



SandhurstTrustees

Sandhurst Select Mortgage Fund

This booklet contains:

Supplementary Product Disclosure Statement
Date 1 July 2017

Product Disclosure Statement
Date 30 January 2017

The responsible entity and issuer of the Fund is Sandhurst Trustees Limited,
ABN 16 004 030 737 AFSL 237906, a subsidiary of Bendigo and Adelaide Bank Limited,
ABN 11 068 049 178 AFSL 237879.

Sandhurst Select Mortgage Fund

Supplementary Product Disclosure Statement

About this Supplementary Product Disclosure Statement

This is a Supplementary Product Disclosure Statement ('SPDS') dated 1 July 2017, issued by Sandhurst Trustees Limited ABN 16 004 030 737 AFSL 237906 ('Sandhurst', 'Us' or 'We'), a subsidiary of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879. Sandhurst is the responsible entity of the Sandhurst Select Mortgage Fund (ARSN 090 909 069 APIR STL0002AU) ('the Fund'), which is an unlisted mortgage scheme, as more than 50% of its non-cash assets are invested in mortgage assets.

This SPDS updates information contained in the Sandhurst Select Mortgage Fund Product Disclosure Statement dated 30 January 2017 ('PDS') and must be read together with the PDS, and any updates to the PDS available on our website at www.sandhursttrustees.com.au/pdsupdates from time to time.

The information given in this SPDS is general information only. It does not constitute advice or contain a recommendation to invest in the Fund. The SPDS has not been prepared taking into account the particular objectives, financial situation or needs of any investor.

Changes to the PDS

Sandhurst has an ongoing responsibility to regularly review, monitor and disclose the Fund's performance against ASIC's eight benchmarks and disclosure principles, which are set out in ASIC's Regulatory Guide 45: Mortgage Schemes Improving Disclosure for Retail Investors. In performing this review, Sandhurst has identified that some of the information included in the PDS was not up-to-date at the time the PDS was issued. The information required to be updated relates to data which was effective as at 30 September 2016. Sandhurst does not consider that any of this information changes the Fund's risk profile.

The PDS is changed as follows:

Page 12, in the Benchmark 3: Loan portfolio and diversification section of the table

- The start of the third paragraph in the right hand column:

'As at the date of this PDS....'

is deleted and replaced with:

'As at 30 September 2016.....'

Page 16, under the section titled Largest borrower(s)

- The first bullet point:

' 0.63% of the number of total Mortgage loans in the portfolio.'

is deleted and replaced with:

' 1.81% of the number of total Mortgage loans in the portfolio.'

Page 17, under the section titled Mortgage Loan to Valuation Ratios

- The second paragraph following the table:

'The weighted average LVR of the Fund is 38.0%.'

is deleted and replaced with:

'The weighted average LVR of the Fund is 50.7%.'

Page 19, under the section titled Lending criteria and borrower's capacity to service and repay

- The footnote under the Maximum LVRs table

'Residential property Mortgages in excess of two-thirds of the valuation of the mortgaged property at the time of advance are or will be insured by an approved insurer for the amount by which the two-thirds limit is exceeded.'

is deleted and replaced with:

'Residential property Mortgages in excess of two-thirds of the valuation of the mortgaged property at the time of advance are or will be insured by an approved mortgage insurer.'

- The paragraph immediately following the Maximum LVRs table and footnote:

'The weighted average LVR was 38.0%.'

is deleted.

Access our most up-to-date information

You can access the most up-to-date information on the Fund's performance against ASIC's eight benchmarks and disclosure principles at www.sandhursttrustees.com.au/pdsupdates

Contact information

Sandhurst Trustees Limited Funds Administration / GPO Box 4314 Melbourne VIC 3001 / Telephone: 1800 634 969 Facsimile: 1800 835 800 / Monday-Friday 8.30am-5.00pm (Melbourne time) / Email: managedfunds@sandhursttrustees.com.au / Website: www.sandhursttrustees.com.au



SandhurstTrustees

Sandhurst Select Mortgage Fund

Product Disclosure Statement
Date 30 January 2017

The responsible entity and issuer of the Fund is Sandhurst Trustees Limited,
ABN 16 004 030 737 AFSL 237906, a subsidiary of Bendigo and Adelaide Bank Limited,
ABN 11 068 049 178 AFSL 237879.

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This Product Disclosure Statement (PDS) is issued by Sandhurst Trustees Limited (ABN 16 004 030 737) AFSL 237906 ('Sandhurst', 'we', 'us' or 'our'), as the responsible entity of the Sandhurst Select Mortgage Fund (ARSN 090 909 069 APIR STL0002AU) ('the Fund'). The Fund is an unlisted mortgage scheme, as more than 50% of its non-cash assets are invested in mortgage assets.

Sandhurst is a wholly owned subsidiary of Bendigo and Adelaide Bank Limited ('the Bank') ABN 11 068 049 178 AFSL 237879.

Important Information

It is important that you consider the information in this PDS in its entirety before making an investment decision about the Fund.

The PDS contains information regarding the Fund. It also contains disclosure against ASIC's benchmarks and disclosure principles in ASIC's Regulatory Guide 45: Mortgage Schemes Improving Disclosure for Retail Investors (**RG 45**). The eight benchmarks and disclosure principles aim to improve disclosure to retail investors participating in unlisted mortgage schemes. They aim to help investors better understand the risks and benefits offered and decide whether these investments are suitable for them. Mortgage schemes are expected to state whether relevant benchmarks have been met and, if not met, provide an explanation on an 'if not, why not' basis.

The information in this PDS is general information only. It does not constitute advice or contain a recommendation to invest in the Fund. The PDS has not been prepared taking into account the particular objectives, financial situation or needs of any investor.

You should assess your own objectives, financial situation and needs before deciding to acquire an interest in the Fund. Before making an investment decision, we recommend that you should obtain financial advice tailored to your personal circumstances.

An investment in the Fund is not a deposit, or other liability of the Bank, Sandhurst, any other company in the Bendigo and Adelaide Bank Group or any Associated Company. Sandhurst is not an authorised deposit taking institution within the meaning of the Banking Act 1959 (Cth).

All investments have inherent risk, including a reduction in the capital value of the amount invested, a less than expected return on funds invested or a delay in payment. For this reason, neither Sandhurst, the Bank, nor any company in the Bendigo and Adelaide Bank Group, nor any Associated Company (nor any of their officers, employees or agents) guarantees the repayment of capital invested, the payment of income or the investment performance of the Fund. The Bank does not stand behind or guarantee the performance of Sandhurst.

Accessing up-to-date information

The latest version of this PDS is available at our website at www.sandhursttrustees.com.au/pds

Information in this PDS, including disclosure against ASIC's eight benchmarks and disclosure principles may change over time. Where the changes are not considered materially adverse to investors, we will make the updated information available on our website at www.sandhursttrustees.com.au/pdsupdates. In any case we will provide an update on ASIC's eight benchmarks and disclosure principles at least half yearly. We will also provide a quarterly update on our website on the performance of the Fund.

You can obtain a paper copy of this PDS and any other updated information free of charge by visiting your local Bendigo Bank branch, by calling us on 1800 634 969 or by contacting your licensed financial adviser.

Contact details

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Funds Administration
GPO Box 4314
Melbourne VIC 3001

Telephone: 1800 634 969
Monday-Friday 8.30am-5.00pm (Melbourne time)

Facsimile: 1800 835 800

Email: managedfunds@sandhursttrustees.com.au

Website: www.sandhursttrustees.com.au

Other information

The offer to invest in the Fund is available to persons 18 years of age or over receiving a copy (electronic or otherwise) of the most up-to-date PDS for the Fund within Australia. If you receive the PDS and the accompanying Sandhurst Funds Application Form (Application Form) electronically, you should ensure that you have received the complete Application Form and PDS. If you are unsure whether the electronic documents are complete, you should contact Sandhurst. A printed copy is available free of charge.

This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer including, but not limited to, investors in the United States of America.

Applications from outside Australia will not be accepted.

All references to dollar amounts and application and withdrawal amounts in this PDS are in Australian currency.

There are a number of technical terms in this PDS that are explained in the "Glossary" section on page 33.

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1. Fund overview

The table below provides a summary of key Fund information. Investors should read this PDS in its entirety before deciding to invest in the Fund.

Responsible entity and issuer	Sandhurst Trustees Limited Sandhurst was established in 1888 and has a strong track record in managing mortgage schemes. The Fund commenced in September 1996.	For more information refer to page 7.								
Investment objective	The Fund aims to provide investors with regular income and capital stability.	For more information refer to page 8.								
Investment strategy	The Fund invests in a diversified portfolio of income generating assets with a focus on capital stability and liquidity. The Fund achieves this through exposure to: <ul style="list-style-type: none"> • high quality Mortgages; • Mortgage Backed Securities (excluding investment in other unlisted mortgage schemes); and • liquid and income producing assets. These investments provide investors the ability to invest in a defensive portfolio of assets. The Fund provides access to capital after 90 days of investment and income is paid quarterly.	For more information refer to page 8.								
Authorised investments	The Fund invests in: <ul style="list-style-type: none"> • first registered Mortgages over Australian real property; • Mortgage Backed Securities (excluding other unlisted mortgage schemes); • Australian Government securities or loans; • term deposits; and • cash and cash equivalent assets. Further details regarding the Fund's portfolio of investments can be found in the Funds quarterly performance report on Sandhurst's website.	For more information refer to page 8.								
Performance benchmark	The Fund aims to exceed the Bloomberg AusBond Bank Bill Index after fees and expenses on a rolling 12 month basis. The benchmark is not a guarantee of Fund performance.	For more information refer to page 9.								
Minimum investments	<table> <tr> <td>Minimum initial investment</td> <td>\$2,000</td> </tr> <tr> <td>Minimum additional investment</td> <td>No minimum</td> </tr> <tr> <td>Minimum holding/operating balance</td> <td>\$2,000</td> </tr> <tr> <td>Minimum withdrawal amount</td> <td>No minimum</td> </tr> </table>	Minimum initial investment	\$2,000	Minimum additional investment	No minimum	Minimum holding/operating balance	\$2,000	Minimum withdrawal amount	No minimum	For more information refer to page 28.
Minimum initial investment	\$2,000									
Minimum additional investment	No minimum									
Minimum holding/operating balance	\$2,000									
Minimum withdrawal amount	No minimum									
Investment term	Your initial investment and each subsequent contribution is fixed for the first 90 days and is then available for withdrawal under normal circumstances. This means that for the first 90 days after each contribution you do not have access to that contribution amount. Following the 90 day period, you may apply to withdraw those funds at any time. We will aim to process your withdrawal request as soon as practicable (usually on the same day). However, under the Fund's constitution we have 12 months to satisfy any withdrawal request.	For more information refer to page 23.								
Income distributions	Calculated quarterly as at 31 March, 30 June, 30 September and 31 December. Income is calculated on your daily balance and paid quarterly to investors after the end of each quarter and after account closure. You can choose to have distributions reinvested or paid to your nominated bank account. Income distributions are not guaranteed. You will have access to any distributions paid during the 90 day minimum holding period.	For more information refer to page 28.								

