



SandhurstTrustees

Bendigo Diversified Fixed Interest Fund

ARSN 168 542 103

Annual Report 2022

The responsible entity and issuer of this product 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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Responsible Entity

Sandhurst Trustees Limited
AFSL 237906
ABN 1 6 004 030 737

The Bendigo Centre
Bendigo, VIC, 3550
Telephone: (03) 5485 6776
Facsimile: (03) 5485 7624

Secretary of the Responsible Entity

Melissa Lovell

Financial Report Auditors

Ernst & Young
Ernst & Young Building
8 Exhibition Street
Melbourne, VIC, 3000

Administration and Registry

Sandhurst Trustees Limited
Level 5, 120 Harbour Esplanade
Docklands, VIC, 3008
Telephone: 1 800 634 969
Facsimile: 1 800 835 800

Bendigo Diversified Fixed Interest Fund

ARSN 1 68 542 103

Directors' Report

The directors of Sandhurst Trustees Limited (the Responsible Entity), present this report on the Bendigo Diversified Fixed Interest Fund (the Fund) for the year ended 30 June 2022.

Directors

The name of each person who has been a director of Sandhurst Trustees Limited during the financial year and to the date of this report are:

Jennifer Lynn Dawson	Chair (retired 1 July 2022)
Vicki Carter	Chair (appointed 1 July 2022)
Richard John Baker	
Alexandra Maris Tullio	
Luke Davidson	(appointed 11 May 2022)

Company Secretary

The name of the Company Secretary at the end of the financial year and at the date of this report is:

Melissa Lovell	(appointed 17 Dec 2021)
Rochelle Parker	(resigned 17 Dec 2021)

Principal activities

The principal activity of the Fund during the year was the investment in a portfolio of Australian based wholesale funds which invest in Australian and International fixed interest securities and cash. The investments are managed by a variety of different investment managers selected by Sandhurst Trustees.

Schroders Investment Management Australia Ltd
PIMCO Australia Pty Limited
Vanguard Investments Australia Ltd
Metric Credit Partners Automatic Group

The Fund did not have any employees during the year. No significant change in the nature of these activities occurred during the year.

Managed investment scheme

The Fund is an Australian registered managed investment scheme, and was constituted on 31 March 2014. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

Net assets attributable to unitholders

Net assets attributable to unitholders are classified and disclosed as a liability in the Statement of Financial Position. Consequently, the Fund has recognised distributions to unitholders as a finance cost in the Statement of Comprehensive Income.

Review of Results and Operations

Results and distributions	2022	2021
	\$'000	\$'000
Net profit/(loss) attributable to unitholders (before finance costs)	(2,982)	834

Distributions to unitholders paid and payable in respect of the financial year were:

	2022		2021	
	\$'000	Cents per Unit	\$'000	Cents per Unit
Interim distributions paid				
30 September	94	0.33	359	0.97
31 December	69	0.25	329	0.99
31 March	5	0.02	95	0.30
Final distribution payable	-	-	68	0.23
	168	0.60	851	2.49

Directors' Report (continued)

Performance

The performance of the Fund during the periods are summarised in the following table.

2022	1 Year %	3 Year %	5 Year %
Growth return	(11.37)	(3.56)	(1.46)
Distribution return	0.52	1.72	2.23
Total return	(10.85)	(1.84)	0.77
Benchmark	(9.90)	(2.09)	0.84

2021	1 Year %	3 Year %	5 Year %
Growth return	(0.24)	1.72	0.30
Distribution return	2.39	2.88	2.95
Total return	2.15	4.60	3.25
Benchmark	(0.49)	4.13	3.04

The Fund was tactically positioned to have lower interest rate exposure than the benchmark which added to returns particularly over the second half of the period. The Fund has an overweight allocation to private credit manager, Metrics, which holds floating rate exposures that benefit from rising interest rates. This exposure was introduced to the Fund in early 2022. Relative to the Fund's benchmark Metrics delivered outperformance of 5.5% over the period. Detracting from returns were the overweighted holdings to inflation linked bonds and active manager returns. Active managers PIMCO and Schroder both contributed to underperformance, returning -0.98% and -1.59% respectively relative to their performance benchmarks. The overweight to inflation linked bonds detracted as they underperformed other bonds over the period. At the end of the period the Reserve Bank of Australia has raised interest rates, which has led to the market pricing for lower expected long term growth and inflation.

