

Fund update - September 2020

Investment approach

Each Fund invests via a selection of index funds that seek to track the performance of selected benchmarks for each asset class. Each Fund's investment portfolio is constructed in a manner that Sandhurst believes 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).

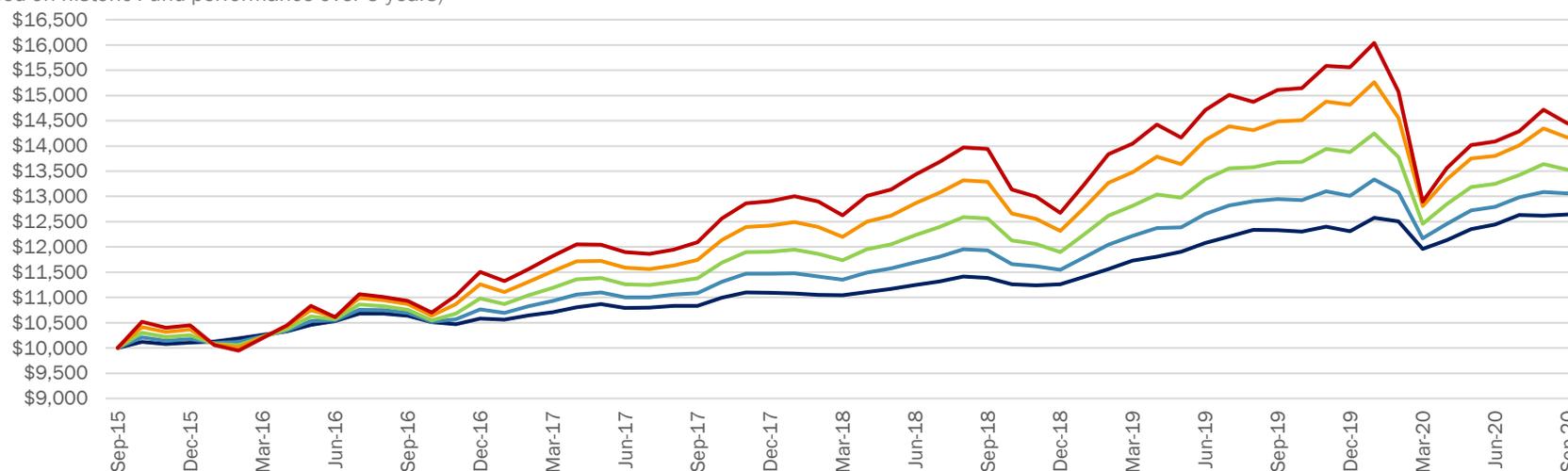
Fund performance¹

as at 30 September 2020	Morningstar Rating™ Overall ²	Morningstar Category Rank 5 Year ²	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size \$m
Bendigo Defensive Index Fund <i>Peer Comparison</i>	★★★★★	1 / 24	1.60 1.07	2.50 0.17	5.27 3.19	4.80 3.27	\$114.67
Bendigo Conservative Index Fund <i>Peer Comparison</i>	★★★★★	6 / 120	2.06 1.21	0.87 -0.51	5.60 3.39	5.48 3.73	\$463.77
Bendigo Balanced Index Fund <i>Peer Comparison</i>	★★★★★	7 / 116	2.13 1.30	-1.10 -2.37	5.93 3.74	6.23 4.65	\$472.37
Bendigo Growth Index Fund <i>Peer Comparison</i>	★★★★★	11 / 199	2.62 1.76	-2.23 -3.23	6.44 4.21	7.21 5.40	\$339.03
Bendigo High Growth Index Fund <i>Peer Comparison</i>	★★★★	16 / 123	2.53 1.79	-4.44 -4.79	6.10 4.39	7.63 6.18	\$68.54

An example of how your investment grows

Growth of \$10,000 over 5 years¹

(Based on historic Fund performance over 5 years)

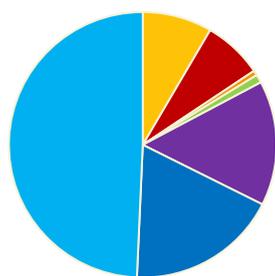


Fund Facts

	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	0.39% p.a.	+0.09%/-0.19%
Bendigo Conservative Index Fund	STL0032AU	30 Sept 2011	Half yearly	CPI + 2%	3 years +	Low to medium	0.41% p.a.	+0.08%/-0.13%
Bendigo Balanced Index Fund	STL0033AU	30 Sept 2011	Half yearly	CPI + 3%	4 years +	Medium	0.43% p.a.	+0.08%/-0.13%
Bendigo Growth Index Fund	STL0034AU	30 Sept 2011	Half yearly	CPI + 4%	5 years +	Medium to high	0.45% p.a.	+0.08%/-0.13%
Bendigo High Growth Index Fund	STL0035AU	30 Sept 2011	Half yearly	CPI + 5%	7 years +	High	0.46% p.a.	+0.08%/-0.08%

