the large amount of global wealth that was accumulated through the ultra-stimulatory conditions following the pandemic. Whilst there are cheap areas of the market, these are in areas of the market more sensitive to slowing economic conditions such as resources, energy and global banks. Outside of equities, there are good opportunities in debt markets with high interest rates offering attractive yields.

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 fees & costs are based on fees and 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.bendigobank.com.au/managedfundsforms, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

For target market determination: www.bendigobank.com.au/TMD

The information is current as at 30 June 2023 (unless stated otherwise) and is subject to change without notice.