<p>Fund risks</p>	<p>All investments carry risk including the potential for loss of income or capital, a less than expected rate of return or a delay in payment. An investment in the Fund is subject to these and other specific risks.</p> <p>The Fund seeks to reduce risk by investing in a diversified portfolio of Mortgages across many borrowers, industry and geographic regions. Sandhurst employs a range of investment and risk management strategies to identify, evaluate and manage the Fund's risk to a tolerance level acceptable to Sandhurst. A summary of the Fund's significant risks and how we manage them is set out under the "Risks of investing in the Fund" section on page 10.</p>	<p>For more information refer to page 10.</p>
<p>ASIC benchmarks and disclosure principles</p>	<p>ASIC has developed eight benchmarks and disclosure principles for mortgage funds that are aimed at assisting investors to better understand the risks of investing in a mortgage fund and whether such an investment is suitable for the investor. The eight benchmarks and disclosure principles cover: Fund liquidity, Fund borrowing, loan portfolio and diversification, related party transactions, valuation policy, Loan to Valuation Ratios (LVR's), distribution practices and withdrawal arrangements.</p> <p>The Fund currently meets four of the eight ASIC benchmarks.¹</p> <p>Details on which benchmarks are met and if not met, an explanation of why the Fund does not meet these benchmarks is set out under the "ASIC benchmarks and disclosure principles" section.</p>	<p>For more information refer to page 12.</p>

¹ Current as at 30 September 2016. Any changes in relation to the status of Sandhurst's compliance with ASIC's benchmarks and disclosure principles will be updated on its website at www.sandhursttrustees.com.au/pdsupdates

2. About Sandhurst

Sandhurst is the Fund's responsible entity and issuer of interests in the Fund. Sandhurst is responsible for overseeing the Fund's operation and its investments and for managing the Fund in the best interests of investors.

Sandhurst is a part of the Bendigo and Adelaide Bank Group, which comprises the Bank and its related entities.

Sandhurst, formed in 1888, has assisted Australian families with their financial needs for more than 125 years. Sandhurst is a highly experienced provider of investment solutions and trustee services that create, enhance and protect wealth. Sandhurst offers a wide range of products and services including investment and funds management, superannuation, commercial loans, access to funeral bonds, the management of estates and trusts, and the provision of corporate trustee and custodial services. Sandhurst embraces a conservative investment philosophy and is committed to delivering high quality investment solutions.

Track record and experience of senior management

Sandhurst has been managing the Fund since its inception in September 1996. The Fund has always met its objective of delivering an investment which exhibits capital stability and provides a regular income. At the date of this PDS, no investor has ever incurred a capital loss and the Fund has always paid its quarterly income distribution. On the majority of occasions to date, Sandhurst has paid equal to, or more than, the Indicative Rate.

Sandhurst has historically met redemption requests within timeframes as disclosed in this PDS. Of note was the ability for Sandhurst to meet all eligible redemption requests during the global financial crisis where many other mortgage funds either froze withdrawals or provided investors with limited access to withdraw their money.

Please note that past performance of the Fund is not an indication of future performance, and past withdrawal timeframes are not an indication of future withdrawal timeframes.

The Sandhurst investment team has extensive experience in the areas of financial services including funds management, treasury and risk management. The Sandhurst investment team work closely with other departments within Sandhurst and the Bank that also provide financial services such as lending. The Sandhurst board members are involved in the Fund by providing policy oversight and have extensive experience in the areas of financial services including lending, funds management, treasury, risk management and trustee services. The investment team has over 50 years of combined experience in financial services and the members of the Sandhurst board share over 100 years' experience in financial services. Education qualifications of senior management and the board are varied and include business degrees and/or post graduate studies in accounting, business, science, superannuation, organisations and methods, law and corporate management.

3. About the Fund

The Fund is a registered Managed Investment Scheme, whereby investors' money is pooled together and invested by Sandhurst on behalf of all investors. Investors share in the income generated from the Fund in proportion to their investment. The Fund is not unitised, meaning an investor is not issued units in the Fund. Rather each investor's interest in the Fund is a fractional and beneficial interest in the whole of the Fund. It is not an interest in any particular part of the Fund or in any asset of the Fund.

The objective of the Fund is to provide investors with regular income and capital stability. Our aim is to provide a low risk investment offering, whereby investors' capital is preserved and a variable income return is paid quarterly. Our investment philosophy is based on a conservative approach in managing quality income producing assets.

We believe we can meet the Fund's objectives by:

- investing in income producing Mortgages that are secured by first registered Mortgages over Australian real property;
- investing in Mortgage Backed Securities with strong credit qualities (excluding other unlisted mortgage schemes);
- investing in term deposits;
- investing in securities issued by, or lending to government entities (or government backed entities);
- investing in accordance with our strict and conservative lending and investment policies;
- diversifying the Fund's direct investments in Mortgages across many borrowers, different sectors and geographic regions;
- investing a portion of the Fund in cash and cash equivalent assets; and
- regularly monitoring the Fund's assets and their performance.

In managing the Fund, Sandhurst draws on the expertise and support of processes, systems and people within the Bendigo and Adelaide Bank Group. This provides the benefit of economies of scale of a much larger organisation.

The Fund's rate of return

At the beginning of each quarter and during a quarter if required (but before the end of that quarter), Sandhurst publishes an Indicative Rate on its website as an indication of the likely return of the Fund for the quarter (net of fees and costs). Sandhurst calculates the Indicative Rate by careful analysis of the Fund's projected investment income and by considering factors such as forecast interest rates and the mix of assets in the Fund's portfolio. Sandhurst may change the Indicative Rate for the quarter at any time (for example, due to unexpected market conditions) and will publish the revised Indicative Rate on its website www.sandhursttrustees.com.au/rates

The Indicative Rate is not guaranteed. The actual rate of return payable to investors at the end of each quarter is determined by the amount of income earned by the Fund (net of fees and costs). The actual rate paid may be more or less than the Indicative Rate. The current Indicative Rate is used to calculate an investor's final income payment where they close their account before the end of a quarter.

Access to related banking facilities

Investors can apply to access the related banking facilities provided by the Bank including internet banking, phone banking, BPAY[®], PayAnyone and automatic payments on their account. Information including fees and charges and terms and conditions applicable to the Bank's related banking facilities are set out in the Bendigo Personal Accounts and Facilities Terms and Conditions and the Bendigo Business Accounts and Facilities Terms and Conditions (collectively the Terms and Conditions). Each of these documents is made up of three parts and you should read and understand each part of the relevant Terms and Conditions before using any related banking facility. These documents are available at www.bendigobank.com.au

Please visit your nearest Bendigo Bank branch or phone **1300 BENDIGO** (1300 236 344) if you wish to apply for access to any of these facilities.

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4. Benefits of investing in the Fund

Investing in managed funds (including this Fund) provides access to investment opportunities, markets and investment expertise that may not ordinarily be accessible to you.

Some of the reasons to invest in the Fund are set out in the table below.

<p>Capital stability</p>	<p>The Fund invests in Mortgages, Mortgage Backed Securities (excluding other unlisted mortgage schemes), term deposits, securities issued by an Australian Government entity (or Australian Government backed entity) or loans where an Australian Government entity (or Australian Government backed entity) is the borrower and cash and cash equivalent assets. Sandhurst looks to develop a conservative portfolio of low risk investments to support the target of capital stability.</p> <p>For direct investment in Mortgages, strict lending criteria apply: the Mortgages are to be secured by a first registered mortgage over Australian real property.</p> <p>In addition, Sandhurst only lends up to a maximum of two-thirds of the value of the secured property on residential Mortgages unless lenders mortgage insurance is in place. For information on the current maximum LVR for all Mortgage types, please refer to the table on page 19.</p> <p>The Fund also invests in high quality Mortgage Backed Securities (excluding other unlisted mortgage schemes) with adequate credit enhancements to provide a buffer against loss should mortgages within the Mortgage backed security default.</p> <p>Sandhurst may invest in securities issued by or lend to an Australian Government entity or Australian Government backed entity.</p> <p>Sandhurst will only make investments in Mortgage Backed Securities (excluding other unlisted mortgage schemes) or government securities where it has conducted sufficient due diligence to ensure that it has a reasonable basis to expect no losses will be incurred if it holds these securities to maturity.</p> <p>Other than the above, Sandhurst will only invest in terms deposits, cash or cash equivalent assets.</p> <p>The type of investments held by the Fund, coupled with the Fund's conservative lending policy provide an investment with capital stability and low volatility.</p>
<p>Regular income</p>	<p>The Fund aims to provide you with a regular income stream through quarterly distributions that can be reinvested or paid into your nominated bank account.</p>
<p>Access to funds*</p>	<p>The initial investment and each subsequent investment is fixed for 90 days and is then available for withdrawal under normal circumstances.</p>
<p>Competitive return</p>	<p>The Fund aims to provide a competitive return as measured by its performance benchmark. The Fund's performance benchmark is the Bloomberg AusBond Bank Bill Index. Sandhurst does not guarantee the performance of the Fund will meet the performance benchmark.</p>
<p>A simple and convenient way to invest</p>	<p>Sandhurst handles all the investment decisions and administration and provides you with regular information and reporting on your investment. Our friendly staff are on hand to assist you with any queries regarding your investment.</p>
<p>Access to branch network</p>	<p>Investors are able to perform transactions or make enquiries in respect of the Fund at any of the Bank's nationwide branch network.</p>
<p>Availability of related banking facilities</p>	<p>Using the Bank's related banking facilities you can add to your investment via phone and internet banking.</p>

* Please see page 23 for a discussion of the withdrawal process and the risks associated with withdrawals.

5. Risks of investing in the Fund

It is important to understand that there are inherent risks in any investment. The purpose of this section is to inform you of the types of risks that may apply to an investment in the Fund. This section is a summary of what we consider to be the significant risks that should be considered before deciding to invest in the Fund. This section does not purport to be a comprehensive summary of all of the risks.

Whilst we are not able to remove all the risks associated with an investment in the Fund, we employ a range of investment and risk management strategies to identify, evaluate and manage these risks.

All investments carry risk including the potential for loss of income or capital, a less than expected rate of return or a delay in payment. Different investment strategies may carry different risks, depending on the assets that make up the investment strategy. Asset classes perform differently at different times and have different risk characteristics and volatility. Generally, the higher the expected return of an investment, the higher the risk. When you consider an investment in the Fund, you should take into account your personal risk tolerance. We recommend you consult with a financial adviser to properly understand the risks associated with the Fund and your attitude towards investment risk.

