

Fund update - June 2021

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 performance¹

as at 30 June 2021

	Morningstar Rating™ Overall ²	Morningstar Category Rank 5 Year ²	Distribution (per unit)	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size \$m
Bendigo Defensive Index Fund	★★★★★	1 / 23	\$0.0528	3.28	6.75	5.71	4.74	\$109.68
<i>Peer Comparison</i>				1.92	4.08	3.41	3.17	
Bendigo Conservative Index Fund	★★★★★	4 / 114	\$0.0730	4.53	12.24	7.08	6.37	\$455.33
<i>Peer Comparison</i>				3.04	8.26	4.61	4.41	
Bendigo Balanced Index Fund	★★★★★	7 / 115	\$0.0935	5.69	17.90	8.48	8.13	\$483.49
<i>Peer Comparison</i>				4.34	14.55	6.24	6.29	
Bendigo Growth Index Fund	★★★★★	6 / 191	\$0.0924	6.81	23.75	9.92	9.99	\$385.69
<i>Peer Comparison</i>				5.79	19.94	7.58	7.98	
Bendigo High Growth Index Fund	★★★★	23 / 121	\$0.1065	7.57	28.45	10.45	11.26	\$76.62
<i>Peer Comparison</i>				7.11	26.46	9.27	10.24	

An example of how your investment grows

Growth of \$10,000 over 5 years¹

(Based on historic Fund performance over 5 years)

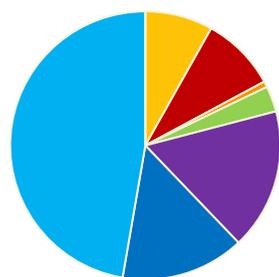


Fund Facts

	APIR Code	Fund inception date	Distribution frequency	Return objective	Recommended investment timeframe	Risk level	Management costs ³	Buy / Sell spread ³
Bendigo Defensive Index Fund	STL0031AU	30 Sept 2011	Half yearly	CPI + 1.5%	2 years +	Low	0.390% p.a.	+0.09%/-0.12%
Bendigo Conservative Index Fund	STL0032AU	30 Sept 2011	Half yearly	CPI + 2%	3 years +	Low to medium	0.410% p.a.	+0.10%/-0.10%
Bendigo Balanced Index Fund	STL0033AU	30 Sept 2011	Half yearly	CPI + 3%	4 years +	Medium	0.430% p.a.	+0.10%/-0.10%
Bendigo Growth Index Fund	STL0034AU	30 Sept 2011	Half yearly	CPI + 4%	5 years +	Medium to high	0.450% p.a.	+0.10%/-0.10%
Bendigo High Growth Index Fund	STL0035AU	30 Sept 2011	Half yearly	CPI + 5%	7 years +	High	0.460% p.a.	+0.10%/-0.10%

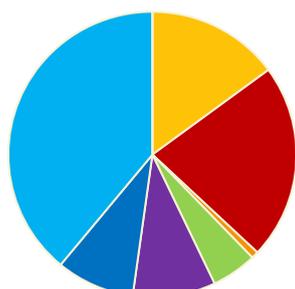
Asset allocation

Bendigo Defensive Index Fund



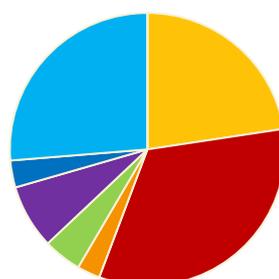
■ Aust Sh	8.1%
■ Int Sh	9.0%
■ Int Sh (Hedged)	0.7%
■ Property & Infra	3.1%
■ Cash	17.0%
■ Int FI	14.8%
■ Aust FI	47.3%
■ Alternative	0.0%

Bendigo Conservative Index Fund



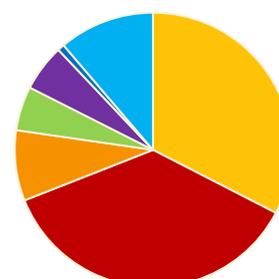
■ Aust Sh	14.9%
■ Int Sh	22.1%
■ Int Sh (Hedged)	0.8%
■ Property & Infra	5.1%
■ Cash	9.3%
■ Int FI	8.8%
■ Aust FI	39.0%
■ Alternative	0.0%

Bendigo Balanced Index Fund



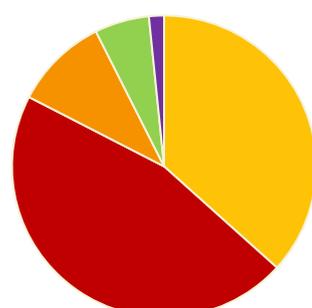
■ Aust Sh	22.6%
■ Int Sh	33.1%
■ Int Sh (Hedged)	2.7%
■ Property & Infra	4.5%
■ Cash	7.6%
■ Int FI	3.2%
■ Aust FI	26.3%
■ Alternative	0.0%

Bendigo Growth Index Fund



■ Aust Sh	32.6%
■ Int Sh	36.4%
■ Int Sh (Hedged)	8.3%
■ Property & Infra	5.2%
■ Cash	5.5%
■ Int FI	0.8%
■ Aust FI	11.2%
■ Alternative	0.0%

Bendigo High Growth Index Fund



■ Aust Sh	36.7%
■ Int Sh	45.9%
■ Int Sh (Hedged)	10.0%
■ Property & Infra	5.8%
■ Cash	1.6%
■ Int FI	0.0%
■ Aust FI	0.0%
■ Alternative	0.0%

Unit prices

as at 30 June 2021	Application price	Withdrawal price
Bendigo Defensive Index Fund	\$1.15454	\$1.15211
Bendigo Conservative Index Fund	\$1.32026	\$1.31762
Bendigo Balanced Index Fund	\$1.48710	\$1.48413
Bendigo Growth Index Fund	\$1.70854	\$1.70513
Bendigo High Growth Index Fund	\$1.78094	\$1.77738

Quarterly commentary

Performance

Over the quarter investment markets produced high positive returns, resulting in great outcomes across the portfolios. The Funds outperformed the Morningstar peer group over the quarter and over the financial year. Given the strength of the rebound from the Covid lows in March 2020, returns for the financial year ranged from 6.7% for the defensive portfolio up to 28.4% for the high growth.

