Bendigo Managed Wholesale Funds
Index Funds

SandhurstTrustees

Fund update - December 2020

Investment approach

Each Fund invests via expert asset managers that specialise in index strategies that seek to track the performance of selected benchmarks as well as alternative assets and cash. Alternative assets and cash may or may not invest in index strategies. Sandhurst will invest each Fund's assets across a variety of asset classes in a manner that we believe will meet the investment return objective of each Fund. Each Fund aims to provide a total return after fees in excess of a stated percentage above inflation over a full market cycle (typically 7 to 10 years), where inflation is measured by the Australian Consumer Price Index (CPI).

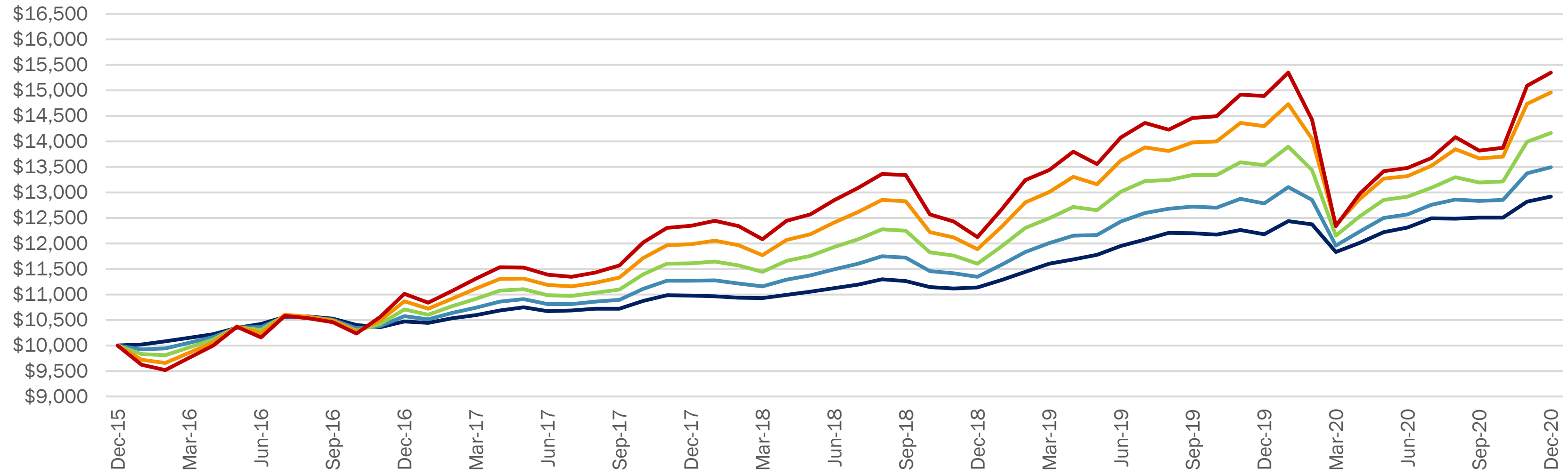
Fund performance[1]

as at 31 December 2020

	Morningstar Rating™ Overall[2]	Morningstar Category Rank 5 Year[2]	Distribution (per unit)	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Fund size $m
Bendigo Defensive Index Fund	★★★★★	1 / 24	$0.0236	3.28	6.09	5.58	5.25	$113.83
Peer Comparison				*2.46*	*2.79*	*3.37*	*3.59*	
Bendigo Conservative Index Fund	★★★★★	5 / 119	$0.0255	5.17	5.53	6.19	6.17	$461.08
Peer Comparison				*3.67*	*2.85*	*3.87*	*4.20*	
Bendigo Balanced Index Fund	★★★★★	6 / 115	$0.0261	7.37	4.64	6.86	7.21	$483.78
Peer Comparison				*6.19*	*2.87*	*4.65*	*5.46*	
Bendigo Growth Index Fund	★★★★★	6 / 200	$0.0312	9.43	4.62	7.66	8.39	$362.42
Peer Comparison				*7.79*	*2.73*	*5.29*	*6.38*	
Bendigo High Growth Index Fund	★★★★	14 / 121	$0.0346	11.06	3.09	7.52	8.95	$70.16
Peer Comparison				*9.95*	*2.73*	*6.11*	*7.67*	

An example of how your investment grows

Growth of $10,000 over 5 years[1]
(Based on historic Fund performance over 5 years)