Some of the significant risks of investing in the Fund are summarised as follows:

- **Market risk:** This risk applies to all Fund assets. Market risk is the risk that the Fund's assets are negatively impacted by general market trends or issues that may be legal, social, economic or political in nature. In managing the asset portfolio, our experienced investment team takes into account short and long-term market indicators.
- **Credit risk:** This risk mainly applies to the Fund's Mortgage and Mortgage backed security portfolios. It represents the risk that a borrower defaults and the Fund is not able to recover the loan amount (e.g. if the sale of secured property is not sufficient to cover the loan). Sandhurst minimises credit risk by applying strict investments and lending criteria
- **Concentration risk:** The risk mainly applies to the Fund's Mortgage and Mortgaged backed security portfolios. It is where the underlying loans are highly concentrated to particular types of commercial activities, locations or borrowers. The Fund has a diversified portfolio of Mortgage pools that are spread across a range of borrowers and security properties including residential, rural, industrial and commercial properties with exposure to metro, non-metro and rural locations throughout Australia. The diversification of loans and the number of borrowers aim to reduce concentration risk.
- **Valuation risk:** This risk mainly relates to the Fund's Mortgage portfolios (direct and purchased mortgages). It is the risk that the valuation of the secured property is not reflective of current market property values. Incorrect valuation may affect the amount Sandhurst is able to recover if the borrower defaults. Sandhurst minimises valuation risk by applying strict investment and lending criteria. Refer to page 22 for details of Sandhurst's valuation practices.
- **Counterparty default risk:** This risk applies to all assets and derivatives. The risk of counterparties (i.e. derivative counterparties, brokers, custodians, mortgage service providers, deposit issuers and government departments) failing to perform as contracted. Sandhurst minimises counterparty default risk by holding diversified portfolios and only transacting with authorised counterparties. Sandhurst evaluates the risk of each counterparty in addition to reviewing external credit reviews (where available) prior to entering into arrangements.
- **Interest rate risk:** This risk applies to all assets and derivatives. Changes in interest rates will have a positive or negative impact directly or indirectly on investment values, returns and consequently the level of income paid to investors. Sandhurst undertakes interest rate hedging strategies to ensure the rate of return is a variable rate moving in line with market interest rates. Hedging is a strategy undertaken with the goal of reducing the risk of loss but which might also reduce the potential gain from an investment.
- **Derivatives risk:** This risk includes the value of derivative positions not moving in line with the movement of the underlying asset, potential illiquidity of the derivative and being unable to meet payment obligations in relation to derivative contracts. The Fund only uses derivatives for interest rate hedging and not for the purposes of gearing or leverage. Sandhurst manages this risk as far as practicable by regular monitoring of the derivative exposure, only dealing in derivatives that have appropriate market depth and using investment graded counterparties.
- **Liquidity risk:** This risk mainly applies to the Fund's Mortgage and Mortgage backed security portfolios. It represents the risk that the Fund may not have sufficient cash flows to meet its withdrawal requests or other payments on a timely basis. Mortgages and Mortgage backed securities are relatively illiquid compared to some other asset classes and delays may occur in converting such investments into cash. This may affect distributions and/or redemptions to investors. Sandhurst limits liquidity risk by holding at least 10% of the value of the Fund's portfolio in cash and cash equivalent assets. The Fund also invests in assets that provide a regular flow of liquidity throughout the year.
- **Fund risk:** The risk that the Fund could be terminated, the fees and costs could change, Sandhurst could be replaced as the responsible entity and/or investment manager, or key personnel could change. Sandhurst has established operational risk and compliance processes and aims to minimise Fund risk by monitoring how these risks may impact on the Fund and by acting in the best interest of investors.
- **Regulatory risk:** This is the risk that a change in domestic or international laws or regulations (including taxation) may have an adverse impact on the Fund. Regulatory risk is managed by Sandhurst by regularly and closely reviewing changes in the law.
- **Related party transactions risk:** This occurs where the Fund lends to, invests funds in or transacts with associated companies and businesses. There is an increased risk that such transactions are less likely to be made on arm's length commercial terms and that the responsible entity will not monitor as robustly as

those involving unrelated parties. Sandhurst has a process for managing conflicts of interest. For more information, please refer to page 21.

6. ASIC Benchmarks and Disclosure Principles

The following table sets out each of ASIC's eight benchmarks and addresses whether or not the Fund has met the respective benchmark. The table also identifies where further information on the benchmarks can be found in the PDS.

The ASIC benchmark and disclosure principles disclosure set out below apply, as the context requires, to the Mortgage investment made by the Fund. Unless the context requires otherwise, disclosures in this section do not apply to other categories of investments made by the Fund.

Benchmark	Sandhurst's response
Benchmark 1: Liquidity	
<p>The responsible entity has cash flow estimates for the fund that:</p> <p>(a) demonstrate the fund's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;</p> <p>(b) are updated at least every three months and reflect any material changes; and</p> <p>(c) are approved by the directors of the responsible entity at least every three months.</p>	<p>This benchmark is met.</p> <p>For additional disclosure on this benchmark, please refer to page 14.</p>
Benchmark 2: Fund borrowing	
<p>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the fund.</p>	<p>This benchmark is met.</p> <p>The Fund is permitted to borrow in accordance with the Fund's constitution but currently does not. The Fund may decide to borrow in the future to meet its short term cash flow needs (including for the purposes of paying redemptions). Any borrowing must be first approved by Sandhurst's board.</p>
Benchmark 3: Loan portfolio and diversification	
<p>(a) The fund holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;</p> <p>(b) The fund has no single asset in the fund portfolio that exceeds 5% of the total fund assets;</p> <p>(c) The fund has no single borrower who exceeds 5% of the fund assets; and</p> <p>(d) All loans made by the fund are secured by first registered Mortgages over real property (including registered leasehold title).</p>	<p>This benchmark is met.</p> <p>(a) The Fund invests in a diverse range of assets and monitors the geographic, borrower and activity concentrations.</p> <p>(b) and (c) are met.</p> <p>As at the date of this PDS a single borrower holds a single asset that accounts for 4.80% of the Fund's total assets. It is likely that this asset could exceed 5% of the Fund's assets if the funds under administration decreases in which case the benchmark would no longer be met.</p> <p>(d) All Mortgages are secured by first mortgages over real property.</p> <p>For additional disclosure on this benchmark, please refer to page 14 of this PDS.</p>
Benchmark 4: Related party transactions	
<p>The responsible entity does not lend to related parties of the responsible entity or to the fund's investment manager.</p>	<p>This benchmark is not met.</p> <p>The Fund may lend to some related parties, such as directors of Sandhurst and directors of the Bank (or their immediate family). However, the Fund will not lend to any company within the Bendigo and Adelaide Bank Group or an Associated Company.</p> <p>Mortgages to related parties are conducted on no more favourable terms than to a non-related party.</p> <p>For additional disclosure on this benchmark, please refer to page 21 of this PDS.</p>

Benchmark 5: Valuation policy	
<p>In relation to valuations for the fund's Mortgage assets and their security property, the board of the responsible entity requires:</p> <p>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>(b) a valuer to be independent;</p> <p>(c) procedures to be followed for dealing with any conflict of interest;</p> <p>(d) the rotation and diversity of valuers;</p> <p>(e) in relation to security property for a loan, an independent valuation to be obtained:</p> <p style="padding-left: 20px;">(i) before the issue of a loan and on renewal: (A) for development property, on both an 'as is' and 'as if complete' basis; and (B) for all other property, on an 'as is' basis; and</p> <p style="padding-left: 20px;">(ii) within two months after the directors form a view that there is likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.</p>	<p>This benchmark is not met.</p> <p>(a), (b), (c) and (d) are met:</p> <p>Sandhurst has procedures in place and utilises the independent panel valuers of the Bank, requiring a rotation of valuers and that all valuations are independent and prepared by appropriately qualified and experienced valuers.</p> <p>(e) is not met:</p> <p>Although Sandhurst may require a revaluation of secured property at any time, a valuation may not be required in certain circumstances on renewal of a Mortgage if the performance of the Mortgage and indications of the value of the property are satisfactory to Sandhurst.</p> <p>For additional disclosure on this benchmark, please refer to page 22 of this PDS.</p>
Benchmark 6: Lending principles—Loan-to-valuation ratios	
<p>If the fund directly holds Mortgage assets:</p> <p>(a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development;</p> <p>(b) where the loan relates to property development—the fund does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and</p> <p>(c) in all other cases—the fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.</p>	<p>This benchmark is not met.</p> <p>(a) and (b) are met:</p> <p>The Fund does not hold Mortgage assets that relate to property development.</p> <p>(c) is not met:</p> <p>The Fund holds direct residential Mortgages with LVRs in excess of 80% where lender's Mortgage insurance is in place.</p> <p>For additional disclosure on this benchmark, please refer to page 17 of this PDS.</p>
Benchmark 7: Distribution practices	
<p>The responsible entity will not pay current distributions from fund borrowings.</p>	<p>This benchmark is met.</p> <p>For additional disclosure on this benchmark, please refer to page 22 of this PDS.</p>
Benchmark 8: Withdrawal arrangements	
<p>Liquid funds</p> <p>For liquid funds:</p> <p>(a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;</p> <p>(b) the responsible entity will pay withdrawal requests within the period allowed for in the Constitution; and</p> <p>(c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the fund property is:</p> <p style="padding-left: 20px;">(i) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or</p> <p style="padding-left: 20px;">(ii) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.</p>	<p>This benchmark is not met.</p> <p>(a) In normal circumstances, money can be withdrawn at completion of the 90 day fixed term.</p> <p>(b) In accordance with the Fund's constitution the Fund has up to 12 months to satisfy a withdrawal request.</p> <p>(c) As the Fund is a Mortgage fund whereby up to 90% of its assets may be invested in Mortgages, Mortgage Backed Securities or government loans and securities, Sandhurst does not reasonably expect to be able to realise the entire portfolio for market value within 10 Business Days.</p> <p>For additional disclosure on this benchmark, please refer to page 23 of this PDS.</p> <p>This Fund is liquid and therefore the non-liquid scheme benchmark is not applicable.</p>

Liquidity

As at 30 September 2016 the Fund had cash or cash equivalents, of \$205,984,809 or 19.8% of the value of total assets.

Sandhurst maintains cash flow estimates for the next 12 months, and ensures that at all times the Fund has cash or cash equivalents sufficient to meet the projected cash needs over the next 12 months.

Sandhurst's policy is to manage the maturity of liquid assets within agreed guidelines to ensure a reasonable amount of cash is on hand to meet the short-term payment obligations of the Fund.

Sandhurst:

- a) monitors and reviews historical rolling 12 months' cash inflows and outflows on an ongoing basis;
- b) prepares cash flow estimates based on historical cashflow data and material liquidity assumptions that demonstrate the Fund's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months based on normal operating conditions;
- c) updates the cash flow estimates at least every three months to reflect any material changes and consider whether Benchmark 1 is still met. The board of Sandhurst approves updated cash flow estimate; and
- d) stress tests the cash flow estimate against material assumptions underlying its cash flow estimate.

Sandhurst does not reasonably expect there to be any changes to the Fund's expenses, liabilities and other cash flow needs that will adversely affect the current and future liquidity of the Fund. The key risks that may affect the liquidity of the Fund are:

- Mortgages may not be realised in a timely manner or at face value;
- there may be a market shock event which causes the actual withdrawal to differ significantly to the forecasts; and
- the counterparty to an asset sale may default or may offer a price which is below the carrying value of the security property.

The Fund also holds investment in term deposits and Mortgage Backed Securities which produce income, and also provides another mechanism which can be used to manage liquidity over the medium to long term.

At least 10% of the value of the Fund's assets will be cash or equivalent assets.

