

Bendigo Managed Wholesale Funds Active Funds



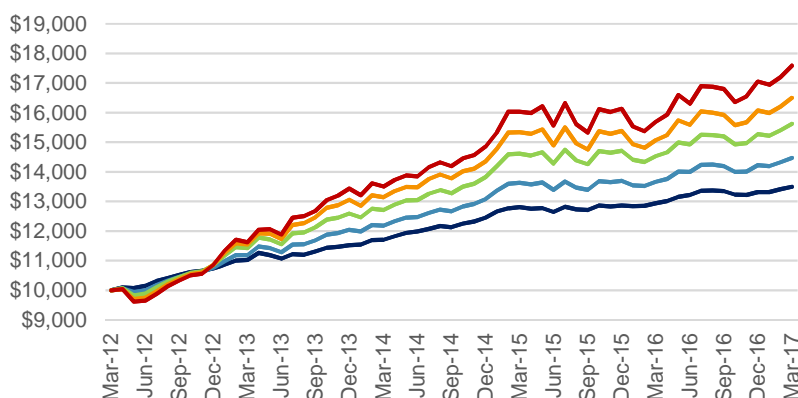
As at 31 March 2017

Investment approach

Each Fund invests via a selection of high quality, specialist investment managers across a variety of asset classes. 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 % 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 ¹	Morningstar Rating™ 5 Year*	Morningstar Category Rank 5 Year*	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size \$m
Bendigo Defensive Wholesale Fund <i>Peer Comparison</i>	★★★★	3/18	1.33 1.07	4.27 3.50	4.85 3.79	6.18 4.66	\$41.72
Bendigo Conservative Wholesale Fund <i>Peer Comparison</i>	★★★★★	3/123	1.75 1.38	5.95 5.17	5.91 4.51	7.67 5.71	\$128.56
Bendigo Balanced Wholesale Fund <i>Peer Comparison</i>	★★★★★	3/114	2.32 1.87	7.51 8.55	7.11 5.82	9.33 7.50	\$138.26
Bendigo Growth Wholesale Fund <i>Peer Comparison</i>	★★★★	14/194	2.67 2.34	9.52 10.76	7.87 6.69	10.53 8.95	\$63.77
Bendigo High Growth Wholesale Fund <i>Peer Comparison</i>	★★★★	25/119	3.21 2.89	12.13 14.23	9.21 8.13	11.96 10.81	\$11.46

Growth of \$10,000 over 5 years¹



Performance commentary

The past quarter investors across all five risk profiles enjoyed strong positive returns, particularly those weighted more strongly towards growth assets. Active asset allocation positions favouring unhedged global equities over Australian equities detracted from relative performance with commodity prices pushing Australian equities and the Australian dollar higher over the period. Working for the Funds were overweight positions in Australian bonds over global bonds, in which yields on Australian bonds fell slightly over the period and thus raising prices.

The quarter ending March has seen some of the active manager underperformance experienced in the December quarter revert, with active management a strong contribution to returns over the quarter. The standout managers included Bennelong Australian Equity Partners Pty Ltd (Australian equities), T. Rowe Price International Ltd (global equities), Franklin Templeton Investments Australia Limited (global equities) and Pimco Australia Pty Limited (fixed income) continued its impressive run in which has been a strong year for the manager.

Fund facts

Bendigo Defensive Wholesale Fund	
Inception date:	30 September 2011
Investment return objective:	CPI + 1.5%
Bendigo Conservative Wholesale Fund	
Inception date:	6 June 2002
Investment return objective:	CPI + 2%
Bendigo Balanced Wholesale Fund	
Inception date:	6 June 2002
Investment return objective:	CPI + 3%
Bendigo Growth Wholesale Fund	
Inception date:	6 June 2002
Investment return objective:	CPI + 4%
Bendigo High Growth Wholesale Fund	
Inception date:	30 September 2011
Investment return objective:	CPI + 5%

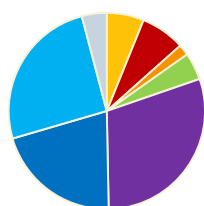
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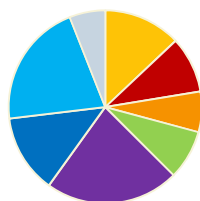
Asset allocation

Bendigo Defensive Wholesale Fund



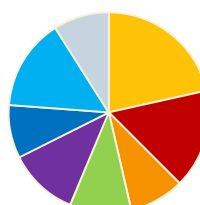
■ Aust Sh	6.1%
■ Int Sh	7.3%
■ Int Sh (Hedged)	1.8%
■ Property & Infra	4.5%
■ Cash	30.0%
■ Int FI	20.8%
■ Aust FI	25.4%
■ Alternative	4.1%

Bendigo Conservative Wholesale Fund



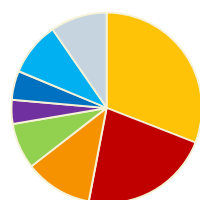
■ Aust Sh	13.0%
■ Int Sh	9.4%
■ Int Sh (Hedged)	6.8%
■ Property & Infra	8.3%
■ Cash	22.4%
■ Int FI	13.2%
■ Aust FI	20.9%
■ Alternative	6.0%

