

Quarterly fund update - June 2017

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 % above inflation over a full market cycle (typically 7 to 10 years), where inflation is measured by the Australian Consumer Price Index (CPI).

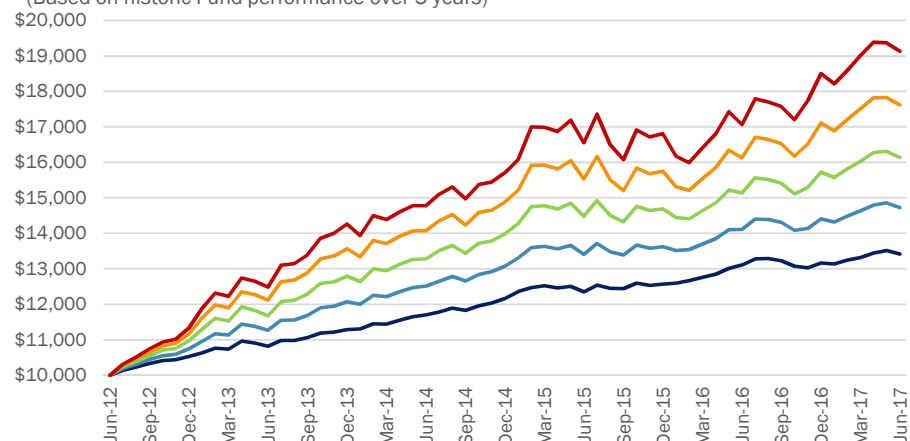
Fund performance¹

as at 30 Jun 2017

	Morningstar Rating™ 5 Year 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	★★★★★	3 / 18	\$0.0464	0.74	2.40	4.67	6.06	\$121.91
<i>Peer Comparison</i>				0.43	2.05	3.36	4.46	
Bendigo Conservative Index Fund	★★★★★	2 / 125	\$0.0546	0.66	4.33	5.58	8.05	\$403.48
<i>Peer Comparison</i>				0.79	3.78	4.05	5.76	
Bendigo Balanced Index Fund	★★★★★	3 / 117	\$0.0684	0.64	6.62	6.71	10.04	\$379.05
<i>Peer Comparison</i>				0.80	6.82	5.40	7.97	
Bendigo Growth Index Fund	★★★★★	5 / 196	\$0.0856	0.62	9.24	7.79	11.99	\$231.27
<i>Peer Comparison</i>				0.94	8.97	6.26	9.67	
Bendigo High Growth Index Fund	★★★★★	11 / 119	\$0.1118	0.67	12.13	9.00	13.86	\$26.65
<i>Peer Comparison</i>				1.29	12.18	7.89	12.07	

An example of how your investment grows

Growth of \$10,000 over 5 years¹
(Based on historic Fund performance over 5 years)



Make the most of your investment

You need \$50,000 to start an investment in one of our Bendigo Managed Wholesale Funds

► The power of compounding

Compounding can be a powerful tool in wealth creation. Reinvesting distributions can be one of the easiest and cheapest ways to increase your holdings over time. You're compounding your investment's growth by continually adding more units which, in turn, will generate distributions of their own.

Why not reinvest your half yearly distributions?

► The benefits of making it regular

Making regular contributions to your investment can both grow your investment and smooth the effects of market highs and lows.

Why not add a Regular Savings Plan to your investment? You can establish one from as little as \$50 per month.

You can also use BPAY® to add to your investment at any time with as little as \$100. See your statement for your BPAY reference number.

Fund facts

Bendigo Defensive Index Fund

Fund APIR code	STL0031AU
Fund start date	30 September 2011
Return objective:	CPI + 1.5%
Recommended investment timeframe	2 years +
Risk level	Low

Bendigo Conservative Index Fund

Fund APIR code	STL0032AU
Fund start date	30 September 2011
Return objective:	CPI + 2%
Recommended investment timeframe	3 years +
Risk level	Low to medium

Bendigo Balanced Index Fund

Fund APIR code	STL0033AU
Fund start date	30 September 2011
Return objective:	CPI + 3%
Recommended investment timeframe	4 years +
Risk level	Medium

Bendigo Growth Index Fund

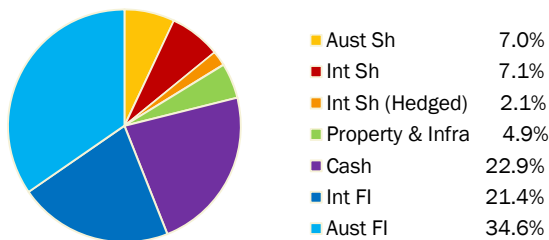
Fund APIR code	STL0034AU
Fund start date	30 September 2011
Return objective:	CPI + 4%
Recommended investment timeframe	5 years +
Risk level	Medium to high

Bendigo High Growth Index Fund

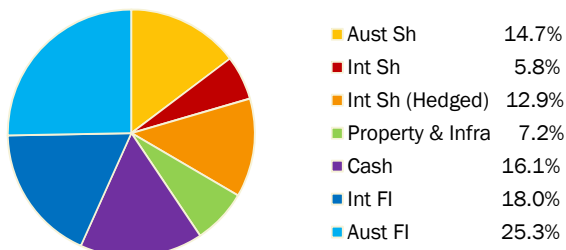
Fund APIR code	STL0035AU
Fund start date	30 September 2011
Return objective:	CPI + 5%
Recommended investment timeframe	7 years +
Risk level	High