Loan portfolio and diversification

The following information is provided as at 30 September 2016.

Number and value of Mortgages

The Fund had 1,599 Mortgages totalling \$475,430,036. The total number of mortgagors was 1,508.

Mortgages by class of activity

The following table represents the actual composition of the Fund's Mortgages by class of activity:

Activity	Amount (\$)	No. of Mortgages	% by \$
Rural	58,216,278	268	12.2%
Hotel/Motel	34,777	1	0.0%
Industrial	20,716,380	34	4.4%
Owner Occupied Residential	66,733,673	683	14.0%
Residential Investment	33,315,632	219	7.0%
Commercial	296,413,296	394	62.4%
Total	475,430,036	1,599	100.0

Mortgages by geographic region

The following table represents the Fund's Mortgage portfolio by geographic region:

Geographical profile	Amount (\$)	No. of Mortgages	% by \$
Victoria			
Inner City	25,670,393	12	5.4%
Metro	77,956,411	243	16.4%
Non-metro	129,130,608	431	27.0%
Other States			
Australian Capital Territory			
Metro	4,302,475	36	0.9%
New South Wales			
Inner City	6,317,802	19	1.3%
Metro	43,579,316	95	9.2%
Non-metro	33,107,027	166	7.0%
Northern Territory			
Metro	1,737,288	5	0.4%
Non-metro	359,411	1	0.1%
Queensland			
Metro	24,743,389	66	5.2%
Non-metro	25,399,377	237	5.3%
South Australia			
Inner City	10,469,541	22	2.2%
Metro	39,272,502	92	8.3%
Non-metro	17,432,229	45	3.7%
Tasmania			
Inner City	158,477	2	0.0%
Metro	1,197,565	10	0.3%
Non-metro	900,495	11	0.2%
Western Australia			
Inner City	10,402,983	8	2.2%
Metro	14,452,027	53	3.0%
Non-metro	8,840,720	45	1.9%
Total	475,430,036	1,599	100.0%

Mortgages in arrears

There were 24 Mortgages totalling \$4,649,796 in arrears greater than 30 days. This represents 0.98% of the total Mortgage portfolio by dollar value.

Days in arrears	Principal (\$)	Principal (\$) in arrears as % of total Mortgage portfolio	Payments in arrears (\$)	No. of Mortgages	Number in arrears as % of total Mortgage portfolio
30 - 60 days	433,903	0.09	6,199	4	0.25%
60 - 90 days	360,294	0.08	1,035	2	0.13%
90 days and over	3,855,599	0.81	111,166	18	1.13%

In Sandhurst's lending policy the terms default and arrears have the same meaning.

Sandhurst works in conjunction with the Bank's Mortgage Help Centre to manage mortgages that are in arrears.

Security type

All of the 1,599 Mortgages held by the Fund were secured by way of first registered mortgage over Australian real property. No Mortgages were secured by second ranking mortgage or were unsecured.

Largest borrower(s)

The total Mortgage loan monies lent to the 10 largest borrowers in the Fund was \$143,710,418. This represents:

- 0.63% of the number of total Mortgage loans in the portfolio;
- 30.23% of the total value of Mortgages in the portfolio; and
- 13.79% of the Fund's total assets.

The total Mortgage portfolio holds 1,599 loans valued at \$475,430,036.

The largest borrower had 1 Mortgage of \$50,000,000 representing 10.5% of the total value of Mortgages and 4.8% of the Fund's total assets.

Undrawn Mortgage Commitments

The Fund had 25 Mortgages totalling \$20,801,200 that were approved, but not yet advanced.

Undrawn Mortgage commitments are funded from available liquidity in the Fund.

Maturity Profile

The following table represents the actual composition of the Fund's mortgages by maturity:

Maturity Profile	Amount (\$)	No. of Mortgages	% by \$
0-<6 months	37,684,721	146	7.9%
6-<12 months	23,120,951	63	4.9%
1-<2 years	56,503,455	108	11.9%
2-<3 years	64,575,435	103	13.6%
3-<4 years	50,914,845	73	10.7%
4-<5 years	17,107,463	60	3.6%
5-<10 years	41,504,034	209	8.7%
10-<15 years	93,250,423	313	19.6%
15-<20 years	70,131,910	399	14.8%
20-<25 years	20,636,799	125	4.3%
25-<30 years	0	0	0.0
Total	475,430,036	1,599	100.0%

Mortgage Loan to Valuation Ratios

The following table represents the actual composition of the Fund's LVR .

LVR	Amount (\$)	No. of Mortgages	% by \$
<30%	43,040,957	557	9.1%
30-<40%	49,182,331	258	10.3%
40-<50%	78,326,029	263	16.5%
50-<60%	188,614,078	236	39.7%
60-<70%	104,761,126	219	22.0%
70-<80%	8,124,030	48	1.7%
80-<90%	2,251,718	14	0.5%
90-<100%	1,129,767	4	0.2%
>100%	0	0	0.0%
Total	475,430,036	1,599	100.0%

Residential Mortgages with a LVR greater than two-thirds at the time of advance are required to have lender's mortgage insurance in place.

The weighted average LVR of the Fund is 38.0 %.

Interest rates on Mortgages

The following table represents the actual composition of the Fund's interest rates on Mortgages.

Mortgage Split by Interest Rate	Amount (\$)	No. of Mortgages	% by \$
4.00% or less	173,397,599	1044	36.4%
4.01-4.50%	76,059,685	77	16.0%
4.51-5.00%	29,312,448	86	6.2%
5.01-5.50%	49,374,194	136	10.4%
5.51-6.00%	13,605,073	28	2.9%
6.01-6.50%	18,452,971	84	3.9%
6.51-7.00%	4,831,573	12	1.0%
7.01-7.50%	59,958,830	31	12.6%
7.51-8.00%	37,229,206	70	7.8%
>8.00%	13,208,457	31	2.8%
Total	475,430,036	1,599	100.0%

Capitalised Interest

The Fund had no Mortgages where interest had been capitalised.

Derivatives

Sandhurst uses derivatives for hedging purposes, to help manage the interest rate risk of the Fund. Sandhurst generally hedges asset and liability exposures greater than \$1,000,000 for net gaps of 12 months or longer, and reviews the portfolio at least monthly to determine if further interest rate hedging is required.

Sandhurst does not intend to use derivatives to gear the Fund.

Non-Mortgage assets

In addition to Mortgages, the authorised investments of the Fund include the following asset classes:

- Mortgage Backed Securities (excluding other unlisted mortgage schemes);
- an Australian Government security (or other entity backed by an Australian Government entity) or loan to an Australian Government entity (or other entity backed by an Australian Government entity);
- term deposits; and
- cash and cash equivalent assets.

The total value of non-mortgage assets is \$566,634,156.

Fund Investment and diversification

Sandhurst's policy on diversification of assets is to ensure that adverse results from one security or class of securities will not have an unduly detrimental effect on the entire investment portfolio of the Fund. This policy applies to non-Mortgage assets and Mortgages.

Mortgage Backed Securities

The Fund sources Mortgage Backed Securities from various institutions (including the Bank). The Fund assesses the credit risks associated with each mortgage backed security and invests only where there is strong credit characteristics. The Fund will only invest in Mortgage Backed Securities that are either assigned an internal investment grade rating or are rated investment grade by one of Standard & Poor, Moody's, Fitch or Australia Ratings. By investing only in investment grade Mortgage Backed Securities the risk to the Fund is lessened as the Fund will receive interest and principal from the Mortgage Backed Securities ahead of holders of lower rated tranches.

Additionally the Fund will only invest in Mortgage Backed Securities where the underlying loans have a maximum LVR of 95%. For those loans that have an LVR greater than 80% they usually would have lenders mortgage insurance. The Fund will also consider:

- Mortgage pool characteristics including but not limited to geographical distribution, concentrations of interest only and investor loans;
- Servicer processes, underwriting and redemption policies;
- Insurance on some or all of the Mortgages or other form of credit guarantees; and
- The capital structure, sources and degrees of subordination of the securities.

Purchased Mortgages

From time to time, Sandhurst may purchase Mortgages from various institutions (including the Bank).

These purchases are governed by a formal agreement and are conducted on commercial, arms-length terms.

When Sandhurst undertake a purchase of loans from various institutions, Sandhurst will complete due diligence on the underwriting practices of the institution determining the method used to determine whether a borrower has capacity to service a loan.

In most cases this assessment is based on a credit scoring model, which will take into account numerous factors

Purchased Mortgages must meet strict eligibility criteria (including board approval) and are subject to a thorough due diligence process including ensuring the underlying Mortgages meet the criteria of:

- LVR in accordance with the maximum LVR table;
- First registered security;
- An assessment of credit risk;
- Diversification of the loans meet the Funds need; and
- Mortgages are performing with arrears no greater than 30 days

Sandhurst monitors the performance of these portfolios on an ongoing basis.

Directly Originated Mortgages

Sandhurst has a conservative lending approach and aims to provide capital stability and to avoid losses. Sandhurst adopts the below key principles in the approval and management of all Mortgages.

Sandhurst has an investment limitation in place that at the time of lending the maximum Mortgage loan size is limited to 5% of the value of the total assets of the Fund.

The Fund may also invest up to 15% of the Fund's assets in low doc Mortgages. See page 19 for more information about low doc Mortgages.

Lending criteria and borrower's capacity to service and repay

All direct Mortgage applications are carefully considered by a specialist lending team and are subject to Sandhurst board approved delegated lending authorities.

The maximum LVRs for the Fund's direct Mortgage types, applied at the time of advance, are listed below.

Maximum LVRs	
Commercial	66.6%
Commercial (specialised security)	50%
Industrial	55%
Rural	40%
Residential	66.6%^

^ Residential property Mortgages in excess of two-thirds of the valuation of the mortgaged property at the time of advance are or will be insured by an approved insurer for the amount by which the two-thirds limit is exceeded.

The weighted average LVR was 38.0%.

Full doc Mortgages

Sandhurst applies strict lending criteria and fully evaluates the borrower's financial stability and ability to service the Mortgage. There is no maximum loan amount for any one borrower subject to, at the time of lending, the maximum mortgage loan size being limited to 5% of the total assets of the Fund. All Mortgages greater than \$15 million require approval from at least three directors. The assessment guidelines include but are not limited to the consideration of:

- recent financial statements and/or tax returns;
- the borrower's credit history;
- quality of the underlying security; and
- past trading history and business background.

Low doc Mortgages

A low doc Mortgage is a Mortgage to a borrower who does not provide the standard supporting Mortgage application documentation and therefore carries higher risk. It does not mean the income comes from a non-traditional source. Sandhurst manages this risk by applying the following lending criteria:

- Maximum LVR of 66%. The applicable LVR is dependent on the Mortgage type e.g. Rural or Commercial special purpose.
- Sandhurst only accepts commercial low doc Mortgages, through selected approved partners.
- Sandhurst requires a first registered mortgage as well as certification of financial stability from the borrower.
- The maximum loan amount for a low doc Mortgage is \$2,000,000.

