

# Sandhurst Strategic Income Fund

## Class B units



### Quarterly fund update - December 2022

#### 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.



Foresight Analytics has assigned a SUPERIOR investment rating with a product complexity indicator designating the Fund as a Relatively Simple Product.<sup>4</sup>

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

as at 31 December 2022	Fund return	Benchmark <sup>2</sup>	Excess return
3 months (%)	0.82	0.74	0.08
1 year (%)	0.94	1.25	-0.31
2 years (% p.a.)	0.94	0.64	0.3
3 years (% p.a.)	1.06	0.55	0.51
5 years (% p.a.)	1.57	1.01	0.56
Since inception (% p.a.)	2.97	1.99	0.98
<b>Morningstar Rating™ Overall<sup>3</sup></b>	★★★★		
<b>Morningstar category rank 3 year<sup>3</sup></b>	5/35		

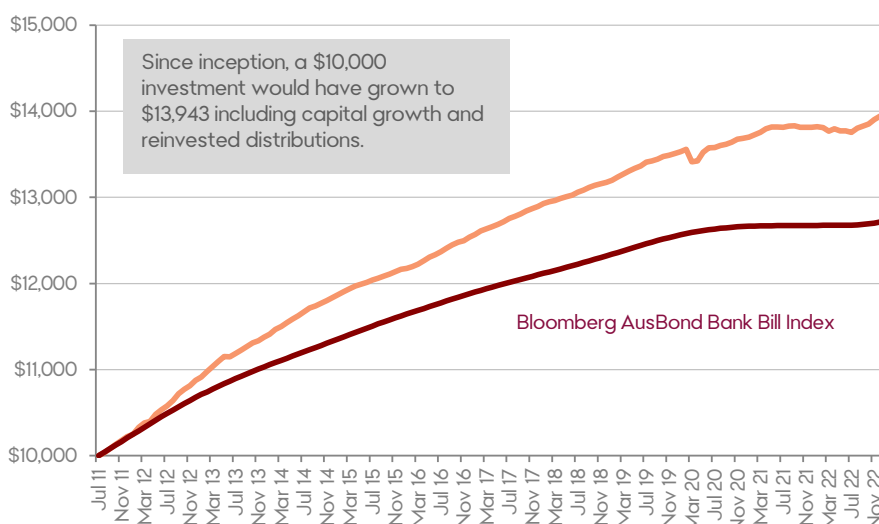
#### Fund facts

Fund APIR code	STL0044AU
Fund start date	30 July 2011
Management fees & costs <sup>5</sup>	0.45% p.a.
Buy / Sell spread <sup>5</sup>	+0.05% / -0.13%
Minimum investment / minimum balance	\$500,000
Recommended investment timeframe	2 years +
Risk level	Low

#### An example of how your investment grows

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

(Based on historic Fund performance since inception)



#### Unit price (ex distribution)

as at 31 December 2022

Application price	\$1.03086
Withdrawal price	\$1.02900

#### Distribution details (cents per unit)

31 Mar 22	\$0.00100
30 Jun 22	\$0.00174
30 Sep 22	\$0.00485
31 Dec 22	\$0.00634

#### 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.

#### Do you have any questions?

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

## Portfolio performance

The Strategic Income Fund (Class B) achieved an annualised return of 3.28% (after fees) for the quarter ending 31 December and an average annual return of 2.97% (after fees) since inception. The Fund continues to outperform its benchmark and saw an increase in returns throughout the December quarter which was reflected in a distribution per unit that was 30% greater than the prior distribution at the end of September.

