

# Bendigo Diversified Fixed Interest Fund

## Monthly fund update - December 2020

### Investment approach

The Bendigo Diversified Fixed Interest Fund (Fund) aims to provide investors with regular income by investing via a strategically managed selection of high quality Australian and international fixed interest managers. The Fund adopts a blend of expert active and index investment managers.

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

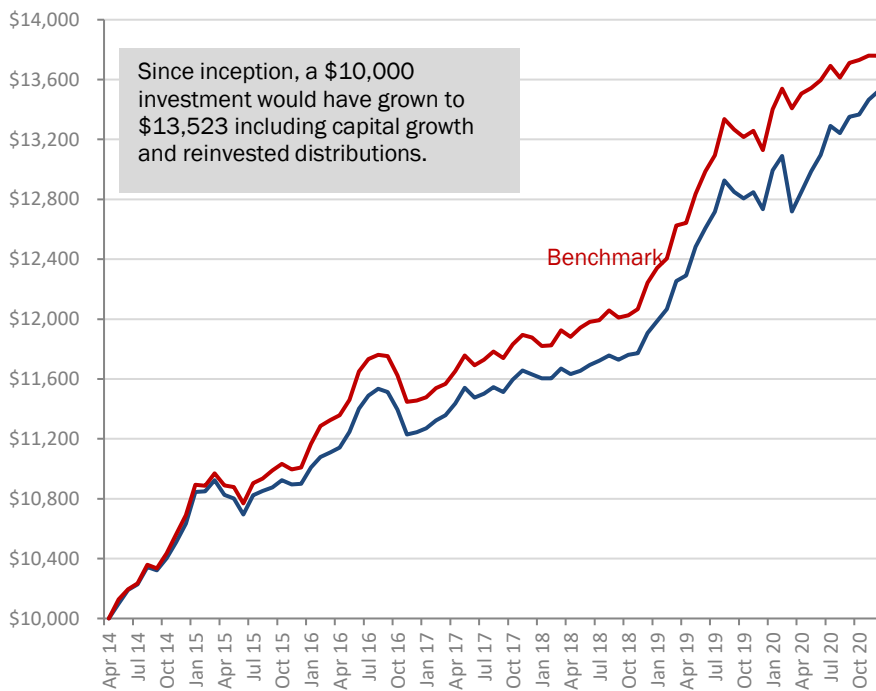
as at 31 December 2020

	Morningstar Rating™ Overall <sup>3</sup>	Morningstar Category Rank 3 Year <sup>3</sup>	3 months %	1 year %	3 years %	5 years %p.a.	Since inception %p.a.
Bendigo Diversified Fixed Interest Fund	★★★★	3/49	1.29	6.19	5.16	4.41	4.63
Benchmark <sup>2</sup>			0.34	4.79	5.02	4.56	4.90

### An example of how your investment grows

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

(Based on historic Fund performance since inception)



### Fund facts

Fund APIR code	STL0051AU
Fund inception date	28 April 2014
Distribution frequency	Quarterly
Management costs <sup>4</sup>	0.52% p.a.
Buy / Sell spread <sup>4</sup>	+0.08%/-0.15%
Minimum investment / minimum balance	\$25,000
Recommended investment timeframe	3 years +
Risk level	Low to medium

### Unit price (ex distribution)

as at 31 December 2020

Application price	\$1.05688
Withdrawal price	\$1.05445

### Distribution details (cents per unit)

31 Mar 20	\$0.00350
30 Jun 20	\$0.01208
30 Sep 20	\$0.00970
31 Dec 20	\$0.00990

### Benefits from investing

- ▶ regular income from quarterly distributions;
- ▶ access to leading professional investment managers;
- ▶ diversification for the defensive portion of your investment portfolio; and
- ▶ a regular savings plan option from \$50 per month.

### 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)

## Asset Allocation

		Weight %	Weight %Δ /mth
<b>Active Manager Allocation</b>			
<b>Australian Fixed Interest</b>	Schroder Fixed Interest Fund - Standard Class	37.1%	-0.3% ↓
<b>Global Fixed Interest</b>	Pimco Global Bond Fund	37.2%	-0.5% ↓
<b>Index Sector Rotation Allocation</b>			
	Australian Fixed Interest	2.7%	0.1% ↑
<b>Australian Fixed Interest</b>	Australian Government Bonds	1.1%	-0.7% ↓
	Australian Inflation Linked Bonds	12.4%	0.7% ↑
<b>Global Fixed Interest</b>	Global Sovereign Bonds	0.0%	0.0% →
	International Credit Securities	6.2%	-0.4% ↓
<b>Cash</b>	Sandhurst Trustees Limited*	3.3%	2.5% ↑
<b>Total</b>		<b>100.0%</b>	

\* Includes small amounts of cash that are held in Bendigo Bank operating accounts.

## Portfolio performance and market commentary

The Fund finished the calendar year strongly up 1.3% in the final quarter of 2020. Despite the low yield environment, the one year return of the Fund has been exceptional up 6.2%, delivering alpha of 1.4% net of fees against its benchmark. The Fund has managed to navigate the difficult markets benefiting from overweight duration positions through the troublesome March period as interest rates fell, before switching into inflation linked bonds, which performed strongly through the recovery. Investment managers Pimco and Schroders both contributed to relative performance, taking advantage of favourable pricing in credit markets following the March selloff.

Looking forward, the Fund is positioned with a strong overweight to inflation linked bonds and is underweight fixed duration. This means that it is likely the Fund will perform better than the benchmark in the event inflation and or interest rates rise.

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

- 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.
- The benchmark for this Fund is 50% Bloomberg Barclays Global Aggregate Index (\$A Hedged) and 50% Bloomberg AusBond Composite 0+ Yr Index (previously known as UBS Composite Bond Index 0+).
- Bendigo Diversified Fixed Interest Fund received a 4-Star Overall Morningstar Rating™ out of 49 Bonds - Global/Australia funds as of 31 December 2020 and a 5-Star Three year rating out of 49 Bonds - Global/Australia funds as of 31 December 2020.  
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The 'Morningstar Rating' is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. 'Morningstar Category Rank' is the Fund's performance rank relative to all funds in the same Morningstar Category. Investments are placed into Morningstar Categories based on their compositions and portfolio statistics so that investors can make meaningful comparisons. Source: [www.morningstar.com.au/Funds/FundReport/40605](http://www.morningstar.com.au/Funds/FundReport/40605)
- Other fees and costs may apply. See the Product Disclosure Statement for full details.

The Bendigo Diversified Fixed Interest Fund (Fund) is 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 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. Please consider your situation and read the 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 December 2020 (unless stated otherwise) and is subject to change without notice.

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