

Sandhurst Strategic Income Fund - Class A units

Monthly fund update - March 2020

Investment approach

The Fund aims to provide customers with regular income and may offer higher returns with a lower level of risk through the market cycle in an effort to outperform a static investment in similar assets by strategically managing its portfolio in varying market and economic conditions.

The objective of the Fund is to outperform its benchmark (after fees) over any two year period.



Australia Ratings has assigned a SUPERIOR investment rating with a BLUE product complexity indicator designating the Fund as a Relatively Simple Product.⁴

Fund performance¹

as at 31 March 2020	Fund return	Benchmark ²	Excess return
3 months (%)	-0.81	0.26	-1.07
1 year (%)	0.71	1.23	-0.52
2 years (% p.a.)	1.37	1.62	-0.25
3 years (% p.a.)	1.67	1.66	0.01
5 years (% p.a.)	2.01	1.83	0.18
Since inception (% p.a.)	3.16	2.47	0.69
Morningstar Rating™ Overall³	★★★		
Morningstar category rank 3 year³	15/39		

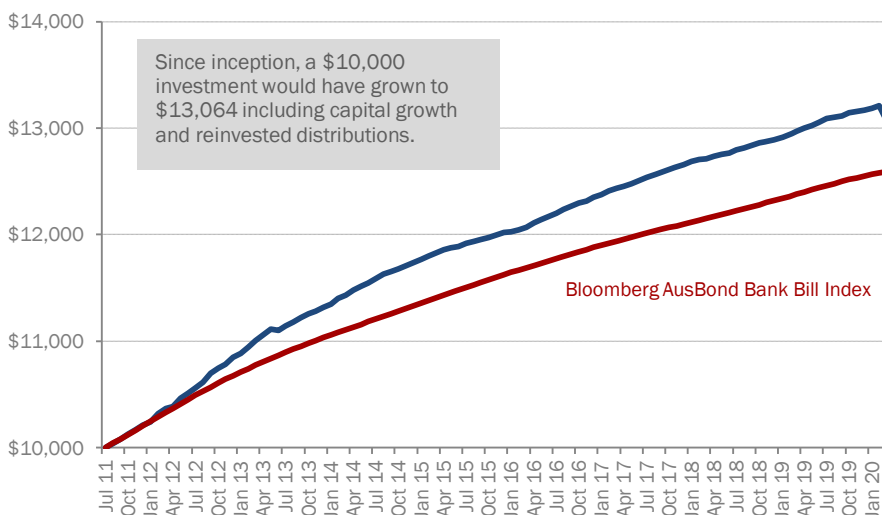
Fund facts

Fund APIR code	STL0027AU
Fund start date	30 July 2011
Management costs ⁵	0.79% p.a.
Buy / Sell spread ⁵	+0.2% / -0.7%
Minimum investment / minimum balance	\$2,000
Recommended investment timeframe	2 years +
Risk level	Low

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance since inception)



Unit price (ex distribution)

as at 31 March 2020

Application price	\$1.02515
Withdrawal price	\$1.01594

Distribution details (cents per unit)

30 Jun 19	\$0.00966
30 Sep 19	\$0.00410
31 Dec 19	\$0.00410
31 Mar 20	\$0.00350

Do you have any questions?

For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Benefits of investing

- ▶ regular income from quarterly distributions;
- ▶ access to a diversified portfolio therefore reducing your risk and potentially enhancing returns;
- ▶ low volatility core investments supplemented by strategically selected allocations to credit sectors;
- ▶ 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.

