

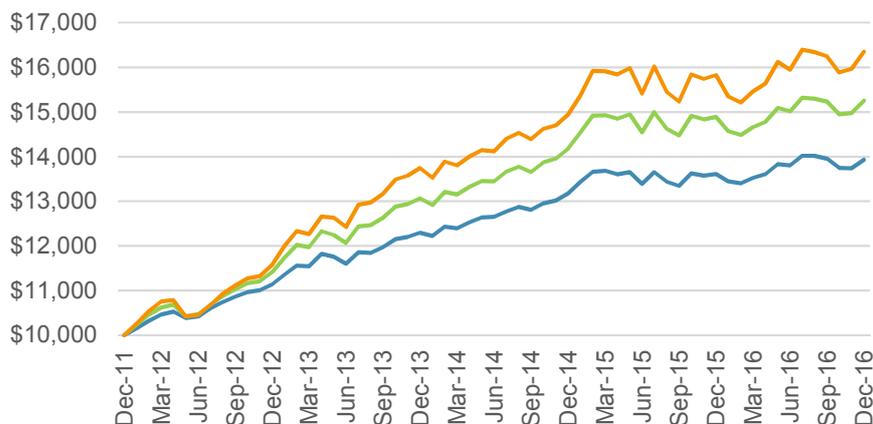
As at 31 December 2016

## Investment approach

Each Fund provides access to a selection of high quality, specialist investment managers across a variety of asset classes via its underlying investments. The investment portfolios provide access to investments which have been 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 <sup>1</sup>	Distribution (per unit)	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size \$m
Bendigo Conservative Fund	\$0.0030	-0.16	2.38	4.26	6.86	\$4.73
Bendigo Balanced Fund	\$0.0036	0.18	2.46	5.31	8.82	\$6.16
Bendigo Growth Fund	\$0.0044	0.59	3.29	5.94	10.33	\$3.87

## Growth of \$10,000 over 5 years<sup>1</sup>



## Fund facts

### Bendigo Conservative Fund

Inception date: 7 June 2002

Investment return objective: CPI + 1%

### Bendigo Balanced Fund

Inception date: 7 June 2002

Investment return objective: CPI + 2%

### Bendigo Growth Fund

Inception date: 7 June 2002

Investment return objective: CPI + 3%

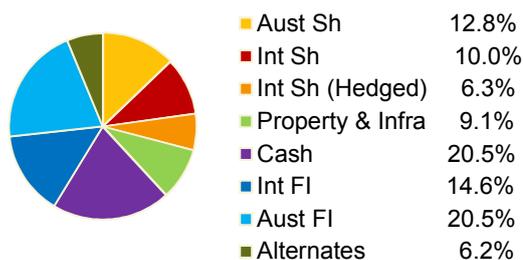
## Performance commentary

The quarter ending December was a positive period for equity markets although not so for bonds. With an unlikely Trump election victory, markets began to digest Trump's expansionary/inflationary policies with a wave of money flowing out of bonds into equities. For the quarter ending December, global equities ran strongly up 7.7% (MSCI World ex Australia Net TR AUD), while the Australian Fixed interest index was down 2.9% (Bloomberg AusBond Composite Index), leading to capital losses in our defensive risk profile funds.

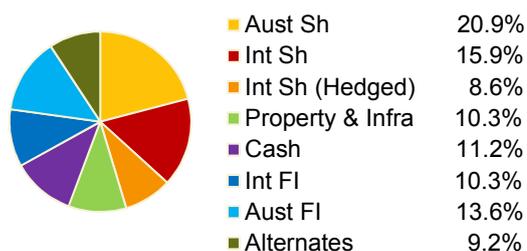
The Funds underweight exposure to fixed income and overweight holdings in unhedged global equities aided performance over the past quarter. Working against relative performance was active management returns within global equities. Post election results, the market interpreted Trump policies unfavourable for emerging market (EM) economies and hence fund managers holding positions in EM suffered some short term underperformance against the EM absent global equity benchmark index (MSCI World ex Australia).

## Asset allocation

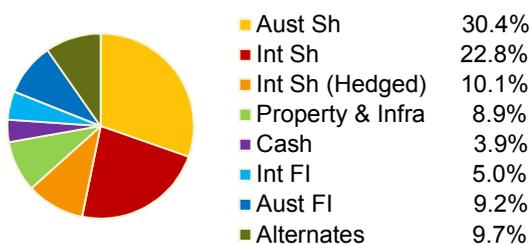
### Bendigo Conservative Fund



### Bendigo Balanced Fund



### Bendigo Growth Fund



## Economic commentary

The biggest influence on markets over the quarter was the Trump election win, which has brought about a change in market sentiment. Financial markets, being forward looking (future growth factored into current pricing), are now factoring additional economic growth and inflation which has shaped asset prices over the quarter. Forward looking economic indicators concur with financial markets expectations with US consumer and business sentiment sharply positive.

While economic growth is positive for equities through the linkage to earnings growth, inflation is negative for fixed interest bonds, hence the rise in equities and the selloff in global government bonds throughout the quarter. Trump's proposed election policies in infrastructure and defense spending are likely to be positive for economic growth, while closing foreign trade and immigration places inflationary pressure on prices. Additionally, the lack of clarity on how the proposed is to be funded leads to the conclusion that debt will increase and therefore the additional supply of debt places downward pressure on bond prices and upward pressure in yields (yields move inversely to bond prices).

Given the extremity of many of Trump's proposed policies, the lack of detail and the uncertainty of what policies will pass through congress, it is likely we will see the market continue to readjust its growth assessment on each political headline. Additionally it is unclear how the US economy will respond to recent market movements. The USD has appreciated strongly against its major trading partners making prices on US exported goods less competitive. Further, market interest rates have moved substantially higher over a short 6 month period, therefore housing in the US is now less affordable for home buyers.

In Australia the economy continues its soft economic trend. Inflation remains subdued and employment soft. Employment continues to trend to falling full time employment, compensated somewhat with increases in part time employment. Recently a rise in commodity prices has provided some cheer. Rising commodity price increases corporate activity and revenues to the government through royalties and tax receipts, however the market remains somewhat skeptical to how sustainable the price rise is given the high level of iron ore stockpiles witnessed at Chinese ports.

The RBA appears to be set in a holding pattern. Recent changes to the RBA Governor has resulted in some change of rhetoric, however given the uncertainty of the global economy and the soft domestic economic data, a continued holding 'wait and see' pattern is likely over the next 6 months.

## Contact Sandhurst

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

### Footnote

<sup>1</sup> 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 figures over 5 years. Past performance is not an indication of future performance.

### 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](http://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 December 2016 and is subject to change.

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