

## Quarterly fund update - December 2022

### Investment approach

Each Fund invests via expert asset managers that specialise in index strategies that seek to track the performance of selected benchmarks as well as alternative assets and cash. Alternative assets and cash may or may not invest in index strategies. Sandhurst will invest each Fund's assets across a variety of asset classes in a manner that we believe will meet the investment return objective of each Fund. Each Fund aims to provide a total return after fees in excess of a stated percentage above inflation over a full market cycle (typically 7 to 10 years), where inflation is measured by the Australian Consumer Price Index (CPI).

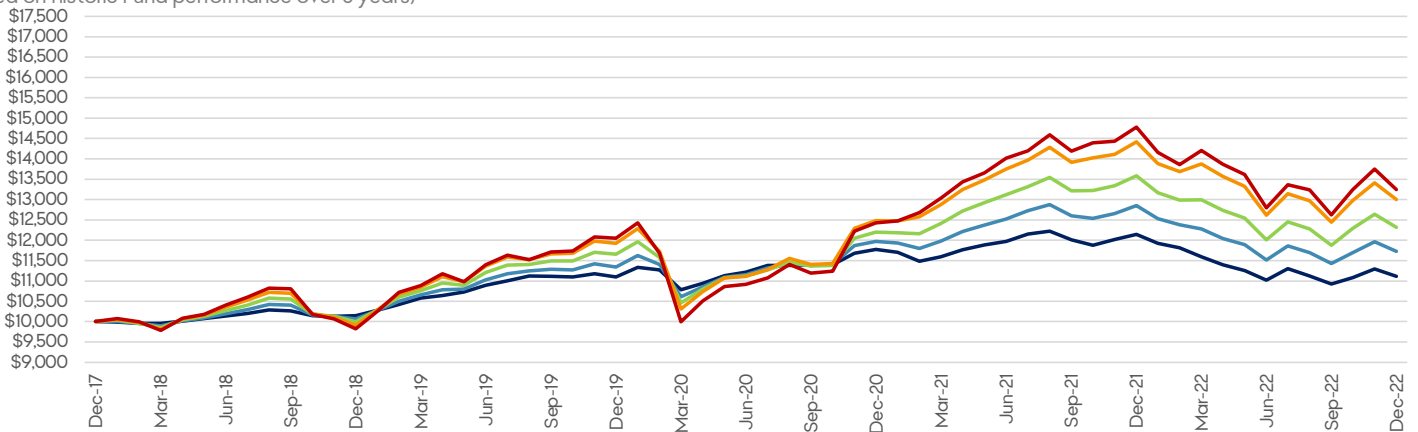
### Fund performance<sup>1</sup> as at 31 December 2022

	Morningstar Rating™ Overall <sup>2</sup>	Morningstar Category Rank 5 Year <sup>2</sup>	Distribution (per unit)	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size \$m
<b>Bendigo Defensive Index Fund</b>	★★★★	3 / 21	\$0.0029	1.66	-8.51	0.04	2.12	\$80.70
<i>Peer Comparison</i>				1.75	-6.70	-0.71	1.07	
<b>Bendigo Conservative Index Fund</b>	★★★★★	4 / 110	\$0.0014	2.68	-8.71	1.11	3.24	\$383.89
<i>Peer Comparison</i>				2.39	-6.40	0.46	1.97	
<b>Bendigo Balanced Index Fund</b>	★★★★★	5 / 112	\$0.0039	3.65	-9.35	1.83	4.25	\$439.91
<i>Peer Comparison</i>				3.64	-6.54	1.75	3.29	
<b>Bendigo Growth Index Fund</b>	★★★★★	9 / 184	\$0.0094	4.51	-9.82	2.91	5.39	\$405.08
<i>Peer Comparison</i>				4.58	-7.99	2.59	4.18	
<b>Bendigo High Growth Index Fund</b>	★★★★	36 / 130	\$0.0149	4.89	-10.39	3.17	5.78	\$81.79
<i>Peer Comparison</i>				5.70	-8.93	3.61	5.33	

### An example of how your investment grows

#### Growth of \$10,000 over 5 years<sup>1</sup>

(Based on historic Fund performance over 5 years)