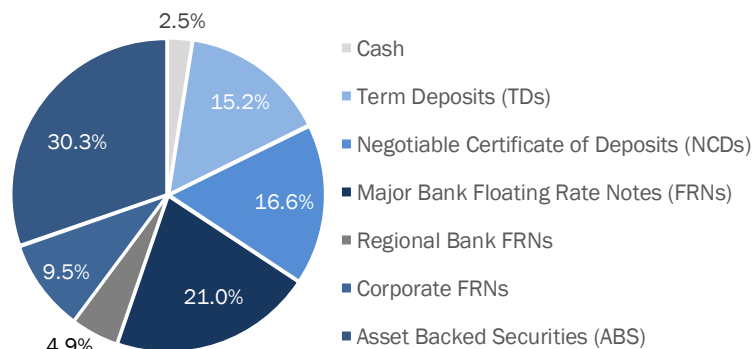
Portfolio performance

For the month ending March 2020, the Strategic Income Fund achieved a 12 month return of 0.71% for the Class A units. Returns for the month were heavily impacted by, what is expected to be, a temporary increase in transaction costs of the Fund's investments. The transaction costs were pushed higher as markets reacted to the COVID-19 related shutdowns through the economy. The Class A unit sell cost increased by 0.60% on 27 March 2020, flowing through to reported returns. Once underlying transaction costs return to their previous level this 0.60% would be reversed into a return increase, having no net impact on investors who held their investment over the full period. The Net Asset Value (NAV) of the units is not impacted by the Buy / Sell cost and for investors remaining in the fund, the NAV 12 month return was 1.31%

March saw volatility spike as COVID-19 became a pandemic; aggressively spreading over the globe with economies shutting down to contain the virus. Governments implemented restrictive social distancing measures on gatherings and public venues which impacted global economic forecasts. The month ended with over 850,000 cases of COVID-19 as Europe, the UK and US all struggled to contain the spread. Markets reacted in a risk off fashion, dumping equities which then turned into a deeper market sell off with other asset classes experiencing heavy selling. Adding further pain was a price war on oil between Saudi Arabia and Russia which triggered further sell offs as the oil price plunged to 10-year lows.

Global equity markets were down anywhere between 12% to 30% over the month, with a slight tick up towards the end of the month on the back of Central Bank interventions. The Australian market followed with growing fears of the slowing activity in the Asia region exacerbating the slowdown in the Australian economy. The ASX-200 equity index suffered losses of approximately 20% and credit markets followed with prices on bonds falling as investors rushed for cash and fixed income markets froze.

Asset allocation



Central Banks around the world responded in lightning quick speed with the largest stimulus packages on record being injected into the economies. A global recession was all but confirmed; monetary and fiscal policies addressing the shutdown of economies are now being implemented across the globe to avoid what many predict would have been a great depression style slump. The Reserve Bank Australia (RBA) made a historic decision to cut the RBA cash rate in an out of cycle meeting, leaving the rate at an all time low of 0.25%. The Australian government added further support to anyone that loses employment due to the virus and incentives to businesses that keep employees and their door open.

The Fund manager took a protective stand early in March reducing some of the losses by selling down some lower rated assets and increasing cash holdings as the market fell. Towards the end of March as markets stabilised, the Fund manager increased allocation to longer dated assets buying back in at higher yields enhancing the return to investors, much of this value has only been evidenced since the end of March.

The Fund paid distribution of 0.35% for the quarter. However, the NAV of units dropped by 0.55% over the quarter. The Fund's focus remains on high quality investments with minimal volatility. The Fund has approximately 70% of assets rated AA- or higher, 34.3% in cash instruments, 35.4% in Floating Rate Notes (FRN) and 30.3% in highly rated securitised assets.

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. As at 29 February 2020. Sandhurst Strategic Income Fund - Class A units received a 3-Star Overall Morningstar Rating™ out of 39 Australian Short Term Fixed Interest funds as of 29 February 2020 and a 3-Star Three year rating out of 39 Australian Short Term Fixed Interest funds as of 29 February 2020.
© 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.
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/19434
4. Australia Ratings has assigned a SUPERIOR investment rating with a BLUE product complexity indicator designating the Fund as a Relatively Simple Product. This rating implies the highest level of confidence that the Fund can deliver a risk adjusted return in line with its investment objectives. Designation as a Relatively Simple Product indicates that the investment manager will seek to outperform their chosen mainstream market sector. A rating is not a recommendation to invest, retain or redeem units in the Fund. The rating may be subject to change or withdrawal at any time. A copy of Australia Ratings Financial Services Guide can be found at www.australiaratings.com/fsg
5. Other fees and costs may apply. See the Product Disclosure Statement for full details.

The Sandhurst Strategic Income 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.sandhursttrustees.com.au/pds, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

This information is current as at 31 March 2020 (unless stated otherwise) and is subject to change and is relevant for Class A Investors only. The Fund uses a multi-class pricing structure. Please refer to the PDS for more information.

Proudly part of

 **Bendigo and
Adelaide Bank**