The Bendigo Diversified Fixed Interest Fund returned -1.085% for the financial year ending 30 June 2022, underperforming the benchmark by 0.95% net of fees. Fixed income returns were negatively impacted by rising bond yields. The financial year commenced with the Australian 10-year government bond yield at 1.49% and closed at 3.60%. Bond yields rose as the market expected higher inflation, being driven by higher energy costs, supply chain disruptions and rapid falls in unemployment. The Financial year ended with central banks lifting interest rates in order to bring inflation back towards target ranges of 2-3%.

Environmental, social and governance (ESG)

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Significant changes in state of affairs

No significant changes in the Fund's state of affairs occurred during the year.

Significant events after the balance date

On a letter to unitholders dated 8 August 2022, Sandhurst Trustees Limited (Sandhurst) as responsible entity of the fund has made the decision to terminate the Bendigo Diversified Fixed Interest Fund (Fund). Sandhurst determines 14 September 2022 as the termination date. The Fund will be wound up in accordance with the Fund's constitution with the net proceeds of the sale of assets distributed to unitholders.

Impact of uncertain times

Market disruptions associated with current geopolitical events and COVID-19 conditions and restrictions have had a global impact, and uncertainty exists as to their implications. Such disruptions can directly and indirectly adversely affect the Fund's assets and performance. ASIC Commissioner Sean Hughes said in a media release in June 2022 that - many companies are facing changing market conditions and uncertainties. Directors and preparers should assess the impact on current and future performance, asset values and provisions.

Likely developments and expected results

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives as detailed in the most recent Product Disclosure Statement.

Environmental regulation and performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Directors' Report (continued)

Options

No options over units in the Funds were granted during or since the end of the year and there were no options outstanding at the date of this report.

Indemnities and insurance premiums for officers or directors

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

During the financial year each director and officer of the Responsible Entity was insured against liability and legal expenses incurred in their respective capacities. This insures against certain liability (subject to specified exclusions) for persons who are or have been directors of the Responsible Entity or executive officers of the Responsible Entity.

The Responsible Entity has not provided any insurance to a related body corporate or to an auditor of the Responsible Entity.

Units on Issue

The movement in units on issue of the Fund for the year was as follows:

	2022	2021
	Units	Units
Units issued	21,383,295	8,894,667
Units redeemed	(27,300,034)	(17,637,717)
Units on issue as at 30 June	23,649,598	29,566,337

	2022	2021
	\$	\$
Value of total Fund assets as at 30 June	21,834,002	30,793,985

The basis for valuation of the Fund's assets is disclosed in Note 2 to the financial statements.

Interests of the Responsible Entity

The interests in the Fund held by the Responsible Entity at the end of the year are disclosed in Note 12(d) to the financial statements.

The following fees were paid to Sandhurst Trustees Limited and its associates out of the Fund during the financial year:

	2022	2021
	\$	\$
Management fees paid/payable to the Responsible Entity	57,801	81,302

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on the following page.

Rounding

The amounts contained in the financial report and the Directors' Report have been rounded off under the option available to the Fund under ASIC Class Order 201 6/1 91 . The Fund is an entity to which the Class Order applies, and in accordance with that Class Order, amounts in the Directors' Report and the financial report have been rounded to the nearest thousand dollars (where rounding is appropriate).

Signed in accordance with a resolution of the board of directors:



Vicki Carter
 Chair
 Melbourne
 12 September 2022



Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Sandhurst Trustees Limited, as Responsible Entity for Bendigo Diversified Fixed Interest Fund

As lead auditor for the audit of the financial report of Bendigo Diversified Fixed Interest Fund for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Hayley Watson', written in a cursive style.

Hayley Watson
Partner
Melbourne
12 September 2022

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Distribution income		345	968
Net gains/(losses) on financial instruments at fair value through profit or loss	13	(3,026)	(18)
Other income		7	15
		<u>(2,674)</u>	965
Expenses			
Management fees	12(c)	58	81
Other expenses		250	50
		<u>308</u>	131
Net profit/(loss) attributable to Unitholders (before finance costs)		(2,982)	834
Finance Costs			
Distribution to unitholders	3(b)	168	851
Change in Net Assets attributable to Unitholders		<u>(3,150)</u>	<u>(17)</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position

As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	4	398	1,179
Distribution receivable	5	74	133
Other receivables	5	2	3
Financial assets at fair value through profit or loss	6	21,360	29,478
Total Assets		21,834	30,793
Liabilities			
Management fees payable	7	14	18
Other payables	7	75	10
Distribution payable	3(b)	-	68
Total liabilities(excluding Net Assets Attributable to Unitholders)		89	96
Net Assets Attributable to Unitholders (Liability)	8(b)	21,745	30,697