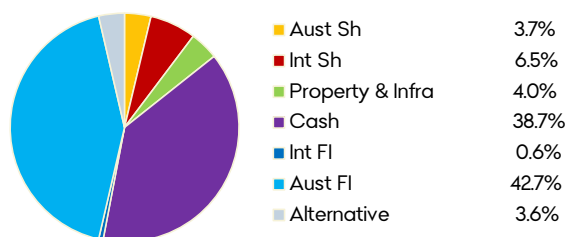


### Fund Facts

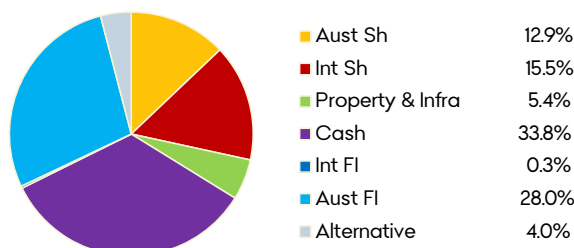
	APIR Code	Fund inception date	Distribution frequency	Return objective	Recommended investment timeframe	Risk level	Management fees & costs <sup>3</sup>	Buy / Sell spread <sup>3</sup>
<b>Bendigo Defensive Index Fund</b>	STL0031AU	30 Sept 2011	Half yearly	CPI + 1%	2 years +	Low	0.40% p.a.	+0.10%/-0.10%
<b>Bendigo Conservative Index Fund</b>	STL0032AU	30 Sept 2011	Half yearly	CPI + 2%	3 years +	Low to medium	0.42% p.a.	+0.09%/-0.09%
<b>Bendigo Balanced Index Fund</b>	STL0033AU	30 Sept 2011	Half yearly	CPI + 3%	4 years +	Medium	0.44% p.a.	+0.09%/-0.09%
<b>Bendigo Growth Index Fund</b>	STL0034AU	30 Sept 2011	Half yearly	CPI + 4%	5 years +	Medium to high	0.46% p.a.	+0.09%/-0.09%
<b>Bendigo High Growth Index Fund</b>	STL0035AU	30 Sept 2011	Half yearly	CPI + 5%	7 years +	High	0.47% p.a.	+0.09%/-0.09%

## Asset allocation

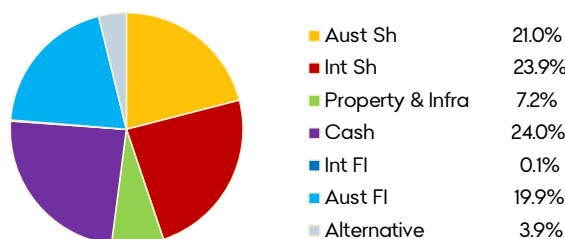
### Bendigo Defensive Index Fund



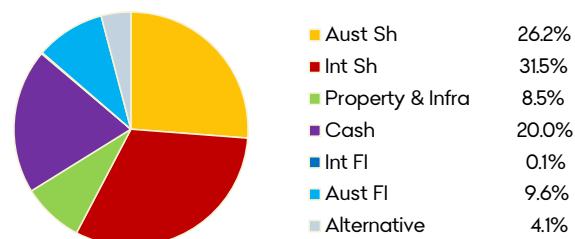
### Bendigo Conservative Index Fund



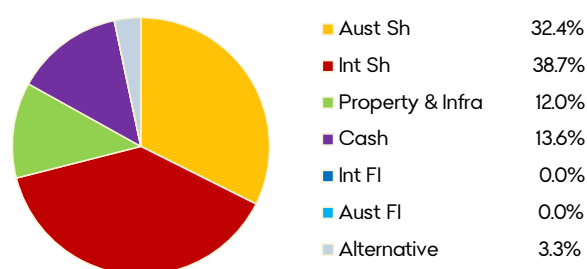
### Bendigo Balanced Index Fund



### Bendigo Growth Index Fund



### Bendigo High Growth Index Fund



## Unit prices

as at 31 December 2022	Application price	Withdrawal price
<b>Bendigo Defensive Index Fund</b>	\$1.06067	\$1.05855
<b>Bendigo Conservative Index Fund</b>	\$1.21174	\$1.20956
<b>Bendigo Balanced Index Fund</b>	\$1.33879	\$1.33638
<b>Bendigo Growth Index Fund</b>	\$1.52726	\$1.52451
<b>Bendigo High Growth Index Fund</b>	\$1.54457	\$1.54179