Bendigo Balanced Wholesale Fund



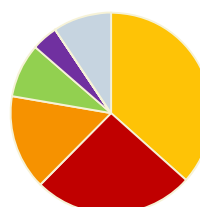
■ Aust Sh	21.5%
■ Int Sh	16.0%
■ Int Sh (Hedged)	8.9%
■ Property & Infra	9.9%
■ Cash	11.3%
■ Int FI	8.6%
■ Aust FI	14.8%
■ Alternative	9.0%

Bendigo Growth Wholesale Fund



■ Aust Sh	30.9%
■ Int Sh	22.1%
■ Int Sh (Hedged)	11.5%
■ Property & Infra	7.8%
■ Cash	4.1%
■ Int FI	4.9%
■ Aust FI	9.1%
■ Alternative	9.6%

Bendigo High Growth Wholesale Fund



■ Aust Sh	36.6%
■ Int Sh	25.8%
■ Int Sh (Hedged)	15.3%
■ Property & Infra	8.7%
■ Cash	4.2%
■ Int FI	0.0%
■ Aust FI	0.0%
■ Alternative	9.4%

Economic commentary

Since the start of 2017 markets have been tempered. Despite America's increased involvement in the Syrian Civil War, terrorist attacks in Turkey, and the ever present Afghanistan conflict and Iraqi Civil Wars markets remained relatively settled. Geopolitical risks were cast aside and market tone was optimistic throughout Q1. Equities, credit securities and emerging markets all performed well over the period. Much of this can be accredited to economic data and sentiment indicators throughout the developed world all indicating a continual expansion.

An improving cyclical global economic picture was driven by positive sentiment around Chinese fiscal stimulus, lifting commodity prices, and expectations of Trump delivering a quantum of fiscal spending plus widespread tax reform. Global equities rallied +6.9% (USD terms, +1.5% in AUD) over the quarter, buoyed by improving earnings momentum and a broadening global macroeconomic recovery. Global bonds (AUD hedged) return +0.68% over the same period. Our view is that valuation and cyclical elements suggest that government bonds remain vulnerable however we concede that much of the recent good cyclical news is now increasingly reflected in bond prices. Credit securities also continued to enjoy the benefit of a stronger cyclical environment and recent spread narrowing.

The Federal Reserve lifted rates by 25bps in March and signalled further increases would be gradual. Key to any future moves are the inflation numbers and the effectiveness of Trump's administration to implement reforms. Late in March, some US political uncertainty and protectionist rhetoric fuelled broad based U.S. dollar weakness (-1.8%) and Gold (+8.6%) strength. Locally the Reserve Bank of Australia held the cash rate constant at 1.50% during Q1. During this time we observed a shift in expectations with markets pushing back the timing of the first cash rate hikes into 2018.

Contact Sandhurst

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Asset positioning commentary

Australian Shares

We remain slightly underweight to Australian equities. We continue to hold preference to global equities for our growth allocation, in which are closer connected to the potential growth that may result from Trump enacted stimulatory policies. Recent advances in commodity stocks we watch with caution and remain somewhat sceptical of recent commodity price gains, given the data pointing to high iron ore inventory levels in China and the questionable sustainability of a China growth path led by leverage.

Given strong house price gains in Sydney and Melbourne and the RBA's attempt to dampen demand by limiting bank lending, we are cautious of financials and given the high proportion of mining and financials within the ASX we prefer a greater weight to offshore exposures.



Slightly underweight

International Shares

Post the Trump victory, sentiment in the US has remained positive and employment continues to look stable. Given US stocks make up approximately half of the global equity index and the material weighting to the fast growing IT sector, we prefer our growth weightings skewed to this asset class.



Slightly overweight

Property & Infrastructure

We continue to hold a neutral position in property and infrastructure. Listed property has been trading in line with government bond prices moving up in value as interest rates have fallen. Given the rise in the yield curve over the past six months, we perceive some value in this asset class, although balance that with a cautious stance on overall high net asset values.



Neutral

Fixed Income

Over the quarter we increased our holdings to Australian government bonds. Global yield curves have risen and steepened strongly over the past six months dragging the Australian 10 year generic government bond yield up 100 basis points since September. Given the now steep yield curve and coupled with our subdued outlook for the Australian economy, we perceive value in the curve and hence our increased weightings in Australian government bonds. Additionally, given the recent rally in equities, valuations as per forward price to earnings, are at high levels adding to the case for further portfolio equity insurance in which duration linked government bonds provide.



Neutral

Cash

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



Neutral

Footnotes

¹ Fund Performance figures are calculated before tax and after fees and costs; using withdrawal prices and assumes distributions are reinvested. Growth graph is based on historic Fund performance over 5 years. Past performance is not an indication of future performance.

* '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 (see table right).

'Morningstar Category Rank' is the Fund's performance rank relative to all funds in the same Morningstar Category.

Fund	Morningstar Category
Bendigo Defensive Wholesale Fund	Multisector Conservative
Bendigo Conservative Wholesale Fund	Multisector Moderate
Bendigo Balanced Wholesale Fund	Multisector Balanced
Bendigo Growth Wholesale Fund	Multisector Growth
Bendigo High Growth Wholesale Fund	Multisector Aggressive

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Important information

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 subsidiaries. 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. 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. This information is current as at 31 March 2017 and is subject to change.

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