

# Sandhurst Select Mortgage Fund

## Investment Objective

The objective of the Fund is to provide consistent returns, regular income and capital stability by investment of the Fund in a broad selection of Australian first registered mortgage assets and other securities.

# 5.65% p.a.\*

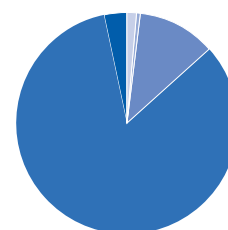
\*Indicative rate, net of all fees and costs to 30 September 2011. There is a risk that the rate paid may be lower (or higher) than the indicative rate.

## Assets and performance as at 30 June 2011

Investment profile as at 30 June 2011			
Cash at bank			\$15,511,690
Bank bills			\$4,973,905
Negotiable certificates of deposits			\$116,992,013
Mortgage backed securities			\$32,077,899
Mortgage loans			\$836,564,705
Total assets			\$1,006,120,212
Mortgage analysis			
Number of loans			3,577
Average loan size			\$233,873
Largest loan			\$50,000,000
Average loan to value ratio			46.45%
Number of investors			23,875
Fixed/variable loan interest rate split			
Fixed			\$284,737,769
Variable			\$551,826,936
Past performance <sup>^</sup>			
Annualised Distribution Return		Return to Investors (p.a.)	Indicative Rate (p.a.)
3 months ended	30.06.11	5.63%	5.65%
6 months ended	30.06.11	5.71%	5.71%
Year ended	30.06.11	5.67%	5.50%
	30.06.10	4.44%	4.12%
	30.06.09	5.55%	5.75%
	30.06.08	6.48%	7.28%
	30.06.07	6.45%	6.33%
Non Annualised Distribution Return		Return to Investors	
3 months ended	30.06.11	1.40%	
6 months ended	30.06.11	2.83%	

<sup>^</sup>Unless otherwise stated, performance is calculated using compound returns after fees and costs and assumes reinvestment of income. These figures represent past performance and are not an indication of future performance.

## Fund Investment Portfolio



Cash at Bank	1.5%
Bank Bills	0.5%
Negotiable Certificates of Deposit	11.6%
Australian First Registered Mortgages	83.2%
Mortgage Backed Securities	3.2%

To maintain liquidity, a portion of the Fund will be held in cash and readily negotiated assets including negotiable certificates of deposit and bank bills.

# Sandhurst Select Mortgage Fund

## Quarterly disclosure update

The Australian Securities and Investment Commission (ASIC) Regulatory Guide 45 - "Mortgage schemes – improving disclosure for retail investors" sets out 8 benchmarks which ASIC has formulated to improve disclosure to retail investors participating in unlisted mortgage schemes. Issuers, like Sandhurst, are not required to meet the benchmarks provided that reasons for not meeting the benchmarks are disclosed on an "if not, why not" basis. Sandhurst addressed each of these benchmarks in the Update to Sandhurst Common Funds Product Disclosure Statement dated 10 August 2009. Sandhurst continually reviews its position with regards to the benchmarks, as some of the information disclosed will change over time.

The following information identifies changes to our previous disclosure under each benchmark and should be read in conjunction with the Sandhurst Common Fund Product Disclosure Statement dated 25 May 2007, the Update to the Sandhurst Common Fund Product Disclosure Statement dated 10 August 2009 and any other updates to the Product Disclosure Statement available on our website.

### Benchmark 1 - Liquidity

#### **Sandhurst complies with Benchmark 1**

As at 30 June 2011, the Select Mortgage Fund had liquidity, as defined under the ASIC benchmark (i.e. cash or cash equivalents) of \$137,477,608 or 13.6% of total assets. The composition and level of liquidity may change over time.

The Select Mortgage Fund has a standby facility in place with Bendigo and Adelaide Bank (the Bank) to assist with the management of short term liquidity should the need arise. This facility is repayable on the 23 June 2012 or earlier if required by the Bank. As at 30 June 2011 no funds have been drawn down on this facility and the aggregate undrawn amount is \$30,000,000.

Investment Types	Amount (\$)	% of portfolio
Cash	15,511,690	1.5
Bank Bills	4,973,905	0.5
Negotiable Certificates of Deposit	116,992,013	11.6

The maturity date of all such deposits and investments is not greater than 200 days.

### Benchmark 2 - Scheme Borrowing

#### **Sandhurst complies with Benchmark 2**

Refer to Benchmark 1 for details of the standby facility.