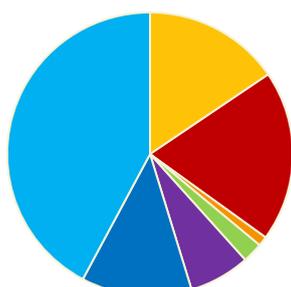
Asset allocation

Bendigo Defensive Index Fund



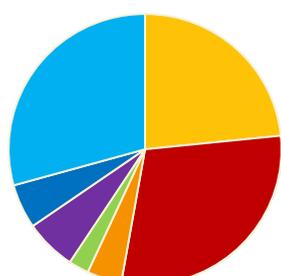
■ Aust Sh	8.4%
■ Int Sh	7.2%
■ Int Sh (Hedged)	0.6%
■ Property & Infra	1.0%
■ Cash	15.2%
■ Int FI	18.3%
■ Aust FI	49.3%

Bendigo Conservative Index Fund



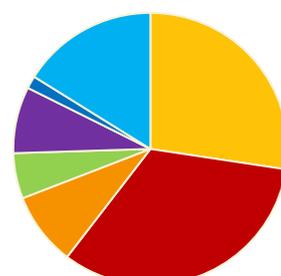
■ Aust Sh	15.5%
■ Int Sh	19.5%
■ Int Sh (Hedged)	1.1%
■ Property & Infra	2.3%
■ Cash	6.9%
■ Int FI	12.5%
■ Aust FI	42.2%

Bendigo Balanced Index Fund



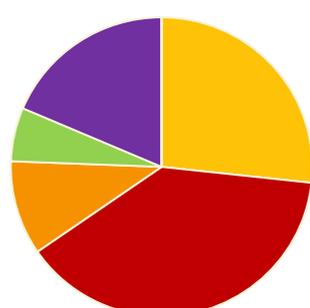
■ Aust Sh	23.4%
■ Int Sh	29.4%
■ Int Sh (Hedged)	4.1%
■ Property & Infra	2.4%
■ Cash	6.1%
■ Int FI	5.3%
■ Aust FI	29.3%

Bendigo Growth Index Fund



■ Aust Sh	27.4%
■ Int Sh	33.0%
■ Int Sh (Hedged)	8.7%
■ Property & Infra	5.4%
■ Cash	7.9%
■ Int FI	1.5%
■ Aust FI	16.1%

Bendigo High Growth Index Fund



■ Aust Sh	26.7%
■ Int Sh	38.7%
■ Int Sh (Hedged)	10.2%
■ Property & Infra	5.8%
■ Cash	18.6%
■ Int FI	0.0%
■ Aust FI	0.0%

Unit prices

as at 30 September 2020

	Application price	Withdrawal price
Bendigo Defensive Index Fund	\$1.17290	\$1.16962
Bendigo Conservative Index Fund	\$1.29152	\$1.28881
Bendigo Balanced Index Fund	\$1.39384	\$1.39092
Bendigo Growth Index Fund	\$1.52234	\$1.51914
Bendigo High Growth Index Fund	\$1.53729	\$1.53484

Quarterly commentary

Performance

From both a peer relative and absolute return perspective, the Index suite of Funds performed strongly over the quarter. Risk assets across the board all rose sharply, with tilts to emerging markets within the growth allocation and inflation linked bonds within the defensive component, both proving beneficial.

Looking forward, we believe the Funds are well positioned with a good mix of alpha seeking strategies through our exposure to emerging markets and small cap equities, and defensive downside protection through US treasuries and currency exposure to the US Dollar and Japanese Yen.

Economic

The first fiscal quarter of 2020-2021 was positive for risk assets. While returns were largely positive for developed world equity markets, the month of September did see higher levels of volatility return. Overall, Australian shares (measured by the S&P ASX 300 accumulation index) recorded a 5.9% rise while global equity markets (measured by the MSCI World Ex Australia hedged total return index) appreciated 6.4% over the same period. Investors have been encouraged by the scale and speed of stimulatory measures enacted by governments and central banks alike to soften the economic impacts of shutdown measures taken to slow COVID-19 transmissions.

Despite the coordinated efforts of governments around the world, higher equity valuations came under selling pressure in September. Sectors that have been the biggest direct beneficiaries of social distancing such as technology gave back some of their gains during the month of September, with market darlings such as Apple and Afterpay retracing 13.7% and 12.5% respectively. Fundamentally, many of these businesses are sound and the recent correction in their share prices are more reflective of profit taking by investors following a sharp run up rather than concerns of long-term business profitability.