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Opening balance		30,697	39,856
Net profit/(loss) attributable to unitholders (before finance costs)		(2,982)	834
Distribution to unitholders	3(b)	(1 68)	(851)
Application for units		1,762	3,525
Redemption of units		(7,564)	(1 2,667)
Closing balance	8(b)	21,745	30,697

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended 30 June 2022

	2022	2021
Note	\$'000	\$'000
Cash flows from operating activities		
Proceeds from the sale of financial instruments at fair value through profit or loss	12,600	10,700
Purchase of financial instruments at fair value through profit or loss	(7,500)	(1,000)
Distributions received	404	1,398
GST received	4	6
Management fees paid	(66)	(92)
Futures transfers	(251)	(50)
Net cash flows from/(used in) operating activities	9(b) 5,191	10,962
Cash flows from financing activities		
Proceeds from applications by unitholders	1,747	3,471
Payments for redemptions by unitholders	(7,499)	(13,017)
Distributions paid to unitholders	(220)	(1,193)
Net cash flows (used in)/provided by financing activities	(5,972)	(10,739)
Net (decrease)/increase in cash and cash equivalents	(781)	223
Cash and cash equivalents at the beginning of the year	1,179	956
Cash and cash equivalents at the end of the year	9(a) 398	1,179

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

1. Corporate information

The financial report of the Fund for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 12 September 2022. The Fund is a Managed Investment Scheme, constituted on 31 March 2014. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

2. Summary of significant accounting policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared in accordance with the historical cost convention, except for the valuation of investments in financial assets and liabilities, which have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. The financial reports have been prepared on a net realisable value basis reflecting the unitholders expectation of an orderly wind up with assets and liabilities being settled at their carrying amounts. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Additional information regarding this is included in the relevant notes.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Fund under ASIC Class Order 2016/191. The Fund is an entity to which the class order applies.

The Fund is a for-profit entity for the purpose of preparing financial statements.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Changes in Accounting Policies

New and amended standards and interpretations

The Fund applied for the first-time certain standards and amendments, which are effective for the year ended 30 June 2022. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

AASB 2020-8 Amendments to AASs –Interest Rate Benchmark Reform – Phase 2

AASB 2020-8 Amendments to AASs –Interest Rate Benchmark Reform – Phase 2 became effective for annual reporting periods beginning on or after 1 January 2021. The second phase of the project addressed the financial reporting effects of interbank offered rates (IBOR) reform. This phase focuses on issues that might affect financial reporting upon replacement of existing interest rate benchmarks, and amends the requirements in AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases. Adopting these amendments enables the Fund to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

This amendment had no impact on the financial statements of the Fund for the year ended 30 June 2022.

Standards issued or amended but not yet effective

Certain Australian Accounting Standards have been recently issued or amended but are not effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2022. These new standards and interpretations do not have an impact on the financial statements.

(d) Financial instruments

Classification

Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost

The Fund classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For financial instruments that are measured at fair value through profit or loss, they do not represent solely payments of principal and interest. This category includes investments in unlisted managed investment schemes.

For cash and cash equivalents and other receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable and management fees payable).

Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

Measurement

Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures financial assets and financial liabilities at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Interest earned on these instruments are recorded separately in interest revenue in the Statement of Comprehensive Income.

Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification using the effective interest method. Gains and losses are recognised in profit or loss when the assets and liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash and cash equivalents and other receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that credit risk may have significantly increased. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the Statement of Financial Position.

(e) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. No changes to comparative information have been made.

(f) Income Tax

Under current legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its net taxable income.

(g) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents, in the Statement of Financial Position comprises of current deposits with banks.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(h) **Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(i) *Distribution income*

Distribution income is recognised when the Fund's right to receive the payment is established.

(ii) *Interest income*

Interest income on cash deposits is recognised on an accrual basis, using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

(iii) *Investment income*

Gains and losses on investments are calculated as the difference between the fair value at sale, or at the year end, and the fair value at the previous valuation point. This includes both realised gains and losses and unrealised gains and losses, but does not include interest or distribution income. These are included in the Statement of Comprehensive Income in the period they are incurred in accordance with the policies described in Note 2(d).

(i) **Expenses**

All expenses are recognised in the statement of Comprehensive Income on an accruals basis.