## Quarterly commentary

### Performance

Returns for the December quarter were strong in absolute terms but lagged the Benchmark across the risk profiles as risk sentiment improved over the period. The Funds are underweight growth assets relative to the benchmark given the Team's outlook for economic growth. Markets began pricing a higher probability of a lower terminal cash rate in the US following the November inflation print that surprised to the downside. This buoyed risk appetite as lower terminal rates are positive for valuations. However, the team remains cautious on the outlook for earnings and valuations remain elevated which has the Team more cautious on recent market optimism. Despite the rally, global equities finished the calendar year 18.1% lower. The Funds are well diversified and are positioned for a range of outcomes as central banks try to engineer a soft landing in their pursuit of reducing inflation.

### Economic

Calendar year 2022 was eventful and volatility was elevated as a result of the push and pull of diverging narratives between rising inflation and slowing economic growth. Equities ended the year in negative territory. International shares as measured by the MSCI World Ex Australia Index (currency hedged) returned -18.1% while Australian shares (measured by the ASX 300) materially outperformed global counterparts down a muted 1.8% for the year. The ASX is dominated by Resource and Financial companies, both of which were two of the better performed sectors in 2022. Banks have benefitted from rising rates improving profitability while arrears and bad debts remain near historic lows. The materials sector continues to benefit from economies reopening, meanwhile valuations remain low, and investors are attracted to the inflation protection embedded in resource companies' revenues.

Monetary policy settings continue to shape outcomes for growth and inflation. The Federal Reserve is committed to bringing inflation down. In December the committee delivered another outsized 50 basis point hike. Chair Powell continues to believe the pathway to a soft landing remains; however, it is getting narrower. The Fed continues to monitor the prospects for embedded wage price inflation given the overheated US labour market where there are approximately 1.7 job openings to every job seeker.

Closer to home, the RBA delivered a 25-basis point hike in December. The cash rate has swiftly risen by 3% in 2022 as the committee addresses domestic inflation which is too high. The Australian economy is resilient. Despite higher levels of household indebtedness, consumers have built up large cash buffers and unemployment remains at record lows. The RBA left its options open at its last meeting stating the size and timing of future rate increases will be determined by the incoming data.

## Do you have any questions?

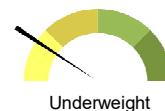
For further information contact us on 1800 634 969 or visit our website: [www.bendigobank.com.au/managedfunds](http://www.bendigobank.com.au/managedfunds)

## Asset positioning commentary

The Funds have maintained tilts away from interest rate sensitive investments with lighter holdings in global government bonds and REITs. Growth exposures have been moderated down with a preference for liquid cash investments attracting higher yields. Due to our underweight position in equity risk offsetting government bonds, we prefer a bias to unhedged exposure, with the aim to reduce overall portfolio volatility.

### Australian Shares

We continue to hold underweight exposure to Australian Equities. The rapid rise of interest rates from central banks around the world has seen recession risks build and as a result equities face headwinds should consumption and activity slow. Forward looking economic indicators are pointing to a growth slowdown and as a result we hold our underweight exposure to Australian equities. However, the underweight is less than that of international shares.

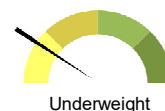


Underweight

### International Shares

We hold an underweight to global equities. The global equity benchmark is predominately made up of US and European equities. European markets are heavily impacted by the Russian Ukraine situation, in which they are experiencing troublesome inflation led by soaring energy costs. The US market trades at premium price relative to earnings and faces a significant headwind in the form of a Federal Reserve Committee that is determined to reduce inflation placing growth at risk. Defensive sectors with earnings certainty such as staples, utilities and healthcare remain our preferred exposures. Energy also plays a vital role in the portfolios. This sector provides insurance against rising inflation with companies trading at attractive multiples and limited capital expenditures in the space ensuring supply remains tight for years to come.