Securities

There is no requirement for the mortgaged property to be income producing for either full doc or low doc Mortgages. However for full doc Mortgages, the capability of servicing total loan commitments from current income is expected to be proven. For low doc Mortgages, the borrower must declare they are capable of servicing total loan commitments.

Sandhurst will not invest in Mortgages that it regards as speculative in nature or lend or take security over development projects.

Mortgage approval

All direct Mortgage applications are carefully considered by a specialist lending team. Mortgage approvals are subject to Sandhurst board approved delegated lending authorities.

Administration

Sandhurst and its agents have dedicated teams and systems in place to manage the mortgage portfolio. This includes systems that provide timely information to assist with the management of the collection of principal, interest and any arrears.

Investment in other unlisted mortgage schemes

The Fund does not invest in other unlisted mortgage schemes.

Related party transactions

Nothing in the Fund's constitution prevents Sandhurst as the responsible entity of the Fund from:

- dealing with itself, as the responsible entity of the Fund or in any other capacity, or with a member of the Bendigo and Adelaide Bank Group or Associated Company or any investor; and
- being interested in any contract or transaction with itself, as the responsible entity for the Fund or in any other capacity, or with a member of the Bendigo and Adelaide Bank Group, Associated Company or investor or retaining profits or benefits derived from any such contract or transaction;

Sandhurst has a process for managing conflicts of interest and related party transactions which ensures that all transactions entered into by Sandhurst are identified

and assessed for any conflicts of interest. This process also ensures that all related party transactions are reasonable, and are conducted in the normal course of business on an arm's length basis, under commercial terms and conditions. As such, investor approval is not sought for these transactions.

Sandhurst has appointed an Audit Risk and Compliance Committee, whose role includes, amongst other things, providing assistance and advice to the Sandhurst board in managing conflicts of interest and related party transactions.

The table below sets out related party arrangements the Fund has in place. All related party transactions are made on commercial and arm's length terms (i.e. they are on no more favourable terms than a non-related party). Any fees payable to a related party is, in Sandhurst's opinion, reasonable remuneration.

Transaction Type	Related party	Value of financial benefit (figures are taken from the Fund's last financial year ended 30 September 2016)	Nature of relationship
Fund investments with related parties	Bendigo and Adelaide Bank Limited	The Fund has \$66,055,136 invested.	The Fund has funds on deposit with the Bank. The value of the financial benefit shows the market value of funds on deposit with the Bank.
Mortgage management service fees	Bendigo and Adelaide Bank Limited (parent) and Rural Bank Limited (subsidiary of parent)	The Fund paid a service fee of \$1,615,716	As part of its asset acquisition strategy, the Fund may from time to time purchase pools of Mortgages via equitable assignment from entities within the Bendigo and Adelaide Bank Group. The Fund pays management fees for Mortgage management services in relation to these purchased Mortgages.
Mortgage origination and management fees	National Mortgage Market Corporation Limited (subsidiary of parent) or other related party ¹	The Fund paid a management fee of \$438,039.	Mortgage origination and Mortgage management fees and commissions paid to National Mortgage Market Corporation Limited (subsidiary of the Bank) for Mortgage origination.

¹ The mortgage origination and management fees have been included as a part of the management costs of the Fund. The related party entity which provides mortgage origination and management services may change from time to time.

Directors of Sandhurst or directors of the Bank (or their immediate family) may obtain a Mortgage from the Fund. Any such transactions are conducted on no more favourable terms than a non-related party. The Fund does not lend money to Sandhurst, or any company in the Bendigo and Adelaide Bank Group or any Associated Company.

From time to time related parties may invest in the Fund. Any such transactions are conducted on no more favourable terms than a non-related party.

In addition, the Bank provides advisory and administrative services to Sandhurst e.g. personnel, distribution, IT, payroll and legal services. Any fees paid to the Bank for these services are paid by Sandhurst from its own resources and not out of the assets of the Fund.

Sandhurst has also entered into distribution arrangements with Bendigo Financial Planning Limited,

Community Sector Banking, and with Community Bank branches and franchisees. Under these arrangements, Sandhurst may pay a trailing commission of up to 0.35% p.a. on monthly average balances of investors introduced. The trailing commission arrangements are on arm's length terms and only paid where it is permitted by law (in particular, under the conflicted remuneration provisions of the Corporations Act) and do not impact returns to investors in the Fund.

Sandhurst may also pay ongoing commissions of up to 0.50% p.a. on Mortgage balances, for loans that are that are originated by Community Sector Banking and Community Bank branches and franchisees. Such ongoing commissions are paid by Sandhurst and do not impact returns to investors in the Fund.

Please refer to the "Fees and Other Costs" section on page 22 for further information about payments to related

parties and how those payments may be limited under Future of Financial Advice legislation.

The risks with related party transactions is that the related party, for example a borrower or service provider, has not been assessed with the same rigor and independence and may not be monitored as robustly as an external party would be assessed and monitored against, and the party does not perform as expected, which may adversely affect the Fund.

Valuation policy

The objective of the Valuation Policy (available on our website) is to ensure that a consistent framework is applied to property valuations. The valuation policy applies to direct Mortgages.

The valuation policy is required to ensure that the Fund's financial position is correctly stated.

Properties are valued on an 'as is' basis. Sandhurst does not lend or take security over development projects.

Security properties are valued by an independent registered valuer.

Most often, valuers will be a member of the Bank's panel of valuers. Use of the panel ensures that there is sufficient rotation of valuers. Valuations from non-panel valuers may be accepted but must be specifically approved by Sandhurst management (e.g. instructions may be given to a valuer local to the area in which the security property is located, thus utilising the valuer's local knowledge and expertise).

The valuer must be registered with the Australian Property Institute and the valuer's professional indemnity policy is to be received, ensuring sufficient cover is held. The completed valuation report is to include a warranty stating that the report complies with all relevant industry standards and codes.

Properties must have a formal valuation dated no more than 3 months prior to credit consideration unless the approving Mortgage officers are satisfied that reliance can still be placed on the value ascribed.

Under the Mortgage, Sandhurst reserves the right to obtain future up-to-date valuations of the property or properties offered as security at the borrower's expense.

Sandhurst may exercise this option at its discretion for whatever reason during the term of a Mortgage. However, the standard practice is not to obtain up-to-date valuations during Mortgage terms where the Mortgage is performing satisfactorily and there is no considered deterioration in circumstances specific to that Mortgage or the secured property.

Events that may require a new valuation, include the following:

- there is material deterioration in the primary source of payment and/or repayments fall 90 days in arrears;
- there is material deterioration of the condition of the security property since last valuation; or
- property values have generally declined and the customer's security property requires early revaluation.

When a Mortgage presents for renewal or rollover, a revaluation is generally required if the existing valuation is

greater than 7 years old unless the performance of the Mortgage and indications of the value of the property are satisfactory to Sandhurst.

Any further lending for existing customers where the security is held by Sandhurst will normally be supported by a valuation of not more than 3 months old.

As part of the valuation report the valuer must certify that they:

- have no interest (financial or otherwise) in the property being valued, or with borrowers;
- are independent to the credit transaction; and
- confirm that the valuation has been prepared for Mortgage lending purposes.

The above mentioned requirements help Sandhurst in managing any valuer conflicts of interest.

The valuation practices for properties securing loans purchased under a receivables purchase agreement are governed by the terms of the loan and the lenders' policies and procedures.

Valuations will only be relied upon if conducted in accordance with the Valuation Policy.

Distribution practices

All the Fund's distributable income is sourced from income earned on the assets held in the relevant distribution period.

At the beginning of each quarter, Sandhurst announces an Indicative Rate of return, as an indication of the likely return, to be paid at the end of the quarter (net of fees and costs).

The actual rate paid at the end of the quarter may be higher or lower than the Indicative Rate, depending on the performance of the Fund.

The key factors that would have the most material impact on forecast distributions are:

- Interest rate movements;
- Default loans; and
- Asset allocation.

Interest rate movements

The distributable income is highly correlated with movements in market interest rates. If there are any significant movements in market rates between announcing the Indicative Rate and determining the actual rate at the end of the quarter, it may result in a positive or negative impact on the actual rate paid to investors.

Interest rate volatility limits are in place as a measure to manage interest rate volatility. Every 1% decrease in the official cash rate that was not forecast when setting the Indicative Rate can result in a 0.80%p.a. difference between the Indicative Rate and actual return paid.

Default loans

There is a risk that if the Fund suffers a capital loss (e.g. where a borrower defaults and the secured properties or the income of the Fund does not cover the loaned amount) then:

- it could result in the distributable income being impacted and consequently the actual rate paid at the end of the quarter may be lower than the Indicative Rate; and
- it could also result in the value of the assets of the Fund falling and consequently an investor may not receive the full value of the amount invested at the time of withdrawal.

It is not possible to accurately predict a future credit loss that may or may not occur. Sandhurst may change the Indicative Rate for the quarter during the quarter (but before the end of that quarter).

The Fund's sensitivity to credit losses during a quarter is 0.16%p.a. reduction in the distribution returns for every \$400,000 written off during the quarter that was previously not forecast in setting the Indicative Rate.

Asset Allocation

Distributable income is impacted by the asset allocation of the Fund. If the asset allocation of the Fund changes significantly during a quarter it is likely that these changes will have an impact on the Fund's distributable income. This could be positive or negative, depending on the change.

The Fund's sensitivity to changes in asset allocation from higher earning loans to lower earning cash and cash equivalent assets is approximately 0.02%p.a. for a \$10m asset allocation variance from the forecast.

The Fund does not retain any material excess returns earned by the Fund as all income after deducting expenses is distributed to investors quarterly.

Withdrawal arrangements

It is important that investors understand realistic timeframes for satisfying withdrawal requests from the Fund as well as the risks that withdrawals from the Fund could be frozen under the Corporations Act.

At the date of this PDS, an investment in the Fund is treated as a liquid investment under the Corporations Act.

When the Fund is liquid, your initial investment and each subsequent contribution is fixed for 90 days and is then available for withdrawal under normal circumstances. This means for the first 90 days after each contribution you do not have access to that contribution amount. Following the 90 day period, you may apply to withdraw those funds at any time. We will aim to process any withdrawal request as soon as practicable (usually on the same day).

Investors can exercise their withdrawal rights and access their money by using the Bank's related banking facilities, submitting a withdrawal request by mail or visiting any Bendigo Bank branch.

There is a risk that withdrawal proceeds will not be paid within a reasonable period after the initial 90 day investment term. Sandhurst will aim to satisfy withdrawal requests as soon as practicable. However, under the Fund's constitution, Sandhurst has up to 12 months to satisfy withdrawal requests and does not have a legal obligation to satisfy any withdrawal requests within a shorter period. Sandhurst may also delay or refuse withdrawal requests where it is in the best interests of investors as a whole to do so.

Where the Fund ceases to be liquid under the Corporations Act, investors may only withdraw their investments subject to a withdrawal offer made by Sandhurst. Sandhurst is not obliged to make withdrawal offers under the Corporations Act.

In managing withdrawal requests Sandhurst balances the maturity of the Fund's assets with the maturity of the Fund's liabilities in the short-term by managing the Fund's cash and cash equivalent assets as detailed in the "Liquidity" section on page 14. The Fund currently holds sufficient assets that are readily realisable to meet forecast future withdrawal requests.

