

Sandhurst Strategic Income Fund - Class B units

Monthly fund update - April 2020

Investment approach

The Fund aims to provide customers with regular income and may offer higher returns with a lower level of risk through the market cycle in an effort to outperform a static investment in similar assets by strategically managing its portfolio in varying market and economic conditions.

The objective of the Fund is to outperform its benchmark (after fees) over any two year period.



Australia Ratings has assigned a SUPERIOR investment rating with a BLUE product complexity indicator designating the Fund as a Relatively Simple Product.⁴

Fund performance¹

as at 30 April 2020	Fund return	Benchmark ²	Excess return
3 months (%)	-0.81	0.22	-1.03
1 year (%)	0.88	1.12	-0.24
2 years (% p.a.)	1.67	1.56	0.11
3 years (% p.a.)	1.97	1.63	0.34
5 years (% p.a.)	2.32	1.80	0.52
Since inception (% p.a.)	3.44	2.45	0.99
Morningstar Rating™ Overall³	★★★★		
Morningstar category rank 3 year³	9/39		

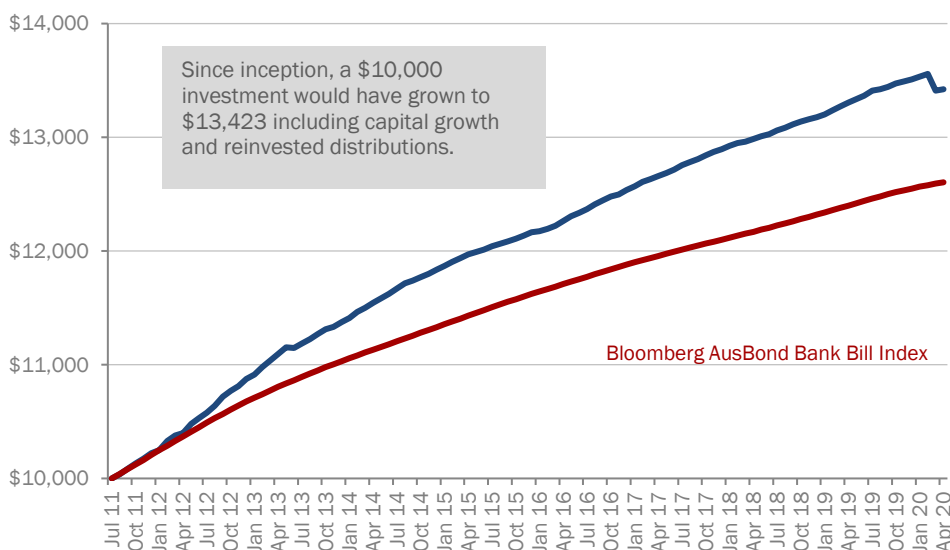
Fund facts

Fund APIR code	STL0044AU
Fund start date	30 July 2011
Management costs ⁵	0.45% p.a.
Buy / Sell spread ⁵	+0.17% / -0.65%
Minimum investment / minimum balance	\$500,000
Recommended investment timeframe	2 years +
Risk level	Low

An example of how your investment grows

Growth of \$10,000¹

(Based on historic Fund performance since inception)



Unit price

as at 30 April 2020

Application price	\$1.03068
Withdrawal price	\$1.02224

Distribution details (cents per unit)

30 Jun 19	\$0.01061
30 Sep 19	\$0.00500
31 Dec 19	\$0.00500
31 Mar 20	\$0.00450

Do you have any questions?

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

Benefits of investing

- ▶ regular income from quarterly distributions;
- ▶ access to a diversified portfolio therefore reducing your risk and potentially enhancing returns;
- ▶ low volatility core investments supplemented by strategically selected allocations to credit sectors;
- ▶ there's no requirement to rollover or lock away your investment for a fixed term; and
- ▶ a regular savings plan option from \$50 per month.

Portfolio performance

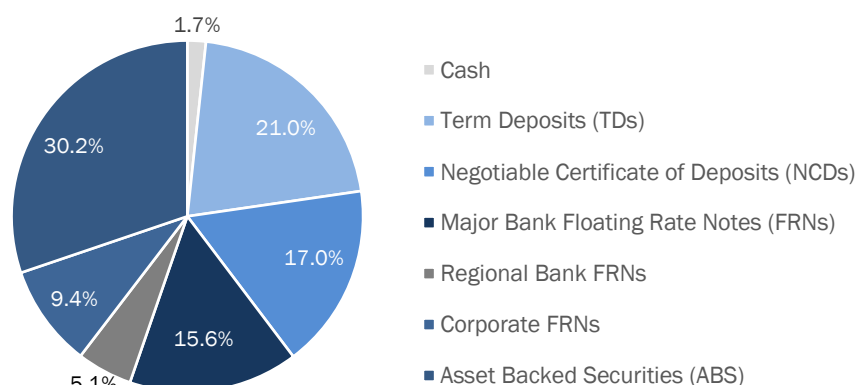
April was a month to remember for investors with equity markets posting strong rebounds across most asset classes. Major equity indices over the globe rallied on news that infection rates were falling and economies could be reopening soon. Central banks and governments continued to restore financial stability with stimulus packages and other initiatives aimed at softening the economic impact of the virus. Fixed income markets recovered significantly with central banks committing to increased purchases of government and corporate bonds, giving certainty to credit markets.

