

Quarterly fund update - March 2018

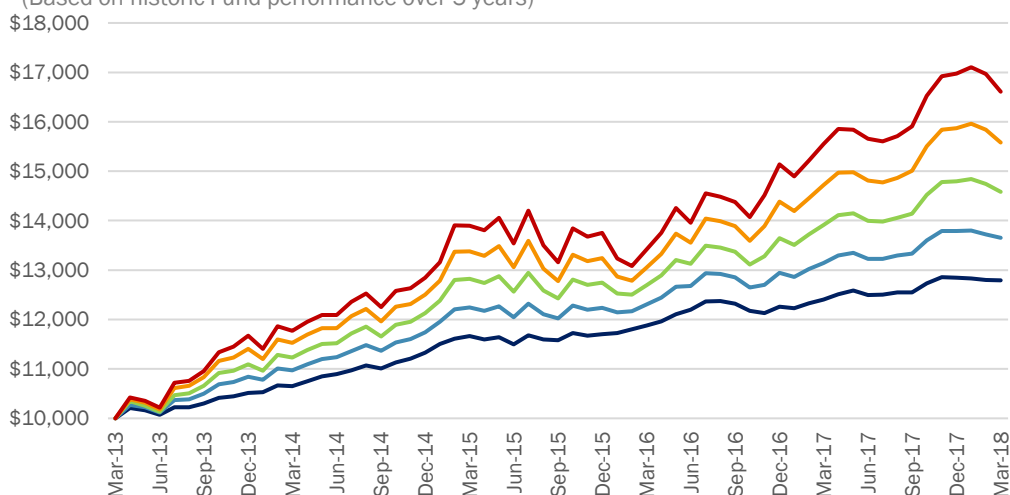
Investment approach

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 performance ¹ as at 31 Mar 2018	Morningstar Rating™ 5 Year ²	Morningstar Category Rank 5 Year ²	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size \$m
Bendigo Defensive Index Fund <i>Peer Comparison</i>	★★★★★	2 / 16	-0.44 -0.14	3.13 2.88	3.13 2.50	5.05 4.03	\$116.09
Bendigo Conservative Index Fund <i>Peer Comparison</i>	★★★★★	3 / 120	-1.02 -0.51	3.88 3.42	3.69 2.63	6.42 4.83	\$433.88
Bendigo Balanced Index Fund <i>Peer Comparison</i>	★★★★★	5 / 103	-1.41 -1.14	4.85 4.26	4.39 3.44	7.84 6.39	\$429.43
Bendigo Growth Index Fund <i>Peer Comparison</i>	★★★★	15 / 192	-1.81 -1.32	5.89 5.85	5.21 4.18	9.28 7.99	\$260.18
Bendigo High Growth Index Fund <i>Peer Comparison</i>	★★★★	25 / 118	-2.15 -1.55	6.83 7.24	6.12 5.62	10.68 9.78	\$33.79

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.

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Refer to the last page for footnotes

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

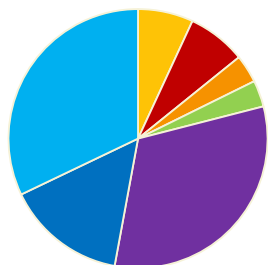
Fund APIR code	STL0034AU
Fund start date	30 September 2011
Return objective:	CPI + 4%
Recommended investment timeframe	5 years +
Risk level	Medium to high

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

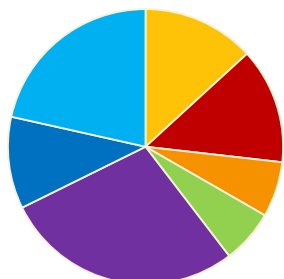
Asset allocation

Bendigo Defensive Index Fund



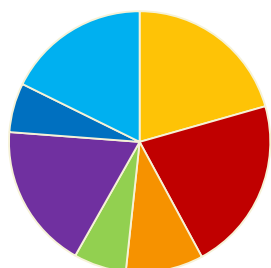
Aust Sh	6.9%
Int Sh	7.3%
Int Sh (Hedged)	3.5%
Property & Infra	3.3%
Cash	31.9%
Int FI	15.0%
Aust FI	32.1%