Withdrawals are funded from the Fund's assets. The investment policy is to hold at least 10% of the Funds' assets in liquid assets, which are used to fund withdrawal requests within the Fund. Sandhurst undertakes cashflow forecasting on a quarterly basis to actively manage the Fund's liquidity.

For information on how to withdraw funds, please refer to the "Accessing your money" section on page 28 of this PDS.

Minimum Investment Balance

If the current value of your investment falls below the minimum investment balance of \$2,000, Sandhurst may at its discretion redeem your interests in the Fund and pay the proceeds to you.

Risk Factors

There are a number of risks associated with the Fund, which are further described in the "Risks of investing in the Fund" section on page 10. Liquidity risk is the key risk that can impact an investor's ability to withdraw from the Fund. Mortgages are relatively illiquid when compared to some other asset classes and delays can occur in converting these investments into cash. Sandhurst actively manages liquidity risk by holding a percentage of the total assets of the Fund in liquid investments. There is a risk that the Fund could suffer a capital loss. Sandhurst manages this risk by adopting conservative investment policies, applying strict lending criteria and only lending to a maximum LVR of two-thirds of the security value except for residential Mortgages where lender's mortgage insurance is provided (refer Benchmark and Disclosure Principles 3, 5 and 6 for further information).

7. Fees and other costs

This document shows fees and other costs that you may be charged. These fees and other costs may be deducted from your investment, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Our fees and costs disclosure is prepared in accordance with ASIC Class Order 14/1252.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask the Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website www.moneySMART.gov.au has a managed funds fee calculator to help you check out different fee options.

If you invest in the Fund through a Platform, you will need to consider the fees and costs of the Platform when calculating the total cost of your investment.

Information including fees and charges and terms and conditions applicable to the Bank's related banking facilities are set out in the Bendigo Personal Accounts and Facilities Terms and Conditions and the Bendigo Business Accounts and Facilities Terms and Conditions (collectively the Terms and Conditions). These fees and costs only apply to the extent that you use these services.

Unless otherwise stated, all fees are quoted on a GST inclusive basis less any reduced input tax credits.

Type of fee or cost	Amount	How and when paid
Sandhurst Select Mortgage Fund		
Fees when your money moves in or out of the managed investment product¹		
Establishment Fee The fee to open your investment.	Nil	Not applicable
Contribution Fee¹ The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal Fee¹ The fee on each amount you take out of your investment.	Nil	Not applicable
Exit Fee¹ The fee to close your investment.	Nil	Not applicable
Management Costs*		
<i>The fees and costs for managing your investment.²</i>	1.34% p.a. of the net asset value of the Fund consisting of: <ul style="list-style-type: none"> a management fee of 1.03% of capital sums invested in the Fund (estimated to be 1.02% p.a.³ of the net asset value of the Fund); Plus <ul style="list-style-type: none"> expense recoveries of 0.32% per annum of the net asset value of the Fund. 	The management fee is payable out of the income of the Fund, calculated and accrued daily, paid monthly in arrears. The expense recoveries are paid from the income or assets of the Fund as they are incurred.
Service fees		
Switching Fee The fee for changing investment options.	Nil	Not applicable

* The amount of this cost can be negotiated with wholesale clients. (See 'Differential fee arrangements' under the heading 'Additional explanation of fees and costs'). Management costs excludes transactional and operational costs (see "Transactional and operational costs" under the heading "Additional explanation of fees and costs" for more information.

¹ Banking facility fees may apply depending on the facilities used. (See "Banking facility fees" under the heading "Additional explanation of fees and costs").

² This fee may include an amount payable to an adviser (see 'Adviser remuneration' under the heading 'Additional Explanation of Fees and Costs').

³ Management fees are calculated daily at 1.03%p.a. of the capital sums invested. An estimate of this fee as a percentage of the Fund's net asset value for the current financial year has been provided to assist in fund comparisons.

Warning: Additional fees may be paid to a financial adviser if a financial adviser is consulted. Please refer to the Statement of Advice in which details of the fees are set out.

Additional explanation of fees and costs

Management costs

Management costs are the total fees and costs incurred in managing the Fund, including the management fee paid to Sandhurst as responsible entity, other expense recoveries in relation to the Fund (described below). These amounts do not form part of the Transactional and Operational Costs of the Fund.

The Fund's constitution allows Sandhurst to recover all proper costs, charges, expenses and outgoings reasonably and properly incurred by Sandhurst in the proper performance of its duties in respect of the Fund. This may include but are not limited to audit, taxation, PDS, legal, third party administration, establishment, stationery, postage and compliance costs. The term 'expense recoveries' refers to such costs, charges, expenses and outgoings incurred by the Fund excluding transactional and operational costs. The expense recoveries disclosed in the fee table is based on actual expense recoveries 2016 for the past financial year ending 30 September.

Management costs may increase or decrease from one financial year to the next. The management fee is calculated daily at 1.03% p.a. of the Fund's capital sums invested, accrued daily, and paid monthly in arrears from the Fund's income prior to making a distribution. This fee has been converted and shown as a percentage of the Fund's estimated net asset value for the current financial year to assist investors with fund comparisons. Due to the estimation the actual fee may be higher or lower than that stated in the PDS.

Transactional and Operational Costs

The Fund incurs clearing costs to access clearing services in order to acquire and dispose of certain Fund assets. These costs are paid for by the Fund when they are incurred and may vary depending on the number and frequency of Fund transactions. This cost is not paid to Sandhurst as a fee and is not charged directly to investors. However, these costs are an additional cost to the investor as it is deducted from the income or assets of the Fund (or underlying investments of the Fund). The costs represented 0.001% of the Fund's average net asset value for the past financial year ending 30 September 2016. Those costs are unlikely to be materially different for the current financial year.

Indirect Cost Ratio (ICR)

The ICR is a useful measure of the ongoing fees and costs you can expect to pay if you invest in the Fund. It is the total management costs (which does not include transaction and operational costs) that are not deducted directly from an investor's account during a financial year represented as a percentage of the average net asset value of the Fund.

The ICR includes management fees and expense recoveries, but excludes for example certain transaction and operational costs or costs that would be incurred by someone investing directly in the underlying assets.

The ICR (inclusive of GST and net of any reduced input tax credits) for the Fund is 1.34%, calculated based on the average net asset value of the year ended 30 September 2016. (30 September 2015: 1.08%).

The ICR for the Fund is only an indicative measure. The actual expenses may vary from year to year.

The latest ICR is available on our website at www.sandhursttrustees.com.au/select

Maximum fees and waiver

Under the Fund's constitution, Sandhurst is permitted to charge a management fee of up to 1.00% of the capital sums invested plus GST.

As at 30 September 2016, this represents 1.02% p.a. of the average net asset value of the Fund. The management fee disclosed as a percentage of the net asset value of the Fund may change from time to time to ensure that management fees do not exceed the limits imposed under the Fund's constitution.

The Fund's constitution gives Sandhurst the right to accept lower fees than we are entitled to receive under the Fund's constitution, to defer payment or to waive our entitlement to such fees.

Changes to fees

Sandhurst is able to charge up to the maximum amount of fees and costs permitted under the Fund's constitution without obtaining investor consent.

If fees payable to Sandhurst increase, you will be given at least 30 days prior notice.

Expense recoveries may be different to those estimated in this PDS.

The ASIC website, www.moneysmart.gov.au offers a fee calculator to help investors understand the impact of charges over time. The impact of small increases or decreases can be significant. The fee calculator may also help investors compare the charges of the Fund to other investment products.

Adviser remuneration

No trail or upfront commissions are payable by us to financial advisers on any accounts established from 1 July 2013 in the Fund. However, trail commissions on existing investment accounts acquired before 1 July 2013 will continue to be paid to advisers subject to compliance with the law. This amount is paid monthly based on your interests in the Fund. Details of this commission should be set out in the Financial Services Guide and/ or Statement of Advice which your adviser should have given you.

As these amounts are paid by Sandhurst out of its own resources, they are not an additional cost to investors.

Differential fee arrangements

From time to time Sandhurst may negotiate the charging, rebating or waiving of management fees, as stated above, in circumstances permitted by the Corporations Act or applicable relief granted by ASIC, with certain 'wholesale clients' (as defined in the Corporations Act) and Platform Operators (as defined on page 33 of this PDS). Such negotiations are undertaken on a case-by-case basis and only for wholesale clients and Platform Operators who invest significant amounts of money in the Fund. Any such arrangement will be entered into in accordance with the requirements of the Corporations Act.

Sandhurst does not negotiate fees with retail investors or individual Platform investors.

Requests to negotiate fees must be put in writing to Sandhurst and sent to:
 Sandhurst Trustees Limited Sandhurst Select Mortgage Fund – Product Manager
 GPO Box 4314
 Melbourne VIC 3001.

Alternative remuneration

Subject to the law, Sandhurst may provide remuneration to financial advisers and Platform Operators indirectly by paying them additional amounts (such as marketing support payments) and/or non-monetary benefits (such as business and technical support, professional development, conferences, etc). If these amounts or benefits are provided, they are payable out of the fees and costs we receive and are not an additional cost to you.

Banking facility fees

If you choose to use the Bank’s banking facilities, the Bank may charge you fees for these facilities in accordance with the Bank’s Terms and Conditions. The Bank’s Terms and Conditions documents set out the fees and costs in relation to the banking facilities provided by the Bank. These fees and costs only apply to the extent that you use these services.

These fees are separate to the fees and costs that apply to your investment in the Fund. Banking facility fees will not apply if you do not use these facilities. Banking facility fees are subject to change.

Platform investors – additional platform fees

For investors accessing the Fund through a Platform, additional fees and costs may apply. These fees and costs are stated in the offer document provided to you by the Platform Operator.

Some platforms may charge a fee for having the Fund included on their investment menus. Sandhurst may pay amounts from the management fees we receive to the Platform providers who make the Fund available on their investment menus.

Tax

All fees payable in respect of the Fund are inclusive of GST and net of reduced input tax credits. Please refer to the “Taxation” section on page 29 for an explanation of the taxation of the Fund.

Example of annual fees and costs

The table below gives an example of how the fees and costs for this managed investment product can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example: Sandhurst Select Mortgage Fund		Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management costs	1.34% x \$50,000 = \$670	And, For every \$50,000 you have in the Fund, you will be charged \$670 each year.
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: \$670* What it costs you will depend on the fees you negotiate.

* The actual amount you will be charged depends on the timing of additional investments and the actual expense recoveries. This example assumes that the additional contribution of \$5,000 is invested at the end of the year.

Additional fees may apply. For example, transactional and operational costs will be charged.

8. How to invest

Applications

Investing in the Fund is a two-step process:

1. Complete the Application Form which is available from our website at www.sandhursttrustees.com.au; and
2. Lodge your Application Form and initial investment:
 - a) in person – at any Bendigo Bank branch or with your financial adviser along with a cheque crossed 'not negotiable' and made payable to Sandhurst Trustees Limited – 'name of investor'; or by transfer from an existing Bank Account; or
 - b) by mail – directly to us along with a cheque crossed 'not negotiable' and made payable to Sandhurst Trustees Limited – 'name of investor'; or
 - c) by using one of the Bank's banking facilities including internet banking, phone banking and electronic payment, or
 - d) by any other method expressly permitted by Sandhurst.