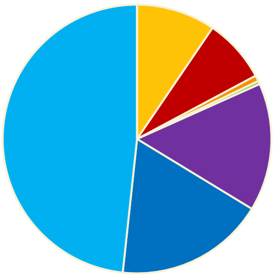
Fund Facts

	APIR Code	Fund inception date	Distribution frequency	Return objective	Recommended investment timeframe	Risk level	Management costs[3]	Buy / Sell spread[3]
Bendigo Defensive Index Fund	STL0031AU	30 Sept 2011	Half yearly	CPI + 1.5%	2 years +	Low	0.390% p.a.	+0.09%/-0.12%
Bendigo Conservative Index Fund	STL0032AU	30 Sept 2011	Half yearly	CPI + 2%	3 years +	Low to medium	0.410% p.a.	+0.10%/-0.10%
Bendigo Balanced Index Fund	STL0033AU	30 Sept 2011	Half yearly	CPI + 3%	4 years +	Medium	0.430% p.a.	+0.10%/-0.10%
Bendigo Growth Index Fund	STL0034AU	30 Sept 2011	Half yearly	CPI + 4%	5 years +	Medium to high	0.450% p.a.	+0.10%/-0.10%
Bendigo High Growth Index Fund	STL0035AU	30 Sept 2011	Half yearly	CPI + 5%	7 years +	High	0.460% p.a.	+0.10%/-0.10%

Refer to the last page for footnotes

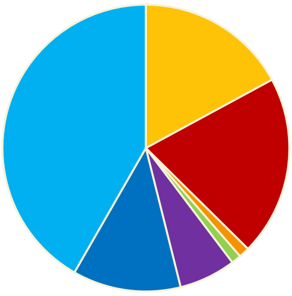
Asset allocation

Bendigo Defensive Index Fund



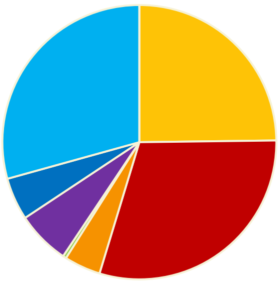
Aust Sh	9.5%
Int Sh	7.7%
Int Sh (Hedged)	0.7%
Property & Infra	0.4%
Cash	15.4%
Int FI	18.0%
Aust FI	48.3%
Alternative	0.0%

Bendigo Conservative Index Fund



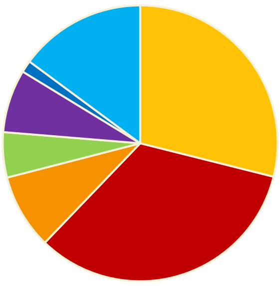
Aust Sh	17.1%
Int Sh	20.3%
Int Sh (Hedged)	1.2%
Property & Infra	1.1%
Cash	6.4%
Int FI	12.2%
Aust FI	41.7%
Alternative	0.0%

Bendigo Balanced Index Fund



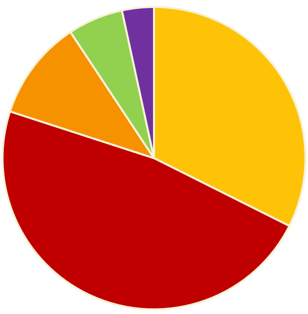
Aust Sh	24.8%
Int Sh	29.9%
Int Sh (Hedged)	4.3%
Property & Infra	0.4%
Cash	6.3%
Int FI	5.0%
Aust FI	29.3%
Alternative	0.0%

Bendigo Growth Index Fund



Aust Sh	28.9%
Int Sh	33.3%
Int Sh (Hedged)	8.8%
Property & Infra	5.3%
Cash	7.4%
Int FI	1.4%
Aust FI	14.9%
Alternative	0.0%

Bendigo High Growth Index Fund



Aust Sh	32.4%
Int Sh	47.6%
Int Sh (Hedged)	10.7%
Property & Infra	5.9%
Cash	3.4%
Int FI	0.0%
Aust FI	0.0%
Alternative	0.0%

Unit prices

as at 31 December 2020	Application price	Withdrawal price
Bendigo Defensive Index Fund	$1.18690	$1.18441
Bendigo Conservative Index Fund	$1.33266	$1.32999
Bendigo Balanced Index Fund	$1.47025	$1.46731
Bendigo Growth Index Fund	$1.63450	$1.63123
Bendigo High Growth Index Fund	$1.67338	$1.67004

Quarterly commentary

Performance

From both a peer relative and absolute return perspective, the Index suite of Funds performed strongly over the quarter. Risk assets across the board all rose sharply, with tilts in favour of emerging markets coupled with an underweight to global infrastructure, proving beneficial. Over the one year period the standout performer was the Bendigo Defensive Index Fund, in which returned over 3% higher than the Morningstar peer group and was the highest returning fund within its Morningstar peer group and the Bendigo index suite of products. Driving performance was the movement away from fixed bonds into inflation linked bonds through the late March and April market recovery.