In Australia, the Federal Budget release was closely watched with the government unveiling the largest ever deficit by some margin in response to the ongoing economic disruption of COVID-19. Net debt is expected to peak at 43.8% of GDP at the end of 2023-2024 with several spending initiatives aimed at returning Australia back to trend GDP growth and lowering the unemployment rate. This is a notable increase in debt to GDP, however, it compares favourably to our overseas counterparts and with interest rates at record lows, the interest burden for the government is manageable.

Looking forward, challenges remain on the health front with recent data pointing to an increase in infections around the globe. The race to a vaccine remains and will be imperative to the recovery. The recent bout of volatility is a timely reminder of the importance of diversification in portfolios and that pragmatic risk management will be required through the various stages of the recovery.

Do you have any questions?

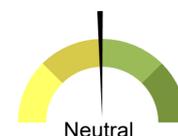
For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Asset positioning commentary

Diversification is key given the uncertain market conditions. The development of vaccinations remains bumpy and major government support packages are running out. The forthcoming U.S. election posts additional uncertainty to the market. The Wholesale active funds have holdings in gold, which we believe will benefit given excessive money printing. We further have inflation protection insurance through a material exposure to inflation linked bonds. We continue to hold minimal listed property given the headwinds faced by the sector.

Australian Shares

We continue to hold a neutral position in Australian equities. Australia relative to many other global economies has been well supported from a government and monetary policy standpoint. We are favourable on the resources sector, in which generally in a global economic contraction governments around the world turn to construction to stimulate their economies, this places strong demand on the resources sector.



International Shares

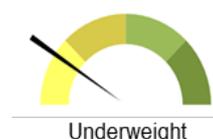
We are currently hold an overweight position with global equities and prefer the cheaper valuations in emerging markets. Technology stocks have performed particularly well over an extended period of time as trends in the movement to ecommerce and working from home continue. We are cautious on equities generally, in which face the competing factors of high prices and low yields pushing investors into risk assets.

Hedge ratio 50% of OS equities



Property & Infrastructure

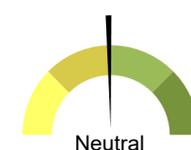
We currently hold minimum weights in Australian listed property and are neutral on infrastructure. We believe commercial property is faced with technology headwinds to the sectors of retail and office, with the continual advancement of ecommerce and now the fast tracking of working from home arrangements. Whilst pricing is somewhat reflective of these forces, we believe the upside in this asset class is limited. This is likely to place downward pressure on office and retail rent demand into the future.



Fixed Income

We continue to hold a neutral position within fixed income with a bias towards inflation linked bonds. We believe the current environment of excessive money printing and large fiscal spending places risks of inflation over the medium term, however the more eminent risk is deflation with high slack in the economy driven by weak labour conditions. We hence favour exposure to short term US Treasuries for deflation protection and longer dated Australian inflation linked bonds for inflation protection in the event fiscal stimulus and money printing moves to far.

Whilst credit has performed well of late, the concern regarding defaults is particularly troublesome, in which we will look to reduce credit exposure as spreads continue to contract.



Cash

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



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. Bendigo Defensive Index Fund received a 5-Star Overall Morningstar Rating™ out of 22 Multisector Conservative funds as of 30 September 2020 and a 5-Star Five year rating out of 24 Multisector Conservative funds as of 30 September 2020. Source: www.morningstar.com.au/Funds/FundReport/19288

Bendigo Conservative Index Fund received a 5-Star Overall Morningstar Rating™ out of 121 Multisector Moderate funds as of 30 September 2020 and a 5-Star Five year rating out of 120 Multisector Moderate funds as of 30 September 2020. Source: www.morningstar.com.au/Funds/FundReport/19289

Bendigo Balanced Index Fund received a 5-Star Overall Morningstar Rating™ out of 122 Multisector Balanced funds as of 30 September 2020 and a 5-Star Five year rating out of 116 Multisector Balanced funds as of 30 September 2020. Source: www.morningstar.com.au/Funds/FundReport/19290

Bendigo Growth Index Fund received a 5-Star Overall Morningstar Rating™ out of 197 Multisector Growth funds as of 30 September 2020 and a 5-Star Five year rating out of 199 Multisector Growth funds as of 30 September 2020. Source: www.morningstar.com.au/Funds/FundReport/19291

Bendigo High Growth Index Fund received a 4-Star Overall Morningstar Rating™ out of 135 Multisector Aggressive funds as of 30 September 2020 and a 4-Star Five year rating out of 123 Multisector Aggressive funds as of 30 September 2020. Source: www.morningstar.com.au/Funds/FundReport/19292

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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. '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.

3. 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 as 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 our 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 September 2020 (unless stated otherwise) and is subject to change without notice.

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