Positioning in Australian inflation linked bonds over fixed coupon bonds benefited the Funds. Inflation linked bonds offer protection within the portfolio against rising inflation and will outperform fixed coupon bonds when inflation rises faster than market interest rates. Detracting from performance was overweight positions in emerging markets which underperformed developed world equities.

Economic

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.

Do you have any questions?

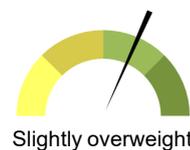
For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Asset positioning commentary

Over the quarter the Funds have held overweight exposures to growth assets, in which the highly accommodative monetary conditions support prices. We prefer exposures to technology and growth style investments within the growth portion of the portfolio, whilst hedging inflation risk through exposure to gold and inflation linked bonds in the defensive portion of the portfolio.

Australian Shares

Whilst we trimmed our exposure to Australian equities given our reduced perception of value, we continue to hold a slight overweight to Australian equities. Australia relative to many other global economies has been well supported from a government and monetary policy standpoint. We are still favourable the resources sector, in which is supported by global government infrastructure spends. We also like Australian bank stocks given steepening yield curves, higher house prices (increases credit quality), and a strong appetite for private credit. Due to the resources and financials exposure, Australian equities is a natural reflation trade.

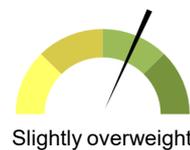


Slightly overweight

International Shares

We are currently slightly overweight in global equities and prefer the cheaper valuations in emerging markets. Markets have performed strongly and whilst on a historical price to earnings perspective they look expensive, relative to interest rates and bonds they still offer value. We continue to favour exposures to technology investments, and although we acknowledge that these growth investments may come under pressure in a rising inflationary environment, structurally they will continue to disrupt traditional business models.

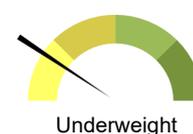
Hedge ratio 50% of OS equities



Slightly overweight

Property & Infrastructure

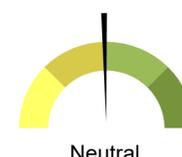
We currently hold minimum weightings to property and a slight underweight to infrastructure. Overall, we believe property faces headwinds long term given interest rates are unlikely to fall materially lower from here, in which this asset class has been a strong beneficiary of low and falling interest rates. The asset class also faces structural headwinds through trends in working from home and e-commerce. Infrastructure has missed much of the rally over the past year and hence we hold a position in infrastructure from a relative value perspective. We also perceive infrastructure a more natural inflation hedge relative to property.



Underweight

Fixed Income

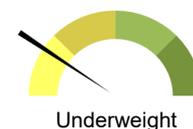
We hold a neutral position within fixed income with a large bias towards inflation linked bonds and Australian corporate bonds. Commentary from global central banks is consistent with the approach of holding interest rates low and letting inflation move above targeted levels for an extended period of time. We believe this to be favourable for inflation linked bonds in which prices move higher with decreasing real interest rates.



Neutral

Cash

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



Underweight

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 5-Star Overall Morningstar Rating™ out of 23 Multisector Conservative funds as of 31 May 2021. In the Morningstar Multisector Conservative Category, the Bendigo Defensive Index Fund 5 year return was ranked 1 out of 23 funds as of 31 May 2021. Source: www.morningstar.com.au/Funds/FundReport/19288
Bendigo Conservative Index Fund received a 5-Star Overall Morningstar Rating™ out of 119 Multisector Moderate funds as of 31 May 2021. In the Morningstar Multisector Moderate Category, the Bendigo Conservative Index Fund 5 year return was ranked 4 out of 114 funds as of 31 May 2021. Source: www.morningstar.com.au/Funds/FundReport/19289
Bendigo Balanced Index Fund received a 5-Star Overall Morningstar Rating™ out of 125 Multisector Balanced funds as of 31 May 2021. In the Morningstar Multisector Balanced Category, the Bendigo Balanced Index Fund 5 year return was ranked 7 out of 115 funds as of 31 May 2021. Source: www.morningstar.com.au/Funds/FundReport/19290
Bendigo Growth Index Fund received a 5-Star Overall Morningstar Rating™ out of 198 Multisector Growth funds as of 31 May 2021. In the Morningstar Multisector Growth Category, the Bendigo Growth Index Fund 5 year return was ranked 6 out of 191 funds as of 31 May 2021. Source: www.morningstar.com.au/Funds/FundReport/19291
Bendigo High Growth Index Fund received a 4-Star Overall Morningstar Rating™ out of 131 Multisector Aggressive funds as of 31 May 2021. In the Morningstar Multisector Aggressive Category, the Bendigo High Growth Index Fund 5 year return was ranked 23 out of 121 funds as of 31 May 2021. Source: 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 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 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.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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