# Sandhurst Select Mortgage Fund

## Benchmark 3 - Portfolio Diversification

### Sandhurst complies with Benchmark 3

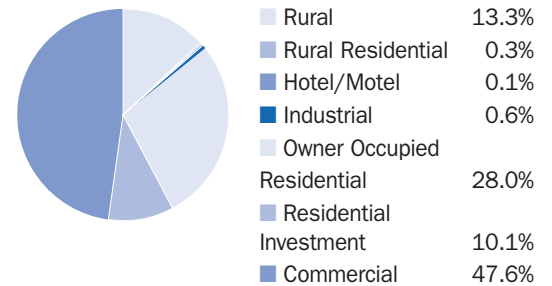
#### Number and value of loans

As at 30 June 2011 there were 3,577 mortgage loans totalling \$836,564,705.

#### Loans by class of activity

Activity	Amount (\$)	No. of Loans	% by No.
Rural	111,396,589	370	10.3
Rural Residential	2,540,405	12	0.3
Hotel/Motel	926,716	6	0.2
Industrial	5,136,262	10	0.3
Owner Occupied Residential	234,042,988	1,816	50.8
Residential Investment	84,556,433	497	13.9
Commercial	397,965,312	866	24.2
<b>Total</b>	<b>836,564,705</b>	<b>3,577</b>	<b>100.0</b>

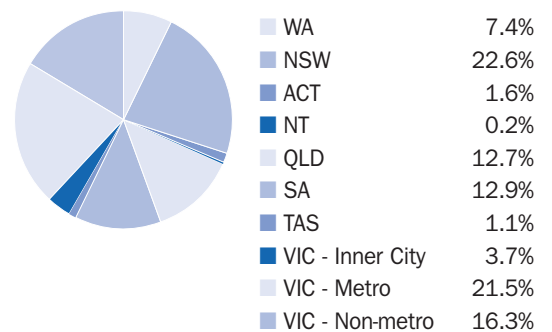
#### Loans by class of activity (% by \$)



#### Loans by geographic region

Geographical profile	Amount (\$)	No. of Loans	% by No.
Victoria			
Inner City	30,669,861	27	0.8
Metro	179,895,811	598	16.7
Non-metro	136,723,345	943	26.4
Other States			
Australian Capital Territory	13,365,811	85	2.4
New South Wales	189,069,992	688	19.2
Northern Territory	1,620,543	6	0.2
Queensland	106,223,353	695	19.4
South Australia	108,127,942	262	7.3
Tasmania	9,164,909	46	1.3
Western Australia	61,703,138	227	6.3
<b>Total</b>	<b>836,564,705</b>	<b>3,577</b>	<b>100.0</b>

#### Loans by geographic region (% by \$)



#### Loans in arrears

As at 30 June 2011 there were 51 loans totalling \$13,497,401 in arrears greater than 30 days. This represents 1.6% of the total loan portfolio by dollar value.

Days in Arrears	Principal (\$)	Payments in Arrears (\$)	No. of Loans
30 - 60 days	3,075,637	64,091	9
60 - 90 days	1,333,949	25,153	10
90 days and over	9,087,815	980,852	32

All the above payments in arrears are considered to be recoverable.

#### Security type

As at 30 June 2011, all of the 3,577 loans were secured by way of first registered mortgage over Australian property. No loans were unsecured.

# Sandhurst Select Mortgage Fund

## Benchmark 3 - Portfolio Diversification continued.

### Largest borrower(s)

As at 30 June 2011, the total loan monies lent to the 10 largest borrowers was \$84,871,521. This represents 0.3% of the number of loans of the portfolio and 10.1% of the value of the portfolio.

The largest borrower had 1 loan of \$50,000,000 representing 6.0% of the value of the portfolio.

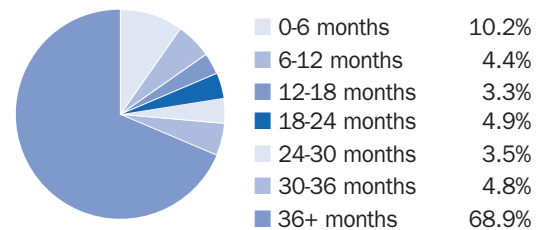
### Undrawn loan commitments

As at 30 June 2011, the Select Mortgage Fund had 2 loans totalling \$776,000 that were approved, but not yet advanced.

