

Sandhurst Strategic Income Fund - Class B 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 (%)	-0.72	0.26	-0.98
1 year (%)	1.06	1.23	-0.17
2 years (% p.a.)	1.72	1.62	0.1
3 years (% p.a.)	2.01	1.66	0.35
5 years (% p.a.)	2.35	1.83	0.52
Since inception (% p.a.)	3.47	2.47	1.00
Morningstar Rating™ Overall³	★★★★		
Morningstar category rank 3 year³	9/39		

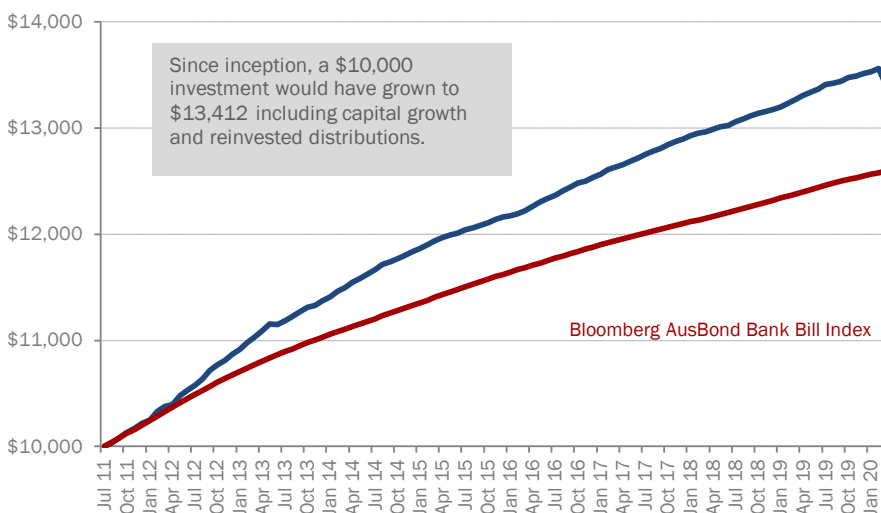
Fund facts

Fund APIR code	STL0044AU
Fund start date	30 July 2011
Management costs ⁵	0.45% p.a.
Buy / Sell spread ⁵	+0.2% / -0.7%
Minimum investment / minimum balance	\$500,000
Recommended investment timeframe	2 years +
Risk level	Low

An example of how your investment grows

Growth of \$10,000⁴

(Based on historic Fund performance since inception)



Unit price (ex distribution)

as at 31 March 2020

Application price	\$1.03068
Withdrawal price	\$1.02142

Distribution details (cents per unit)

30 Jun 19	\$0.01061
30 Sep 19	\$0.00500
31 Dec 19	\$0.00500
31 Mar 20	\$0.00450

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.

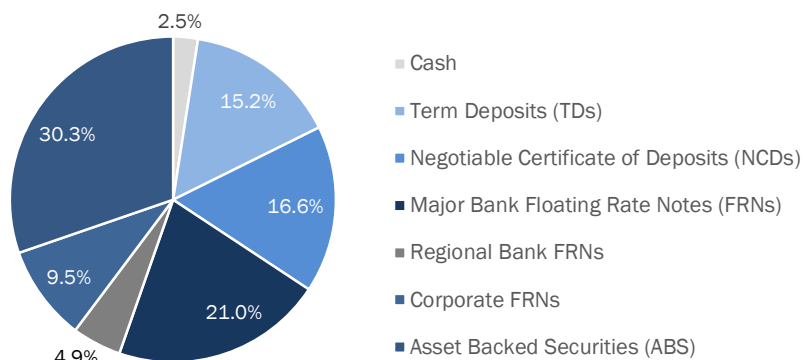
Portfolio performance

The month of March saw the COVID-19 virus officially become a pandemic, spreading aggressively across the globe with Europe, the US and the UK seeing sharp increases in the number of cases. The world witnessed the ferocity of the virus and the devastating human impact it results in with Italy struggling to contain its outbreak. Governments around the globe made the difficult decision to shut down economies to contain the spread. Those that were deemed essential services were able to remain open; the hospitality and retail sectors, however, have been hit hard by the decision and a global recession has been all but confirmed.

Markets responded with one of the largest sell offs since 2008, as major indices saw declines of 12% to 30% over the month. There was a slight recovery toward the end of the month as investors gained confidence from Central Bank intervention aimed at stabilising markets. The reaction to equities had contagion effects on the entire market with fixed income markets freezing and liquidity drying up as the news flow worsened. Investors were cashing in on all areas of markets with credit spreads widening to 10-year highs and fears rising over High-Yield defaults. A worsening slowdown in Asia triggered further sell offs in Australia as the local economy is often considered a proxy to the Asia region.

Central Banks launched bazooka sized stimulus packages to address the slump in economic activity. The RBA for the first time in history made an out of cycle rate cut to a historic low of 0.25%. This was followed with a term facility for banks that would alleviate funding costs and encourage lending to small and medium sized business. Other measures were put in place to shore up cash markets and stabilise liquidity. Jobless claims have risen drastically, and social distancing measures are taking a toll on the local economy. The Australian government responded with several packages aimed at supporting those who lost their jobs and incentives to keep small businesses open.

Asset allocation



Early in March the Fund manager reduced exposure to lower rated Floating Rate Notes, allocating the proceeds to cash, on the news that the virus was spreading. As markets stabilised throughout the month the Fund manager took advantage of the wider spreads purchasing back longer dated assets. The Fund remains focussed on high quality investments that reduce the volatility of the Fund during market events. The Strategic Income Fund B class units produced an annual return of 1.06% at the end of March. 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 B 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, the NAV 12 month return was 1.66%. The NAV decreased over the quarter by 0.56% and a distribution of 0.44% was paid to investors.

Approximately 34.3% of the portfolio is in cash instruments, and 35.4% in bank and corporate Floating Rate Notes (FRN), 30.3% is in highly rated securitised instruments, there are no unrated or subordinated FRNs in the Fund and approximately 70% of non-cash assets are rated AA- or higher.

Despite some recovery in asset prices since the end of March, the Fund manager expects to see further volatility in the markets until clarity on economic impact from the global lock downs is apparent. Buy / Sell costs will be monitored regularly.

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 B units received a 4-Star Overall Morningstar Rating™ out of 39 Australian Short Term Fixed Interest funds as of 29 February 2020 and a 4-Star Three year rating out of 39 Australian Short Term Fixed Interest funds as of 29 February 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/19876
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.austrialiaratings.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 B investors only. The Fund uses a multi-class pricing structure. Please refer to the PDS for more information.

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