Bendigo Conservative Index Fund



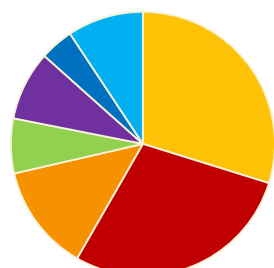
Aust Sh	13.2%
Int Sh	13.6%
Int Sh (Hedged)	6.5%
Property & Infra	6.3%
Cash	28.1%
Int FI	10.8%
Aust FI	21.5%

Bendigo Balanced Index Fund



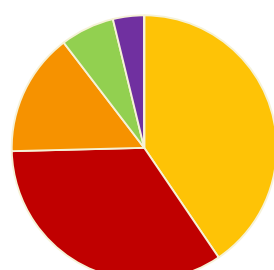
Aust Sh	20.6%
Int Sh	21.5%
Int Sh (Hedged)	9.6%
Property & Infra	6.5%
Cash	18.0%
Int FI	6.1%
Aust FI	17.7%

Bendigo Growth Index Fund



Aust Sh	29.8%
Int Sh	28.5%
Int Sh (Hedged)	13.1%
Property & Infra	6.7%
Cash	8.5%
Int FI	4.1%
Aust FI	9.3%

Bendigo High Growth Index Fund



Aust Sh	40.5%
Int Sh	34.1%
Int Sh (Hedged)	15.0%
Property & Infra	6.6%
Cash	3.8%
Int FI	0.0%
Aust FI	0.0%

Unit prices

	Application price	Withdrawal price
Bendigo Defensive Index Fund	\$1.14190	\$1.13984
Bendigo Conservative Index Fund	\$1.24792	\$1.24543
Bendigo Balanced Index Fund	\$1.35237	\$1.34967
Bendigo Growth Index Fund	\$1.46946	\$1.46653
Bendigo High Growth Index Fund	\$1.48342	\$1.48045

Performance commentary

Returns over the quarter were mostly negative across the risk profiles, however the losses were relatively constrained in what was a volatile market period. Asset allocation and manager selection both proved beneficial resulting in a smoothing of returns over the period. Overweight positions in offshore currency equities had their desired effect, taking advantage of the falling AUD and reducing the impact of negative stock market returns. Listed property suffered the largest drawdown amongst the major asset classes, with the Funds underweight allocation dampening the losses experienced in this asset class.

The Funds continue to hold an overweight position in global equities over Australian stocks. We prefer the greater sector diversity that global equities provides away from the bank and mining heavy S&P ASX 300 Index which we perceive face growth headwinds. We continue to prefer a higher exposure to Australian fixed income over global, due to the higher real yields available domestically than that offered on aggregate abroad.

Economic commentary

Over the quarter risk assets retreated, driven by disruptions involving trade tariffs and central bank policy action. Equity markets that were buoyed in the quarter ending December by supportive Trump tax cut announcements, took an opposite direction, reacting negatively to Trump announcements that focussed on import tariffs. Donald Trump since the election campaign has been vocal regarding what he believes are unfair trade deals and took the opportunity over the period to announce trade tariffs, which more specifically targeted China. Initially proposing steel and aluminium import tariffs, later spread into products relating to robotics, information technology, communication technology and aerospace. China retaliated quickly, announcing potential tariffs on US imports from China, however with a political twist with import tariffs aimed at US soybean producers in which historically have been strong Republican supporters. Markets fearful of an all-out trade war sold off, trading on each Trump communication and response from China. Increased trade has the affect of lowering inflation, whilst stimulating real growth. Whilst promoting economic prosperity, trade also defuses sovereign conflict and can bring the end to long standing conflicts. Over the period economic trade sanctions imposed on North Korea following missile strikes last year, started to bite. North Korea completed a u-turn agreeing to hold progressive talks regarding denuclearisation, which was welcomed by financial markets.

