

## Monthly fund update - February 2021

### Investment approach

The Fund aims to provide customers with regular income. The Fund will invest in a portfolio of Credit Securities to generate regular income consistently higher than traditional cash investments. The Fund will be actively managed to balance risk and return opportunities through different market conditions.

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

as at 28 February 2021	Fund return	Benchmark <sup>2</sup>	Excess return
1 month (%)	0.17	0.00	0.17
3 months (%)	1.00	0.00	1.00
6 months (%)	2.07	0.03	2.04
Since inception (%)	4.55	0.07	4.48

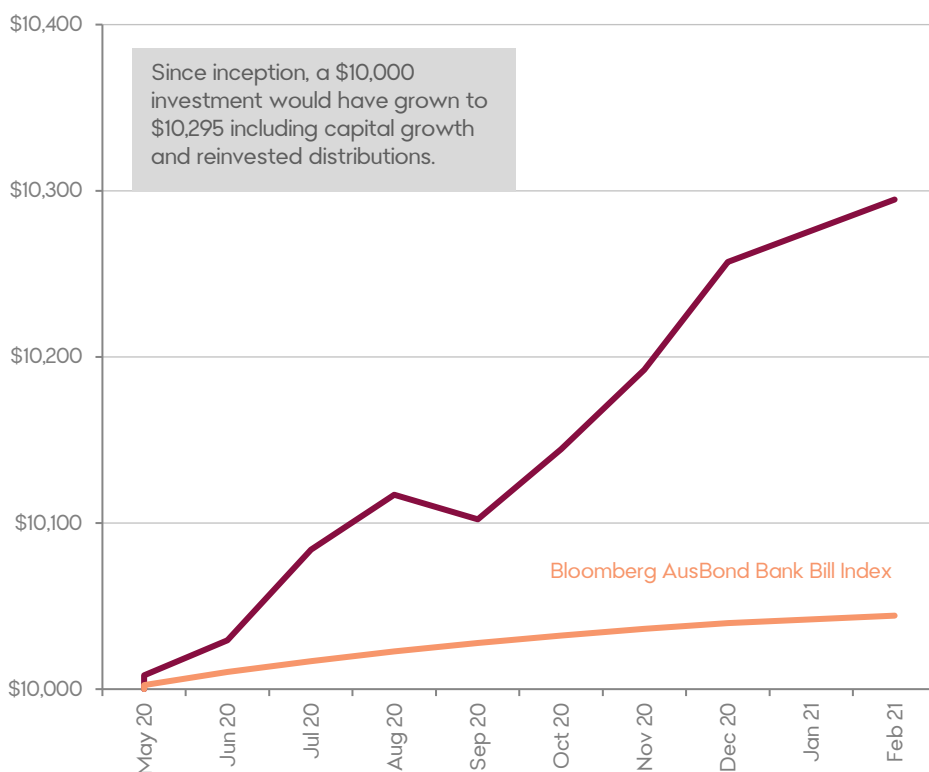
### Fund facts

Fund APIR code	STL8864AU
Fund start date <sup>3</sup>	20 May 2020
Management costs <sup>4</sup>	0.60% p.a.
Buy / Sell spread <sup>4</sup>	+0.04% / -0.20%
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	2 years +
Risk level	Low to medium

### An example of how your investment grows

#### Growth of \$10,000<sup>1</sup>

(Based on historic Fund performance since inception)



### Unit price

as at 28 February 2021

Application price	\$1.02742
Withdrawal price	\$1.02495

### Distribution details (cents per unit)

30 Jun 20	\$0.00208
30 Sep 20	\$0.00310
31 Dec 20	\$0.00450

### Do you have any questions?

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

### Benefits of investing

- ▶ regular income from quarterly distributions;
- ▶ access to a diversified credit portfolio therefore reducing your risk and potentially enhancing returns;
- ▶ there's no requirement to rollover or lock away your investment for a fixed term; and
- ▶ a regular savings plan option from \$50 per month.