Refer to our contact details on page 4 of this PDS.

The minimum initial investment is \$2,000.

The Application Form is available from our website at www.sandhursttrustees.com.au/forms.

If a valid and complete Application Form is received and accepted by us or at any Bendigo Bank branch before 3.00pm Melbourne time on a Business Day, the investment will accrue income from the day of receipt. Otherwise, income will accrue from the following Business Day.

Additional Investments

There is no minimum additional investment amount and you can add to your Fund investment at any time by using any of the methods outlined in the Application section.

If you would like to make additional investments on a regular basis, you can establish these by arranging a Periodic Payment or Electronic Funds Transfer with your sending financial institution.

You should obtain a copy of the most up-to-date PDS when making additional investments, as the additional investment will be made on the terms of the most up-to-date PDS.

Investments in the Fund received and accepted by us or at any Bendigo Bank branch before 3.00pm Melbourne time on a Business Day will accrue income from the day of receipt. Otherwise income will accrue from the following Business Day.

In certain circumstances, Sandhurst reserves the right to refuse an additional investment or accept only part of an additional investment (for example, if the Fund is closed to additional investments).

Calculation and frequency of income distributions

The Fund will earn income such as interest, and it is Sandhurst's intention that the full amount of the Fund's taxable income in each financial year be distributed to investors.

Income is calculated daily and your distribution entitlement is determined as at 31 March, 30 June, 30 September and 31 December. Distributions are paid quarterly to investors after the end of each quarter and upon account closure. Please refer to the Taxation section on page 29 for information on how to treat your income distribution for taxation purposes.

You can choose to have your distributions:

- automatically reinvested; or
- paid to you by direct credit to your nominated account.

If you do not make a choice, or if a direct credit rejection occurs, then your distributions will be automatically reinvested. You can change your choice for receiving distribution payments by advising Sandhurst at least 5 Business Days before the end of the relevant distribution period. Otherwise, the change to your distribution instructions may not occur until after the next distribution is paid.

9. Accessing your money

Your initial investment and each subsequent contribution is fixed for 90 days and is then available for withdrawal under normal circumstances. This means for the first 90 days after each contribution you do not have access to that contribution amount. Sandhurst may under special circumstances and, at its discretion, consider a withdrawal request inside the 90 day fixed term.

At the end of the 90 day term, withdrawal requests are generally processed on the same Business Day it is received. However, under the Fund's constitution, Sandhurst has up to 12 months to satisfy withdrawal requests.

There is a risk that withdrawal proceeds will not be paid within a reasonable period after the initial investment term. Please see page 23 for a discussion of the circumstances in which withdrawals from the Fund may be delayed or refused.

Investors will only have limited rights to withdraw if the Fund does not satisfy the liquidity test in the Corporations Act.

If you close your account before the distribution date, the current Indicative Rate is used to calculate your final income payment (income due from the last distribution date to close date). However if you close your account on the last day of the new quarter it will take up to two days' to process your final income entitlement.

Withdrawal proceeds are not paid in cash.

There is no minimum withdrawal amount and you can apply to withdraw some or all of your investment in the following ways (after the end of the 90 day fixed term):

- in person - at any Bendigo Bank branch (payable by Electronic Funds Transfer (EFT), transfer or cheque); or

- by mail – if your withdrawal request is received by mail, we will forward a cheque to you or deposit the amount directly into your nominated financial institution's account in accordance with your instructions; or
- internet banking and phone banking – You can use the internet and phone banking services of the Bank. Investors are able to review balances, transfer funds between nominated Bendigo Bank accounts and your Fund investment, transfer funds using the Pay Anyone service to any financial institution within Australia and make BPAY® payments. Refer to page 8 for more information.

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Withdrawals over \$500,000 will require advance notice before 11.00am Melbourne time on the Business Day the funds are required. However, Sandhurst reserves the right to change processing times.

If your withdrawal request results in your Fund account balance falling below \$2,000, Sandhurst may, at its discretion, treat your withdrawal request as relating to all of your remaining interests in the Fund. Sandhurst reserves the right to delay or refuse withdrawals from the Fund if in the reasonable opinion of Sandhurst, it is in the best interests of investors as a whole to do so. In some circumstances, such as when there is a freeze on withdrawals, you may not be able to withdraw your interests in the Fund within the usual period for withdrawal requests.

10. Taxation

Warning: Investing in a registered Managed Investment Scheme is likely to have tax consequences. The Australian taxation system is complex and individual investors have different circumstances. Persons are strongly advised to seek professional taxation advice before investing in the Fund.

In summary, when investing in the Fund, investors should note that:

- Registered Managed Investment Schemes generally do not pay tax on behalf of investors.
- Investors will be assessed for tax on their share of income of the Fund in the year to which their entitlement relates, irrespective of whether the income is reinvested or the income payment occurs at a later date.
- Tax components of Fund distributions will be allocated to investors on a fair and reasonable basis.
- The Fund has made a 'capital election' under the tax regime for Managed Investment Trusts (MIT) and it continues to be an eligible MIT.

Please refer to the Calculation and frequency of income distributions section on page 28 for information on distribution entitlement periods. Income (distributions) from the Fund is classified as Distributions from Trusts in your taxation return, if applicable.

The brief summary of taxation information provided above relates only to Australian tax residents who hold their interests on capital account for income tax purposes. You should not rely on this summary alone.

Tax on your distributions

Sandhurst determines the income of the Fund each financial year. The Fund intends to distribute all of the income of the Fund (after deducting Fund expenses, including management costs), paid in accordance with the income frequency described in section 8 above.

Investors who are Australian residents for tax purposes will be generally subject to tax on their share of the income of the Fund including amounts reinvested in the Fund. Taxation laws generally may cause you to be taxed on amounts you have not yet received.

Each year in your taxation return, you must declare your share of the Fund's income for the financial year.

Withdrawals from the Fund

Your interest in the Fund is an asset for capital gains tax (CGT) purposes. Withdrawing from the Fund will result in your CGT asset being disposed of, which triggers a CGT event. You will have a capital gain if the capital proceeds exceed the cost base of your interest in the Fund, or a capital loss if the reduced cost base of your interest exceeds the capital proceeds.

In the normal course of events, the capital proceeds on withdrawal are not expected to exceed the cost of acquiring interests in the Fund (i.e. capital gains are unlikely).

If you have a capital gain and you are an individual, trustee or complying superannuation fund and you have held your interest in the Fund for at least 12 months on capital account, you should be entitled to apply the applicable CGT discount.

Goods and Services Tax (GST)

Fees and costs in respect of acquisitions by the Fund will often be subject to GST. The Fund may not be entitled to claim an input tax credit for the full amount of that GST, however, it may be entitled to reduced input tax credits on any GST paid. The GST included in expenses that cannot be claimed as an input tax credit will be a net cost and can be recouped from the Fund by Sandhurst. If the GST rate increases, the Fund's constitution allows Sandhurst to recoup the extra amount from the Fund.

Quotation of Tax File Number (TFN) or Australian Business Number (ABN)

It is not compulsory for you to quote your TFN or ABN. If you do not quote your TFN or ABN, or claim an exemption, we may be required to withhold tax from distributions at the highest marginal tax rate plus applicable levies.

By quoting your TFN or ABN you authorise us to apply it to your Fund account and disclose it to the Australian Taxation Office. Collection of TFN or ABN information is authorised, and its use and disclosure is strictly regulated by the tax laws and under privacy legislation.

Pension and benefits

An investment in the Fund may affect social security entitlements. You should, therefore, seek professional advice or consult Centrelink to determine the effect of income received in respect of an investment in the Fund on any social security entitlement.

Foreign taxes and foreign tax compliance

Australian and foreign taxes may be imposed where the Fund's investments or dealings have some connection with a foreign jurisdiction. Foreign laws are varied and can apply in uncertain ways.

If the Fund suffers any amount of Australian or foreign tax, or is required to withhold any amount in respect of Australian or foreign tax, neither Sandhurst nor the Fund will be required to compensate investors for any such tax, and the effects of these amounts will be reflected in the returns of the Fund.

In addition, there are certain consequences that may occur if an investor is, or becomes, a foreign entity, a foreign citizen, resides in a foreign country or has some connection with a foreign country. These consequences may apply pursuant to certain global reporting requirements such as the Foreign Account Tax Compliance Act (FATCA) in the US. The Fund is required to comply with these requirements. Accordingly, Sandhurst may request that you provide certain information about yourself in order for Sandhurst to comply with these obligations.

Taxation reform

The Government has passed new income tax legislation that implements an Attribution Managed Investment Trust (AMIT) tax regime for eligible Managed Investment Trusts (MIT). The legislation applies for tax years commencing 1 July 2016 where the MIT makes an appropriate election.

11. Additional Information

Fund Constitution

The Fund was established under a constitution.

Together with this PDS and applicable laws (including the Corporations Act), the Fund's constitution is legally binding between us and each investor. The Fund's constitution deals with amongst other things:

- how investments are made in the Fund;
- how income of the Fund is distributed;
- how investments can be withdrawn from the Fund;
- the investment of Fund assets by Sandhurst;
- that each investor's interest in the Fund is a fractional beneficial interest in the whole of the Fund and is not an interest in any particular part of the Fund or any asset of the Fund;
- Sandhurst's right to be paid a management fee out of Fund assets;
- Sandhurst's right to be indemnified out of Fund assets for liabilities or expenses incurred in relation to the Fund;
- the conditions under which the Fund operates;
- the rights, responsibilities and duties of the responsible entity and investors;
- fees and costs; and
- termination of the Fund.

Under the Fund's constitution, Sandhurst as responsible entity has all powers in respect of the Fund that are possible to confer under the law on a responsible entity as though it were the absolute and beneficial owner of the assets of the Fund acting in its personal capacity. These powers include, but are not limited to, the power to enter into all kinds of contracts to purchase, dispose sell or transfer assets of the Fund, borrow or raise money, enter into certain types of derivative contracts, grant options and give guarantees and indemnities.

Subject to the Fund's constitution and the law, your liability in relation to your investment in the Fund is limited to the amount (if any) which remains unpaid for your interests. However, no absolute assurance can be given regarding the liability of investors as the enforcement of such provisions is subject to the determination of the courts.

Subject to the Corporations Act, the Fund's constitution limits our need to compensate you if things go wrong. Generally, we will not be liable to compensate investors for any loss suffered in relation to the Fund if we have acted in good faith and without gross negligence.

In the event that there is an inconsistency between the Fund's constitution and the PDS the Fund's constitution will prevail. We may amend the Fund's constitution without investor approval if we, as the responsible entity, reasonably consider that the amendment will not adversely affect investors' rights. Otherwise we must obtain the approval of investors to make changes to the Fund's constitution at a meeting of investors.

You may obtain a copy of the Fund's constitution free of charge by writing to us. Our contact details are listed on page 4 of this PDS.