Within Australia, the Royal Commission into the Australian banking sector took its toll on Australian financials. Australian bank shares have grinded downwards since the Royal Commission was announced and face significant earnings growth headwinds which include an indebted consumer, softening house prices, tighter regulation and lending standards and increased public scrutiny and distrust as dirty laundry is aired through the Royal Commission. Given the large weighting of the financials sector within Australian equities it has been a large source of relative underperformance versus global shares over the past twelve months.

Do you have any questions?

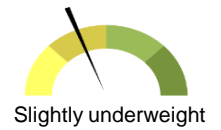
For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Asset positioning commentary

The Funds have maintained tilts away from interest rate sensitive investments with lighter holdings in global government bonds and REITs. We continue to prefer our growth exposure in global equities due to our perception of greater earnings growth potential in comparison to domestic equities. Due to our underweight position in equity risk offsetting government bonds, we prefer a bias to unhedged exposure, with the aim to reduce overall portfolio volatility.

Australian Shares

The Australian sharemarket on a market capitalisation weighted perspective relative to global shares is a mature low growth stock market. The dominate constituents in the ASX have elected to unlock shareholder value by selling businesses and returning capital to investors rather than pursue growth opportunities and spend within their business. The result of this is a higher income, lower revenue growth, lower price and lower volatile stock market in comparison to offshore markets. Due to these high cashflow low volatile characteristics, we acknowledge over shorter time periods the Australian market may outperform global indexes in market pull-backs, however over the more medium to longer term the lack of growth investment may hamper relative returns.



International Shares

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

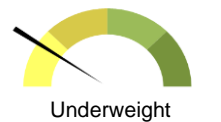
We prefer a tilt towards unhedged over hedged exposure due the downside portfolio protection an unhedged position provides. The AUD due to the dominate mining led Australian economy, is seen as a risk currency and has a tendency to fall relative to other developed currencies in turbulent global economic conditions. Further relative prices as per OECD PPP indicates a slightly expensive AUD.



Hedge ratio 25% of OS equities

Property & Infrastructure

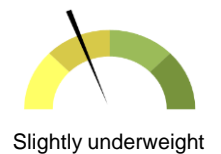
Over the past quarter the correction in price has offered better relative value, however this asset class continues to face headwinds in the current global rising rate environment. Demand dynamics appear to have softened and we will look for further yield improvement before reducing our underweight.



Fixed Income

Overall we hold a slight underweight to fixed income. Due to the artificial compression of yields, we remain cautious on global government bonds. We perceive that the US Treasury bond market faces headwinds, with a tight labour market hinting that inflation is on the horizon, coupled with additional US Government leverage increasing the supply of US Treasury bonds into the market. Both these forces place upward pressure on fixed bond yields and subsequently downward pressure on bond prices.

We continue to prefer a tilt towards Australian government bonds over global, due to higher real yields locally and are slightly below overall neutral holdings on corporate issuance.



Cash

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



Footnotes

- 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.
- '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 Index Fund	Multisector Conservative
Bendigo Conservative Index Fund	Multisector Moderate
Bendigo Balanced Index Fund	Multisector Balanced
Bendigo Growth Index Fund	Multisector Growth
Bendigo High Growth Index Fund	Multisector Aggressive

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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 related entities. Economic and outlook forecasts are not guaranteed to occur. Sandhurst has prepared this document based on information available to it. The information and opinions provided in this document have not been verified and Sandhurst has no obligation to notify you in the event that any information or opinions change. 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.

The information is current as at 31 March 2018 (unless stated otherwise) and is subject to change without notice.

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