### Loans by maturity profile

Maturity Profile	Amount (\$)	No. of Loans	% by No.
0-6 months	85,173,730	243	6.8
6-12 months	36,951,698	86	2.4
12-18 months	27,875,055	92	2.6
18-24 months	40,644,522	88	2.5
24-30 months	28,915,025	85	2.4
30-36 months	40,478,172	75	2.1
36+ months	576,526,503	2,908	81.2
<b>Total</b>	<b>836,564,705</b>	<b>3,577</b>	<b>100.0</b>

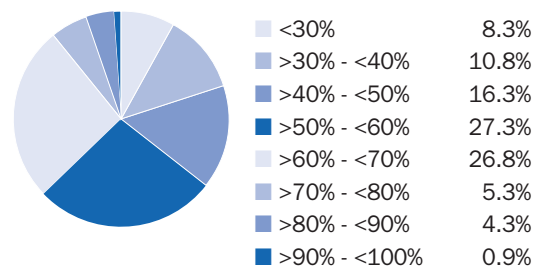
Loans by maturity profile (% by \$)



### Loans by loan to valuation ratios

Loan to valuation ratio (LVR)	Amount (\$)	No. of Loans	% by No.
<30%	69,526,189	763	21.3
30-40%	90,749,358	521	14.6
40-50%	136,604,286	631	17.6
50-60%	228,593,327	622	17.4
60-70%	223,063,813	621	17.4
70-80%	44,513,743	241	6.7
80-90%	35,640,159	149	4.2
90-100%	7,873,830	29	0.8
<b>Total</b>	<b>836,564,705</b>	<b>3,577</b>	<b>100.0</b>

Loans by loan to valuation ratios (% by \$)



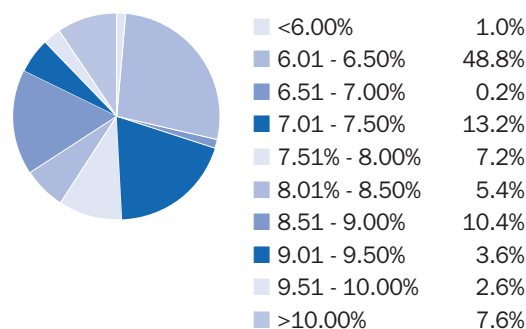
# Sandhurst Select Mortgage Fund

## Benchmark 3 - Portfolio Diversification continued.

### Loans by interest rate

Mortgage Split by Interest Rate	Amount (\$)	No. of Loans	% by No.
<6.00%	8,647,914	18	0.5
6.01-6.50%	407,389,485	2,540	71.0
6.51-7.00%	1,365,045	6	0.2
7.01-7.50%	110,082,206	138	3.9
7.51-8.00%	60,594,817	92	2.6
8.01-8.50%	45,298,586	93	2.6
8.51-9.00%	87,352,526	330	9.2
9.01-9.50%	30,503,538	140	3.9
9.51-10.00%	21,776,628	48	1.3
>10.00%	63,553,960	172	4.8
<b>Total</b>	<b>836,564,705</b>	<b>3,577</b>	<b>100.0</b>

### Loans by interest rate (% by \$)



## Benchmark 4 - Related Party Transactions

### Sandhurst complies with Benchmark 4

The Fund has a standby facility in place with the Bank. As at 30 June 2011 no funds have been drawn on this facility.

## Benchmark 5 - Valuation Policy

### Sandhurst complies with Benchmark 5

The Select Mortgage Fund has 1 loan that accounts for 6.0% of the loan book as at 30 June 2011. The LVR of this loan is 53.6%. The valuation of the secured property is on an "as is" basis and is dated 15 June 2006.

## Benchmark 6 - Lending Principles - loan to valuation ratios (LVR)

### Sandhurst complies with Benchmark 6(a)

### Sandhurst does not comply with Benchmark 6(b)

Sandhurst has elected to continue to hold residential mortgages with LVR's up to 95%, where lender's mortgage insurance is in place. Sandhurst is satisfied in these cases that the loans are adequately insured against loss.

## Benchmark 7 - Distribution Practices

### Sandhurst complies with Benchmark 7

There has been no change to our response in the Update to Sandhurst Common Funds Product Disclosure Statement dated 10 August 2009 for Benchmark 5 to Benchmark 7.

## Benchmark 8 - Withdrawal Arrangements

### Sandhurst complies with Benchmark 8

Refer to Benchmark 1 for details of the standby facility.

**For further information, contact our Customer Service Centre on 1800 803 173**

**or visit our website: [www.sandhursttrustees.com.au](http://www.sandhursttrustees.com.au)**

The information contained in this update is current as at 30 June 2011 and is provided by Sandhurst Trustees Limited (Sandhurst), ABN 16 004 030 737 AFSL 237906, a subsidiary of Bendigo and Adelaide Bank Limited (the Bank) ABN 11 068 049 179. Investments in this Fund are not deposits with, guaranteed by, or liabilities of the Bank, or any of its subsidiaries. There is a risk that investors may lose some or all of their principal investment. Indicative rate to 30 September 2011 is an estimated rate calculated by Sandhurst. There is a risk that the rate paid may be lower (or higher) than the indicative rate. Please consider your situation and read the Product Disclosure Statement, available from any Bendigo Bank branch or by phoning 1800 803 173, before making an investment decision. (S36036) (07/11)