Contractual obligations created by this PDS

Our acceptance of your application, made on the basis of this PDS, creates a binding contractual obligation between you and us. By making an application, you agree that any contractual obligations we owe to you by virtue of this PDS may be varied or cancelled by a deed executed by us with the approval of a special resolution of investors in the Fund, or without that approval if we reasonably consider the variation or cancellation will not materially and adversely affect investors in the Fund.

The Compliance Plan

Under the Corporations Act, the Fund is required to have a compliance plan lodged with ASIC. The compliance plan sets out measures and procedures that Sandhurst, as the responsible entity of the Fund, will implement to ensure that the Fund's operation complies with the Corporations Act and its constitution.

The compliance plan will be audited at least once a year by an external auditor who will report on their findings to us.

Eligible Investors

You must be 18 years or over to invest in the Fund. An adult can make an investment on behalf of a minor by completing the Application Form in the adults name in trust for the minor.

The offer of investing in the Fund is available to persons applying within Australia who have received an up-to-date copy (electronic or otherwise) of this PDS.

Appointment of nominated representatives (non-titled signatories)

You may wish to appoint an alternate person (aged 18 years or older) as your nominated representative on your Fund account. To do so, the nominated person must complete the relevant section of the Application Form. A nominated representative is able to act on behalf of an investor in all matters relating to the Fund except closing an account (without power of attorney). The following conditions will apply:

- you agree to release, discharge, and indemnify Sandhurst and any Associated Company from and against any and all losses, liabilities, actions, proceedings, accounts, claims and demands arising from the appointment or exercise of powers by the nominated representative;
- you agree that a payment or purported payment (the 'Payment') made to your nominated representative, in accordance with the requests or instructions of the nominated representative shall be to the complete satisfaction of the obligation of Sandhurst, to the extent of the Payment, notwithstanding any fact or circumstance including that the Payment was requested, made, or received without your knowledge or authority;
- you agree that if the Payment is made in accordance with the request or instruction of the nominated representative, you shall have no claim against Sandhurst or any Associated Company in relation to the Payment;
- you understand and acknowledge that you are bound by the actions of the nominated representative in relation to the operation of your investment in the Fund;
- you agree that Sandhurst may cancel this arrangement or vary these conditions on 14 days' notice; and
- this arrangement will continue until you cancel the appointment in writing, or until Sandhurst exercises its right to cancel the arrangement as set out above.

Keeping you informed

We will provide you with a welcome letter confirming your initial investment.

We will also send you:

- a transaction statement, the default period is:
 - quarterly for statement holders and
 - annually for passbook holders
- an annual report if you elect to receive one on the Application Form (the Fund's annual report is also available at www.sandhursttrustees.com.au); and
- any other communications required by the law.

We will announce the current Indicative Rate on our website. We will also provide on our website a quarterly update on the performance of the Fund and an update on

ASIC's eight benchmarks and disclosure principles at least half yearly.

You can also check your investment balance and transaction history online by registering for the Bank's internet banking service.

Continuous disclosure requirements

The Fund is considered a 'disclosing entity'. As a disclosing entity, the Fund is subject to regular reporting and disclosure obligations under the Corporations Act. You will be able to obtain from, or inspect at an ASIC office, copies of any documents lodged with ASIC in relation to the Fund. If applicable, you may also obtain from Sandhurst, free of charge, copies of:

- the most recent annual financial report;
- any half yearly financial report lodged with ASIC; and
- any continuous disclosure notices lodged with ASIC.

Some of these documents (including continuous disclosure notices) will also be available from www.sandhursttrustees.com.au

Complaints

If you have a complaint about the operation or management of the Fund, you should call 1800 634 969 or write to:

The Complaints Officer,
Sandhurst Trustees Limited
GPO Box 4314
Melbourne VIC 3001

All complaints will be properly considered and dealt with within 45 days of receipt. Once we have investigated your complaint, you will receive a response explaining our decision.

If you are not satisfied with the handling of your complaint, or the complaint is not dealt with within 45 days, you may contact the Financial Ombudsman Service Limited on 1800 367 287.

If you have a complaint regarding the provision of your banking facilities you should contact the Bank on 1300 361 911.

Cooling-off period

Subject to the Corporations Act, you can exercise your cooling off rights in relation to your initial investment.

If after investing in the Fund you change your mind and wish to exercise cooling-off rights under the *Corporations Act*, you may do so by contacting Sandhurst within 14 days from the earlier of:

- the time you receive written confirmation of your Fund investment; and
- 5 days after the day your Fund investment was issued to you.

The amount refunded will be adjusted to take account of any increases or decreases in the value of your Fund investment, any related banking facility fees and any reasonable administration expenses. If a distribution has occurred between acceptance of your application and receipt of your cooling-off period notification, there may

be taxation implications for you. We suggest that you seek professional advice in these circumstances.

If you wish to cancel your investment during the cooling-off period, please inform Sandhurst in writing of your intention to exercise this right before the end of the cooling-off period (and before exercising any rights or powers you have in respect of your investment in the Fund). Should you have any questions regarding our cooling-off policy please contact us.

Platform investors

If you are investing through a master trust, wrap account or other investor directed portfolio-type service (collectively referred to as a 'Platform'), it is generally the operator of the Platform ('Platform Operator') which becomes the investor in the Fund, not you. Accordingly, they have the rights of an investor and can exercise them in accordance with their arrangements with you.

If you invest through a Platform, you may also be subject to different conditions from those outlined in this PDS (such as procedures for making investments and withdrawals, cooling-off periods outlined in the PDS do not apply, cut-off times for transacting, timing for distributions, additional fees and costs and investor reporting).

As at the date of this PDS, Sandhurst is not responsible for the operation of any Platform through which you invest. If you are investing through a Platform, enquiries and complaints should be directed to the operator of that service, not to Sandhurst. In addition to reading this PDS, you should read the offer document that explains the Platform as issued by your Platform Operator.

Consents

The Bank has given and has not, before the date of the PDS, withdrawn its written consent to be named in this PDS and to the statements in the PDS concerning its role and activities, in each case in the form and context in which it is included or named.

Privacy

We are committed to ensuring your privacy is protected and understand your concerns regarding the confidentiality and security of personal information you provide to us. From time to time, Sandhurst will need to collect from you and verify personal information about you (and where applicable, people acting on your behalf) in order to properly administer the financial products you have requested and to comply with its legal obligations. Sandhurst collects, uses, discloses and stores your personal information in accordance with its privacy policy and the *Privacy Act 1988* (Cth).

Our privacy policy and details of how we handle your personal information is available by contacting us on 1800 803 969. The privacy policy can also be obtained by visiting: www.sandhursttrustees.com.au

Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)

To comply with our AML/CTF regulatory requirements we will need to obtain identification information to establish your identity (and the identity of other persons associated with your account). We may also do the following:

- require you to provide to us or otherwise obtain, any additional information documentation or other information;
- suspend, block or delay transactions on your account or refuse to make a payment or provide services to you. We will incur no liability to you if we do so; and/or
- report any, or any proposed transaction or activity to anybody authorised to accept such reports relating to AML/CTF or any other law.

By making an application, you acknowledge and warrant to us that:

- you have not knowingly done anything to put us or the Bendigo and Adelaide Bank Group in breach of AML/CTF laws;
- if requested you will provide additional information and assistance and comply with all reasonable requests to facilitate us and the Bendigo and Adelaide Bank Group's compliance with AML/CTF laws;
- if you fail to provide us or the Bendigo and Adelaide bank Group with additional information and documentation requested of you, your application may be refused, any investment you hold in the Fund may be compulsorily withdrawn, and/or a withdrawal request by you may be delayed or refused by us.

You warrant that Sandhurst and the Bendigo and Adelaide Bank Group will not be liable for any losses arising as a result of those circumstances and you are not aware and have no reason to suspect that:

- the money used to fund the investment is derived from or related to money laundering, terrorism financing or similar illegal activities; and
- proceeds of investment made in connection with this product will fund illegal activities.

Investors who are non-natural persons (for example companies) may nominate their employee, agent or contractor to be a verifying officer under the AML/CTF Act.

Labour standards, or environment, social or ethical considerations

Sandhurst does not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of investments relating to the Fund.

12. Glossary

We understand the investment process can be overwhelming. That is why we have tried hard to make this PDS easy-to-read and, where possible, used plain language to explain various financial terms.

The glossary listed below will help you understand some of the terms commonly used in this PDS in relation to the Fund.

ABN: Australian Business Number, a unique identifier issued to business entities by the Australian Taxation Office.

ADI: Authorised Deposit Taking Institution

AFSL: Australian Financial Services Licence, a licence granted by ASIC, which authorises a person who carries on a financial services business to provide financial services.

APIR: A unique identifier code, issued by APIR® Systems Limited, to participants and products within the financial services industry. The APIR codes used in this PDS are Product Identification Codes (PIC).

ARSN: Australian Registered Scheme Number and is the number issued by ASIC to a registered scheme.

ASIC: Australian Securities and Investments Commission.

Associated Company: Any entity associated with the Bendigo and Adelaide Bank Group, including any company managing a **Community Bank®** branch or any franchisee, alliance or joint venture partner or agent.

Bendigo and Adelaide Bank Group: Bendigo and Adelaide Bank Limited and its related entities.

Bendigo and Adelaide Bank Limited: Bendigo and Adelaide Bank Limited (ABN 11 068 049 178 AFSL 237879) and any of its related entities.

Bendigo Bank branch: A reference to a Bendigo and Adelaide Bank branch using the Bendigo Bank name, logo and system of operations.

Business Day: A day that is not a Saturday, a Sunday or a public holiday or bank holiday in the place concerned.

Cash equivalent assets: Short-dated ADI backed money market securities (e.g. bank bills, negotiable certificates of deposit) which can be readily converted to cash.

Corporations Act: *The Corporations Act 2001* (Cth).

Fund: Sandhurst Select Mortgage Fund ARSN 090 909 069. The Fund acts through its responsible entity Sandhurst and all legal arrangements entered into by the Fund are entered into by Sandhurst in its capacity as responsible entity of the Fund.

Indicative Rate: The rate of return for the Fund, announced at the beginning of or during each quarter by Sandhurst, as an indication of the likely return from the Fund for a distribution period. This rate is announced with regard to the investments of the Fund, the income being derived and other relevant considerations. This return is calculated after fees and costs and is not guaranteed to investors.

Indirect Cost Ratio (ICR): A ratio expressing the Fund's management costs that are not deducted directly from an investor's account, to the Fund's total average net assets.

Loan to Valuation Ratio (LVR): A ratio of the amount lent in relation to the value of a property.

Managed Investment Scheme: Broadly, means an arrangement where people contribute money, which is pooled and invested on their behalf to provide benefits for those who have contributed.

Mortgages: Mortgages mean mortgage backed loans.

Mortgage Backed Securities: Mortgage Backed Securities are securities that have either residential or commercial Mortgage backing. These securities are generally traded on a secondary market.

Official Cash Rate (OCR): The interest rate paid by banks in the overnight money market in Australia. This rate is set by the Reserve Bank of Australia.

Sandhurst: Sandhurst Trustees Limited (ABN 16 004 030 737 AFSL 237906).

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