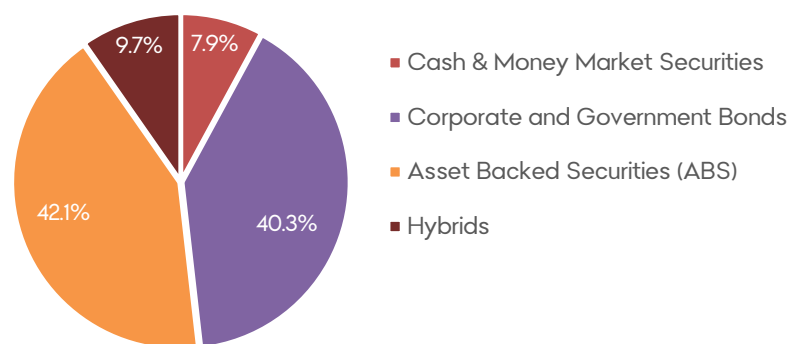
## Portfolio performance

Bond markets were the focal point through the month of February as fears of inflation caused a liquidation of bond positions globally. Further fuelling those fears was growing optimism on another stimulus package in the US turning more attention to high valuations in the equity market. The story around inflation challenged central bank views globally and caused ripple effects throughout many other asset classes bringing volatility back to the forefront of markets.

In Australian credit, the beginning of the month saw tier 2 subordinated credit spreads tighten aggressively. Major bank tier 2 securities experienced some of the quickest spread compression in 12 months: tightening by more than 20 basis points. That momentum soon turned with the selloff in bonds and equities prompting a couple of large accounts to sell down large blocks of tier 2 securities instigating a dramatic move wider in spreads. All of which occurred in the last five days of February seeing a circa 15 basis point widening in tier 2 credit spreads. Due to the early rally in spreads, the month ended in positive territory, but the last-minute widening impacted return. Other credit products such as ABS and Hybrids were relatively immune to the volatility and posted modest returns for the month.

It was a different story for the senior unsecured FRN market. The beginning of the month came with selling pressure moving spreads slightly wider. The market has been focussing ahead on when the RBA's Term Funding Facility (TFF) expires, and what the implications could be for when major banks funding needs increase again. The expiry of the TFF could see major banks return to the senior unsecured market and many see that as a catalyst for further spread widening. That coupled with the volatility experienced in the latter half of the month exacerbated moves in senior unsecured FRN's.

## Asset allocation



Culminating in a mixed result for the month with short dated senior unsecured FRNs holding steady as the long end steepened with those securities seeing negative price moves.

The Fund reduced exposure to tier 2 subordinated bonds from major banks as a response to the unease in markets. The proceeds from these trades were placed into cash as the fallout from the volatility was assessed as being temporary or something more systemic. The investment team have been monitoring trading desk activity closely focussing on the levels of liquidity being provided to various credit products. The volatility has thus far been temporary in nature although a cautious tone remains evident. The investment team continue to focus on liquidity and sentiment with a preference on shorter dated securities in the ABS space.

The investment team continue to monitor forbearance impacts caused by COVID-19. Going forward the focus is assessing credit and macro risks for each investment and revaluating the appropriate risk adjusted return for each position.

### 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 Bloomberg AusBond Bank Bill Index.
3. The Fund commenced on 20 May 2020 and issued as a retail offering 11 February 2021.
4. 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 Bendigo Income Generation Fund (Fund) is issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906 a subsidiary of Bendigo and Adelaide Bank Limited (Bank) ABN 11 068 049 178 AFSL 237879. Sandhurst and the Bank receive remuneration on the issue of the Fund or the service they provide, full details of which are contained in the Product Disclosure Statement (PDS). Investments in the Fund 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 provided in this document has not been verified. Accordingly, 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. Details of applicable fees and costs are set out in the PDS. Please consider your situation and read the PDS available at [www.bendigobank.com.au/managedfundsforms](http://www.bendigobank.com.au/managedfundsforms), any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

This information is current as at 28 February 2021 (unless stated otherwise) and is subject to change without notice.

Proudly part of



**Bendigo and  
Adelaide Bank**