Recently the Funds have added an alternatives asset class with the intention of including an exposure to gold, in which we believe adds significant diversification benefits, in particular inflation risk protection. Looking forward, we believe the Funds will be well positioned for any potential rise in inflation with a meaningful exposure to gold, inflation linked bonds and emerging markets.

Economic

Over the quarter markets were focussed on the outcome of the US Presidential election and COVID-19 vaccine, both of which significantly boosted share markets over the quarter. Given the outcome of the election, market consensus further shifted to a higher inflation probability. This was reflected in a higher Australian dollar, emerging market outperformance versus developed markets, a strong rise in commodity prices and rising bonds yields. The Democrats policies are clearly pro inflation and growth, with proposals for large scale infrastructure (including clean energy), health care funding, debt forgiveness and cash payouts. The Georgia run-off elections have been pivotal in regard to whether Democrat policies pass through the senate, with both Democrat candidates in Georgia, tipping the delicate balance of the senate into the hands of the Democrats.

Given vaccine rollouts throughout much of the developed world, markets are seeing through the rapid spread of COVID-19 in which is enforcing growth crippling shutdowns. Given cheap money, markets remain somewhat speculative in pockets, with many unproven businesses with little or no earnings continuing to attract investment.

Within Australia, the Reserve Bank of Australia (RBA) cut interest rates to a record low of 0.10% in November, reduced the targeted yield of the 3 year Australian Government bond to around 0.1% and announced the purchase of $100 billion of government bonds of maturities of around 5 to 10 years over a six month period. The RBA expects a protracted and uneven recovery, and the measures undertaken are expected to lower financing costs for borrowers, contribute to a lower exchange rate than otherwise and support asset prices, in which in-turn would help to strengthen corporate and household balance sheets. Despite these measures the AUD has risen against the USD from around 71.5c upon the November announcement to close to 77c as of the end of December. This presents a problem for the RBA, in which a higher exchange rate negatively impacts export led industries.

Looking forward, markets will be shaped by government policies. Monetary policy has largely run its course in its ability to stimulate the economy. Given high global debt levels, governments hold preference to inflate out of the debt situation, in which we are likely to see rates held low and continued government stimulus until persistent inflation and growth emerges.

Do you have any questions?

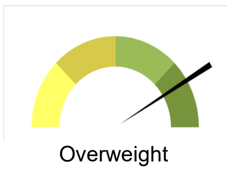
For further information contact us on 1800 634 969 or visit www.sandhursttrustees.com.au

Asset positioning commentary

Given global central bank and governments desire to increase inflation and growth is playing out in accommodative monetary policy conditions and fiscal spending programs, we believe the path to higher inflation is base case rather than a low probability. Hence we believe the current appropriate mix includes a material allocation to inflation linked bonds, resources (Australian equities), gold and emerging market equities.

Australian Shares

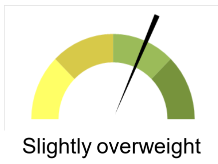
We currently hold an overweight position in Australian equities. We believe the Australian economy is a beneficiary of the global recovery which is seeing a political focus on large scale infrastructure programs. The global increase in capital expenditure is directly benefiting Australian mining companies, in which have performed strongly over recent months. We expect a continued focus from governments around the world to boost economic activity which should continue to be supportive of Australian companies.



International Shares

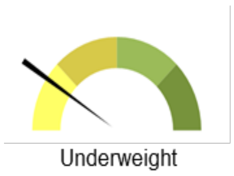
We are currently slightly overweight global equities with a preference to smaller capitalisation stocks and emerging markets. The current economic backdrop is shifting from a consensus low and falling inflation, to a rising inflationary period. In this environment emerging markets tend to outperform due to the weakness in the USD and the stronger economic activity positively impacting emerging markets.

