

Bendigo Diversified Fixed Interest Fund

Monthly fund update - June 2021

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 performance¹

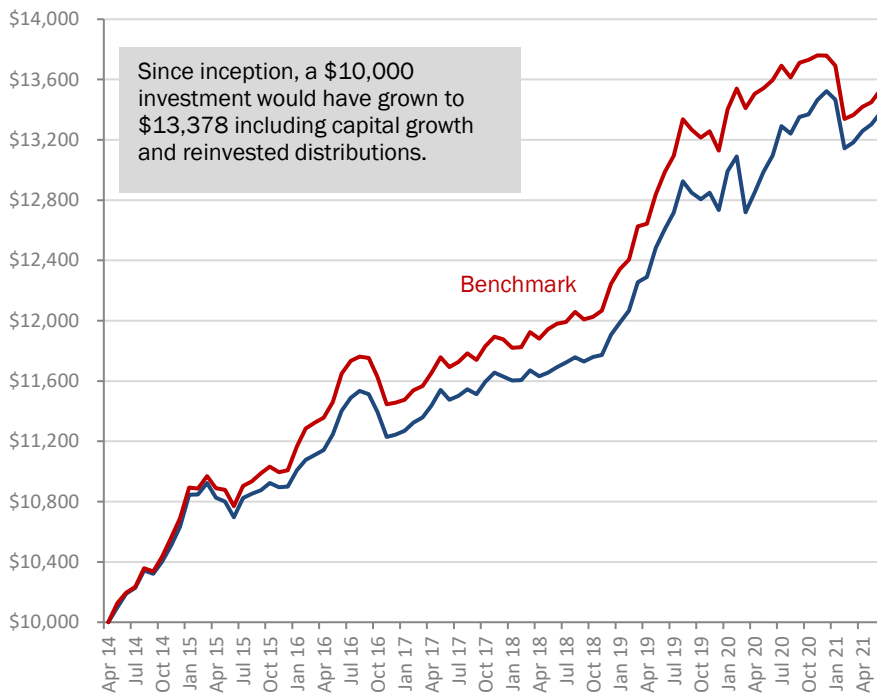
as at 30 June 2021

	Morningstar Rating™ Overall ³	Morningstar Category Rank 3 Year ³	3 months %	1 year %	3 years %	5 years %p.a.	Since inception %p.a.
Bendigo Diversified Fixed Interest Fund	★★★★	4/51	1.48	2.15	4.59	3.25	4.14
Benchmark ²			1.23	-0.49	4.13	3.04	4.31

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance since inception)



Fund facts

Fund APIR code	STL0051AU
Fund inception date	28 April 2014
Distribution frequency	Quarterly
Management costs ⁴	0.52% p.a.
Buy / Sell spread ⁴	+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 30 June 2021

Application price	\$1.04019
Withdrawal price	\$1.03780

Distribution details (cents per unit)

30 Sep 20	\$0.00970
31 Dec 20	\$0.00990
31 Mar 21	\$0.00300
30 Jun 21	\$0.00231

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

Asset Allocation

		Weight %	Weight % Δ /mth
Active Manager Allocation			
Australian Fixed Interest	Schroder Fixed Interest Fund - Standard Class	41.5%	0.5%
Global Fixed Interest	Pimco Global Bond Fund	41.1%	0.1%
Index Sector Rotation Allocation			
	Australian Fixed Interest	3.1%	0.1%
Australian Fixed Interest	Australian Government Bonds	1.2%	0.0%
	Australian Inflation Linked Bonds	9.0%	-1.5%
Global Fixed Interest	Global Sovereign Bonds	0.0%	0.0%
	International Credit Securities	0.3%	0.0%
Cash	Sandhurst Trustees Limited*	3.8%	0.0%
Total		100.0%	

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

Portfolio performance and market commentary

For the quarter the Fund outperformed its benchmark by 0.26% after fees and has outperformed its fixed interest benchmark by 2.64% over the past financial year. Pleasingly the Fund has returned an absolute return of 2.14% for the financial year, despite a rising yield curve over the period. Aiding performance was positions in Australian inflation linked bonds, which made up approximately 9% of Fund holdings and returned 5.2% for the financial year. Additionally, active fund managers in Schroder and Pimco both provided returns in excess of the benchmark. These Funds held underweight exposures to interest rates through the period of rising yield curves and both benefited from credit positions, in which the outlook for debt defaults reduced over the period.

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.
2. 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+).
3. Morningstar rates managed funds from one to five stars based on how well they've performed (after adjusting for risk) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods - three, five, and 10 years - and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying funds worthy of further research, but shouldn't be considered buy or sell recommendation.

Bendigo Diversified Fixed Interest Fund received a 4-Star Overall Morningstar Rating™ out of 51 Bonds - Global/Australia funds as of 31 May 2021. In the Morningstar Bonds - Global/Australia Category, the Bendigo Diversified Fixed Interest Fund 3 year return was ranked 4 out of 51 funds as of 31 May 2021. '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

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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 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, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

The information is current as at 30 June 2021 (unless stated otherwise) and is subject to change without notice.

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