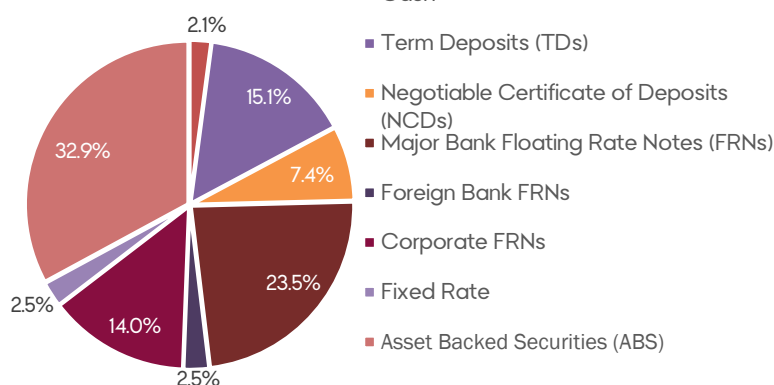
Global markets experienced a tumultuous 2022 with persistent volatility creating challenging conditions. However, the final quarter of 2022 saw gains on risk assets globally as investors became optimistic on an improving outlook for 2023.

A defining moment was the relaxation of China's zero-covid policy bolstering emerging markets, and other developed regions. The market reacted favourably to a meeting between US President, Joe Biden, and Chinese leader Xi Jinping in November, which signalled the possibility of improving US-China relations. The UK emerged from its September crisis ending in positive territory. The latter stages of 2022 saw the Eurozone show signs of slowing inflation, mirroring similar trends in the US.

Following the softer inflation prints, investors had become hopeful of an easing in monetary policy. Government bond yields were slightly higher at the end of the quarter, reflecting the continued commitment from major central banks to tighten monetary policy to bring inflation back to the ranges of the respective region.

Australian equities posted strong performance returning 6.5% outperforming many international markets. Benefitting from China's pivot on its zero COVID policy, softening inflation and a broad stabilisation in global bonds.

## Asset allocation



Through the quarter, the Reserve Bank of Australia (RBA) increased the cash rate from 2.35% to 3.10%. More increases are priced in for early 2023 but the pace and magnitude are expected to reduce. Higher rates are yet to impact the economy and the RBA has noted this in recent communications. Adding to the uncertainty is the sustained fall in Australian property prices, particularly in Sydney and Melbourne. Mortgage delinquencies remain at historic lows but did increase slightly over the period.

Global credit spreads tightened on improved risk sentiment with investment grade and high yield delivering positive performance in Europe and the US. The domestic market underperformed global peers with activity in the primary market driving volatility. Credit spreads on senior unsecured assets underperformed on the back of primary issuance. New deals priced at wider credit spreads to the secondary resulting in negative price return. Performance for hybrids and tier 2 subordinated securities was more positive benefitting from strong demand late in the period.

The Fund Manager remains cautious and conservatively positioned amidst the ongoing volatility in financial markets. There are currently no unrated assets in the Fund and approximately 68% of exposures are rated AA- or higher. At the end of December, 24.5% of the portfolio is allocated to cash instruments, 42.5% in bank/corporate floating rate notes and 33% to asset-backed securities. The running yield of the Fund is 3.95% (before fees).

### 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. 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 recommendations. Sandhurst Strategic Income Fund - Class B units received a 4-Star Overall Morningstar Rating™ out of 35 Australian Short Term Fixed Interest funds as of 30 September 2022. In the Morningstar Australian Short Term Fixed Interest Category, the Sandhurst Strategic Income Fund - Class B units 3 year return was ranked 5 out of 35 funds as of 30 September 2022.  
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4. Foresight Analytics has assigned a SUPERIOR investment rating with a 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 Foresight Analytics Financial Services Guide can be found at [www.foresight-analytics.com/financial-services-guide](http://www.foresight-analytics.com/financial-services-guide)
5. 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 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.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.

For target market determination: [www.bendigobank.com.au/TMD](http://www.bendigobank.com.au/TMD)

This information is current as at 31 December 2022 (unless stated otherwise) and is subject to change and is relevant for Class B Investors only. The Fund uses a multi-class pricing structure. Please refer to the PDS for more information.