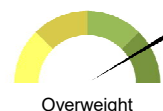
We currently hold a 20% hedged position on our offshore global equity exposures.



Underweight

### Property & Infrastructure

Over the period we maintained our overweight exposure to global infrastructure. This asset class possesses strong defensive characteristics with inflation linked revenues. Given the elevated uncertainty around corporate earnings, we feel this exposure will add to performance. We currently have little holdings in listed property given it generally does not perform well in rising rate environments.



Overweight

### Fixed Income

Overall, we hold an underweight to fixed income. Over the quarter, we added to our duration exposures taking advantage of higher government yields.

Most of the duration exposure sits within Australian government and inflation linked bonds. We believe that inflation linked bonds are reasonably priced with upside risk should inflation remain elevated and above expectations given disruptions from the Ukraine Russian conflict and strong labour conditions.

The team prefers Australian debt over global for its attractive yields, lower expected inflation, and perception that the cash rate does not reach levels expected in other regions of the world.

We remain underweight credit as we feel spreads do not adequately compensate for the uncertainty surrounding earnings.



Slightly underweight

### Cash

Cash is used as a balancing item based on views of other asset classes.



Overweight

## 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. 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.

Bendigo Defensive Index Fund received a 4-Star Overall Morningstar Rating™ out of 21 Multisector Conservative funds as of 30 September 2022. In the Morningstar Multisector Conservative Category, the Bendigo Defensive Index Fund 5 year return was ranked 3 out of 21 funds as of 30 September 2022. Source: [www.morningstar.com.au/Funds/FundReport/19288](http://www.morningstar.com.au/Funds/FundReport/19288)

Bendigo Conservative Index Fund received a 5-Star Overall Morningstar Rating™ out of 114 Multisector Moderate funds as of 30 September 2022. In the Morningstar Multisector Moderate Category, the Bendigo Conservative Index Fund 5 year return was ranked 4 out of 110 funds as of 30 September 2022. Source: [www.morningstar.com.au/Funds/FundReport/19289](http://www.morningstar.com.au/Funds/FundReport/19289)

Bendigo Balanced Index Fund received a 5-Star Overall Morningstar Rating™ out of 116 Multisector Balanced funds as of 30 September 2022. In the Morningstar Multisector Balanced Category, the Bendigo Balanced Index Fund 5 year return was ranked 5 out of 112 funds as of 30 September 2022. Source: [www.morningstar.com.au/Funds/FundReport/19290](http://www.morningstar.com.au/Funds/FundReport/19290)

Bendigo Growth Index Fund received a 5-Star Overall Morningstar Rating™ out of 192 Multisector Growth funds as of 30 September 2022. In the Morningstar Multisector Growth Category, the Bendigo Growth Index Fund 5 year return was ranked 9 out of 184 funds as of 30 September 2022. Source: [www.morningstar.com.au/Funds/FundReport/19291](http://www.morningstar.com.au/Funds/FundReport/19291)

Bendigo High Growth Index Fund received a 4-Star Overall Morningstar Rating™ out of 133 Multisector Aggressive funds as of 30 September 2022. In the Morningstar Multisector Aggressive Category, the Bendigo High Growth Index Fund 5 year return was ranked 36 out of 130 funds as of 30 September 2022. Source: [www.morningstar.com.au/Funds/FundReport/19292](http://www.morningstar.com.au/Funds/FundReport/19292)

'Peer Comparison' performance refers to the performance of the relevant 'Morningstar Category' for the stated period. Investments are placed into Morningstar Categories based on their compositions and portfolio statistics so that investors can make meaningful comparisons. 'Morningstar Category Rank' is the Fund's performance rank relative to all funds in the same Morningstar Category.

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3. 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 managed funds detailed in this update (individually referred to as 'Fund' or collectively as 'Funds') are 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 Funds or the service they provide, full details of which are contained in the relevant Product Disclosure Statement (PDS). Investments in the Funds 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 and opinions provided in this document have not been verified and Sandhurst has no obligation to notify you in the event that any information or opinions change. 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 relevant 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)

The information is current as at 31 December 2022 (unless stated otherwise) and is subject to change without notice.