Asset allocation

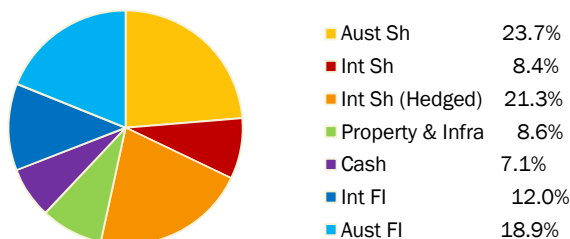
Bendigo Defensive Index Fund



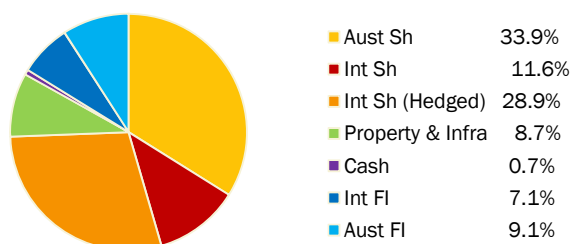
Bendigo Conservative Index Fund



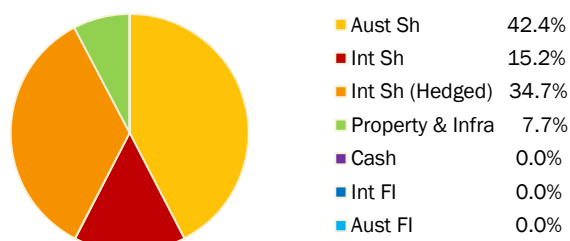
Bendigo Balanced Index Fund



Bendigo Growth Index Fund



Bendigo High Growth Index Fund



Unit price

	Application price	Withdrawal price
Bendigo Defensive Index Fund	\$1.13188	\$1.12985
Bendigo Conservative Index Fund	\$1.22685	\$1.22440
Bendigo Balanced Index Fund	\$1.31722	\$1.31459
Bendigo Growth Index Fund	\$1.41798	\$1.41514
Bendigo High Growth Index Fund	\$1.41989	\$1.41705

Performance commentary

The index funds faced a difficult quarter in which by nature are more sensitive to changes in interest rates than many broader strategies. Overweight positions in global equities aided performance, which has been the highest returning asset class over the past year, while underweight positions in global treasuries with preference to global credit aided performance.

Economic commentary

The dominate driver in financial markets at present is broad based central bank monetary policy tightening. Whether through forward guidance such as the European Central Bank's Draghi hinting at a reduced dependence on asset purchases, a Canadian interest rate rise (the first time in 7 years) or the Federal Reserve lifting rates, markets are adjusting to a higher rate environment. Given it has been almost a decade since financial markets have seen a global uniform monetary policy tightening environment, markets are being shaken from their complacency, with the canary in the coal mine in inflation a real possibility.

The Reserve Bank of Australia (RBA) held rates steady over the period, with the last rate move, a decline, back in August 2016. Homeowners however have not been spared rate rises particularly interest only and investment loans in which Australian banks have raised rates independent to the RBA in response to the regulator, APRA, request to de-risk lending books. Recently more evidence of a global growth pickup has led the RBA to remind people that rates will not be held at current levels forever, which has jolted the Australian dollar and boosted the Australian yield curve.

With global yield curves rising, interest rate sensitive investments which previously enjoyed the tail winds of falling rates are now facing head winds. For example Australian listed property (S&P ASX 200 Accumulation Index) underperformed broader Australian shares (S&P ASX 200 Accumulation Index) by close to 7% for the quarter and approximately 20% for the year on year, ending June 30. While within fixed interest the more interest rate sensitive government issued bonds materially underperformed corporate issued debt.

Do you have any questions?

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

Asset positioning commentary

The Funds continue to hold an overweight to global equities unhedged. We have continued to trim Australian property exposure particularly in the higher growth risk profiles which hold a larger weighting to this asset class. We prefer a lighter duration positioning within fixed income and have tilted this exposure in favour of Australia in which we believe, due to less central bank intervention, is a stronger hedge to an equity market sell off.

Australian Shares

We remain slightly underweight to Australian equities. Australian equities are coming off what has been a strong period, however the dominate sectors in mining and financials have not managed to shrug the earnings growth concerns which continue to plague them. Recent budget announcements will create some loss of confidence from investors in the banks, whilst China appears to be entering another shaky period which is playing out on resource stocks.



Slightly underweight

International Shares

We continue our slight bias to global equities over Australian stocks. From an index based perspective, we continue to remain sceptical of the growth characteristics of the large weighted components of the ASX and favour the diversity that global equities provides.

We prefer a tilt towards unhedged over hedged exposure due the downside portfolio protection an unhedged position provides, further relative prices as per Organisation for Economic Cooperation and Development Purchasing Power Parities indicates a slightly expensive AUD.

Hedge ratio 25% of OS equities

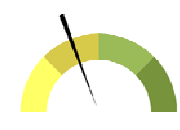


Slightly overweight

Property & Infrastructure

Over the quarter we reduced our property exposure on the back of clearer evidence of a global yield rising environment. Property has been the beneficiary of global falling rates and as this thematic unwinds, property is the logical choice to reduce to minimize this risk.

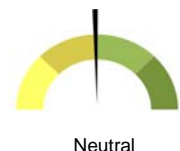
Changed from neutral to slightly underweight



Slightly underweight

Fixed Income

We hold a neutral position in Australian fixed interest and currently favour positions in Australian government bonds and global credit.



Neutral

Cash

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



Slightly 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 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. © 2017 Morningstar, Inc. All rights reserved.

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