The Australian credit market recovered with liquidity improving for financial credits as balance sheets started to ramp up buying. The driver of the positive sentiment was in relation to the support the Reserve Bank of Australia (RBA) had given to funding markets. Government funding facilities for Authorised Deposit taking Institutions (ADIs) as well as the deluge of cash in the system has removed the need for banks to issue senior secured notes. The lack of supply coincides with an increased demand for quality liquid assets resulting in contracting credit spreads for ADIs.

The outlook for the next two quarters remains uncertain with economic data prints expected to be widely negative due to the COVID-19 shutdowns. A reopening of parts of the Australian economy could be sooner than expected and positive sentiment has been instilled from the strong progress being made.

As markets stabilised toward the end of March the Fund manager took advantage of the wider spreads purchasing back longer dated paper. After observing the strong rally over April, the Fund manager locked in gains buy selling down these assets. The Fund remains focussed on high quality investments that reduce the volatility of the Fund during market events. The Strategic Income Fund B class units produced an annual income of 2.42% which was reduced by negative capital growth of -1.54% resulting in a return of 0.88% at the end of April. Returns for the

Asset allocation



month were heavily impacted by, what is expected to be, a temporary increase in transaction costs of the Funds' investments. The transaction costs were pushed higher as markets reacted to the COVID-19 related shutdowns through the economy. The sell cost increased by 0.60% on 27 March 2020, and decreased by 0.05% on 27 April 2020, flowing through to reported returns. Once underlying transaction costs return to their previous level the increased costs will be reversed into a return increase. The transaction costs are retained by the Fund and distributed as income at the end of the quarter.

Approximately 39.7% of the portfolio is in cash instruments, and 30.1% in bank and corporate Floating Rate Notes (FRN), 30.2% is in highly rated securitised instruments, there are no unrated or subordinated FRNs in the Fund and approximately 85% of non-cash assets are rated AA- or higher.

Despite significant recoveries in several asset classes over April, the Fund manager expects to see further volatility in the markets until clarity on economic impact from the global lock downs is apparent. Buy/Sell costs will be monitored regularly.

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. The benchmark for the Fund is Bloomberg AusBond Bank Bill Index.
3. Sandhurst Strategic Income Fund - Class B units received a 4-Star Overall Morningstar Rating™ out of 39 Australian Short Term Fixed Interest funds as of 30 April 2020 and a 4-Star Three year rating out of 39 Australian Short Term Fixed Interest funds as of 30 April 2020.
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The '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. 'Morningstar Category Rank' is the Fund's performance rank relative to all funds in the same Morningstar Category. Investments are placed into Morningstar Categories based on their compositions and portfolio statistics so that investors can make meaningful comparisons. Source: www.morningstar.com.au/Funds/FundReport/19876
4. Australia Ratings has assigned a SUPERIOR investment rating with a BLUE product complexity indicator designating the Fund as a Relatively Simple Product. This rating implies the highest level of confidence that the Fund can deliver a risk adjusted return in line with its investment objectives. Designation as a Relatively Simple Product indicates that the investment manager will seek to outperform their chosen mainstream market sector. A rating is not a recommendation to invest, retain or redeem units in the Fund. The rating may be subject to change or withdrawal at any time. A copy of Australia Ratings Financial Services Guide can be found at www.austaliaratings.com/fsg
5. Other fees and costs may apply. See the Product Disclosure Statement for full details.

The Sandhurst Strategic Income Fund (Fund) is issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906 a subsidiary of Bendigo and Adelaide Bank Limited (Bank) ABN 11 068 049 178 AFSL 237879. Sandhurst and the Bank receive remuneration on the issue of the Fund or the service they provide, full details of which are contained in the Product Disclosure Statement (PDS). Investments in the Fund 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 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. Details of applicable fees and costs are set out in the PDS. Please consider your situation and read the PDS available at 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 30 April 2020 (unless stated otherwise) and is subject to change and is relevant for Class B investors only. The Fund uses a multi-class pricing structure. Please refer to the PDS for more information.

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