As at 31 December 2011

Sandhurst Strategic Income Fund

Investment objective

The Sandhurst Strategic Income Fund (Fund) aims to outperform its Benchmark (UBS Bank Bill Index) over any 3 year period by investing in a diversified portfolio of domestic and global interest bearing securities across a range of maturities. The Fund will adjust its investments in line with market conditions to optimise returns and control volatility.The Fund has been established to provide income to members whilst protecting the pricipal value of units.

Market review and strategy

The outlook for the global economy has deteriorated further during December largely due to the worsening picture in Europe. The euro zone remains the epicenter of this story, and we expect a further deterioration in economic conditions in the bloc in the near term. This reflects the combined effects of fiscal tightening and a tightening of credit conditions. We see the euro zone economy contracting in 2012 with a sustained recovery requiring a stabilisation in government debt markets and bank capital.

The Fund has taken a defensive approach to credit investments with only 7.4% invested in Floating Rate Notes (FRN), well below our expected long term average level of 'credit', a strategy we believe is prudent in these uncertain and deteriorating market conditions and one we continue to monitor and review.

Yields on bank 3-5 year FRN's are in the vicinity of 1.5% - 1.8% above BBSW and TD margins for maturities of 3 and 6 months are closer to 1.4%-1.5% above BBSW. AAA rated RMBS margins are much higher than both of these and continue to widen, although liquidity in these securities is a lot lower.

Given the current volatility of markets we continue to look for value amongst TD's with maturities up to 6 months. The team would like to add more credit exposure to the Fund via a RMBS note and potentially additional FRN's when both the volatility and short term mark to market risk has reduced.

Fund highlights

The Fund has benefited from initially taking a long duration position and continues to be well positioned for further falls in rates with 24% of the Fund invested in Term Deposits (TD's) with a maturity of greater than 4 months.

Total liquidity of the Fund remains high at over 85% with over 8% available in cash and 24% in highly liquid investments.

Fund information*

Fund	Class A	Class B
Application (ex distribution)	$1.0053	$1.0051
Redemption (ex distribution)	$1.0023	$1.0021
31 December 2011 Distribution (per unit)	$0.0190	$0.0200
ICR (% p.a.) as at 31 December 2011	0.65%	0.45%
Fund start date	**29 July 2011**	
Fund size as at 31 December 2011	**$6.75 Million**	

*The Fund uses a multi-class pricing structure. An investor who applies directly for units in the Fund is issued with Class A units. Investors who have invested through a master trust, wrap account or other investor directed portfolio service (IDPS or IDPS-like service) (otherwise referred to as a platform) are issued with Class B units.
For platform investors, your platform operator may charge additional amounts to process your investments or withdrawals in the Fund or to manage your investments in the Fund.

Fund performance

Performance period	Fund return*	Benchmark#
Class A		
1 month	0.44%	0.43%
3 months	1.31%	1.31%
1 year	n/a	
3 years^	n/a	
Since Inception	2.33%	2.18%
Class B		
1 month	0.46%	0.45%
3 months	1.36%	1.36%
1 year	n/a	
3 years^	n/a	
Since Inception	2.42%	2.26%

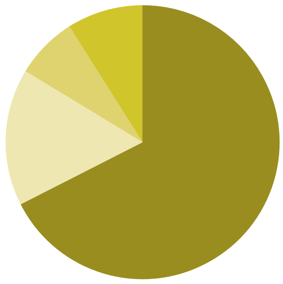
^ % performance per annum.
* Performance figures are calculated before tax and after fees and costs; using redemption prices and assumes distributions are reinvested.
Past performance is not an indication of future performance.
The benchmark for this Fund is the UBS Bank Bill Index + 1.00% (adjusted for fees).

Sandhurst Strategic Income Fund

As at 31 December 2011

Asset allocation

Investment profile			Exposure
Primary sector	**$**	**%**	**Max - Min %**
Bank deposits	$4.56 m	68%	100 - 30%
Money market securities	$1.09 m	16%	70 - 0%
Government bonds	-	0%	70 - 0%
Semi-government bonds	-	0%	50 - 0%
Supranational bonds	-	0%	50 - 0%
Corporate bonds and Floating rate notes	$0.50 m	7%	50 - 0%
Asset backed securities	$0.61 m	9%	40 - 0%
Total primary sector	*$6.75 m*	*100.0%*	*100 - 70%*
Secondary sector			
Hybrids and other	-	0%	30 - 0%
Foreign bonds	-	0%	30 - 0%
Total secondary sector	-	*0.0%*	*30 - 0%*
Total assets	**$6.75 m**	**100.0%**	



Investment rating	$	%	Limits Max - Min %
Investment grade	$6.15 m	91%	100 - 80%
Sub investment grade	-	0%	20 - 0%
Internally rated - Investment grade*	$0.61 m	9%	30 - 0%
Internally rated - Sub investment grade*	-	0%	20 - 0%
Total	**$6.75 m**	**100%**	

* Internal ratings are assigned based solely on the opinion of Sandhurst Trustees Limited

Bank exposures	$	%	Limits Max - Min %
Bendigo and Adelaide Bank	$3.75 m	55%	80 - 0%
National Australia Bank	$1.40 m	21%	40 - 0%
Westpac	$0.50 m	7%	40 - 0%
Bankwest	$0.50 m	7%	40 - 0%

For further information contact our Customer Service Centre on 1800 634 969 or visit our website: www.sandhursttrustees.com.au/investments

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