Hedge ratio 65% of OS equities



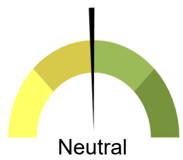
Property & Infrastructure

We currently hold minimum weights in Australian listed property and infrastructure. We believe commercial property is faced with technology headwinds to the sectors of retail and office, with the continual advancement of ecommerce and the movement to working from home arrangements. Whilst pricing is somewhat reflective of these forces, we believe the upside in this asset class is limited. Additionally, relative to other growth investments, property and infrastructure perform best in falling rate environments, in which does not reconcile with our view for rising inflation and long-term interest rates.



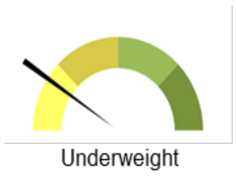
Fixed Income

We continue to hold a neutral position within fixed income with a bias towards inflation linked bonds. We believe the current environment of excessive money printing and large fiscal spending places risks of inflation over the medium term. Given low and negative interest rates globally, we believe fixed government bonds provide little benefit within a diversified portfolio. Globally, central banks are committing to holding rates lower until inflation and growth are persistently higher. With the combination of higher inflation and interest rates held low, this provides a positive backdrop for inflation linked bonds to provide good returns.



Cash

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



Footnotes

1. Fund performance figures are calculated before tax and after fees and costs; using withdrawal prices and assumes distributions are reinvested. Past performance is not an indication of future performance.
2. Bendigo Defensive Index Fund received a 5-Star Overall Morningstar Rating™ out of 22 Multisector Conservative funds as of 31 December 2020 and a 5-Star Five year rating out of 24 Multisector Conservative funds as of 31 December 2020. Source: www.morningstar.com.au/Funds/FundReport/19288

   Bendigo Conservative Index Fund received a 5-Star Overall Morningstar Rating™ out of 120 Multisector Moderate funds as of 31 December 2020 and a 5-Star Five year rating out of 119 Multisector Moderate funds as of 31 December 2020. Source: www.morningstar.com.au/Funds/FundReport/19289

   Bendigo Balanced Index Fund received a 5-Star Overall Morningstar Rating™ out of 121 Multisector Balanced funds as of 31 December 2020 and a 5-Star Five year rating out of 115 Multisector Balanced funds as of 31 December 2020. Source: www.morningstar.com.au/Funds/FundReport/19290

   Bendigo Growth Index Fund received a 5-Star Overall Morningstar Rating™ out of 199 Multisector Growth funds as of 31 December 2020 and a 5-Star Five year rating out of 200 Multisector Growth funds as of 31 December 2020. Source: www.morningstar.com.au/Funds/FundReport/19291

   Bendigo High Growth Index Fund received a 4-Star Overall Morningstar Rating™ out of 129 Multisector Aggressive funds as of 31 December 2020 and a 4-Star Five year rating out of 121 Multisector Aggressive funds as of 31 December 2020. Source: www.morningstar.com.au/Funds/FundReport/19292

    Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

   The 'Morningstar Rating' is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. 'Peer Comparison' performance refers to the performance of the relevant 'Morningstar Category' for the stated period. Investments are placed into Morningstar Categories based on their compositions and portfolio statistics so that investors can make meaningful comparisons. 'Morningstar Category Rank' is the Fund's performance rank relative to all funds in the same Morningstar Category.
3. Management costs are based on costs incurred by the Fund in the past financial year and may be different in the current and future financial years. Other fees and costs may apply. See the Product Disclosure Statement for full details.

The managed funds detailed in this update (individually referred to as 'Fund' or collectively as 'Funds') are issued by Sandhurst Trustees Limited (Sandhurst) ABN 16 004 030 737 AFSL 237906 a subsidiary of Bendigo and Adelaide Bank Limited (the Bank) ABN 11 068 049 178 AFSL 237879. Sandhurst and the Bank receive remuneration on the issue of the Funds or the service they provide, full details of which are contained in the relevant Product Disclosure Statement (PDS). Investments in the Funds are not deposits with, guaranteed by, or liabilities of the Bank or any of its related entities. Economic and outlook forecasts are not guaranteed to occur. Sandhurst has prepared this document based on information available to it. The information and opinions provided in this document have not been verified and Sandhurst has no obligation to notify you in the event that any information or opinions change. No representation is made to the fairness and accuracy of the information, opinions and conclusions contained in this document. This update is provided by Sandhurst and contains general advice only. Please consider your situation and read the relevant PDS available at www.sandhursttrustees.com.au/pds, any Bendigo Bank branch or by phoning 1800 634 969 before making an investment decision.

The information is current as at 31 December 2020 (unless stated otherwise) and is subject to change without notice.