(j) **Other receivables**

Receivables are recognised and carried at the nominal amount, less a provision for expected credit loss. Amounts are generally received within 30 days of being recorded as receivables. Outstanding other receivables are usually settled within three days.

(k) **Distributions paid/payable**

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders. Distributions are payable at the end of each quarter year. Such distributions are determined by reference to the taxable income of the Fund. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Distributions to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

(l) **Other payables**

Fees, commissions and other expenses are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund. Payables include outstanding settlements on the purchase of investments, redemption and management fee payable. The payment terms are dictated by market conditions and is generally less than 30 days. Outstanding other payables are usually settled within three days.

(m) **Net assets attributable to unitholders**

Non-distributable income is retained in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses or tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously retained in net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year as it becomes assessable for tax. Movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance cost.

(n) **Unit Prices**

Unit Prices are determined in accordance with the Fund's Constitution and are calculated on the net assets attributable to unitholders of the Fund, less estimated costs divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

(o) **Terms and conditions on units**

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer to the unitholder any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unitholder are identical in all respects.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(o) **Terms and conditions on units (continued)**

Redeemable units

Redeemable units are redeemable at the unitholder's option at anytime for cash equal to a proportionate share of the Fund net asset value (calculated in accordance with redemption requirements) and are classified as financial liabilities. The financial liability is disclosed on the Statement of Financial Position as 'Net Assets attributable to Unitholders (Liability)'. The units are classified as financial liabilities due to the fact that, in addition to the contractual obligation to pay cash to unitholders upon redemption, the Fund also has compulsory distribution clauses in the Fund constitution.

The liabilities arising from the redeemable units are carried at the redemption amount being the net asset value calculated in accordance with redemption requirements. The Fund net asset value per unit is calculated by dividing the net assets attributable to unitholders (calculated in accordance with redemption requirements) by the number of units on issue.

This valuation of net assets is different from the Australian Accounting Standards valuation requirements. The difference between the two valuations is presented in Note 8(b) as 'Adjustment from nav-market prices to bid-market prices'.

(p) **Goods and services tax (GST)**

Income, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.

Expenses incurred by the Fund are recognised net of the amount of GST which is able to be recovered from the Australian Taxation Office (ATO). Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(q) **Significant accounting judgments and estimates**

The preparation of the Fund's financial statements does not require management to make any significant judgments, estimates and assumptions, except for the following, that affect the amounts recognised in the financial statements.

(i) Fair value of financial instruments.

The fair value of financial assets and financial liabilities recorded in the Statement of Financial Position is derived from fund managers in relation to unlisted managed investment schemes.

Economic and market disruptions associated with current geopolitical events and COVID-19 conditions mean that some valuations are subject to significant measurement uncertainty and there is a wider range of possible estimates, resulting in the need to apply judgement.

For financial instruments quoted in an active market (level 1 in the fair value hierarchy), the market price at measurement date provides the most reliable evidence of fair value. When fair value is based on an observable market price (level 2 in the fair value hierarchy), the quoted price at the measurement date provides the most reliable input. While the COVID-19 pandemic has resulted in a decrease in the frequency and volume of certain transactions and significant volatility, it is not appropriate for management to disregard market prices at the measurement date, unless those prices are from transactions that are not between knowledgeable and willing market participants or an adjustment is required for liquidity or other risks.

(ii) Assessment as investment entity

The Fund elected to early adopt AASB 201 3-5 from 1 July 2013. This standard provides an exception to the consolidation requirement which is mandatory for entities that meet the definition of an "investment entity". Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them.

Management has concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

(r) **Functional and presentation currency**

The Fund's functional and presentation currency is the Australian Dollar, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(s) **Capital Management**

The Responsible Entity manages its net assets attributable to unitholders as capital; not withstanding net asset attributable to unitholders is classified as a liability. The amount of net asset attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Fund.

Notes to the Financial Statements (continued)

3. Distributions to unitholders

	2022		2021	
	\$'000	CPU	\$'000	CPU
Interim distributions paid				
30 September	94	0.33	359	0.97
31 December	69	0.25	329	0.99
31 March	5	0.02	95	0.30
Final distribution payable				
30 June	-	-	68	0.23
Distributions to unitholders	168	0.60	851	2.49

4. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank	398	1,179

5. Other receivables

	2022	2021
	\$'000	\$'000
Distribution receivable	74	133
Sundry debtors	2	3
	76	136

6. Financial assets at fair value through profit or loss

	2022	2021
	\$'000	\$'000
Unlisted Managed Investment Schemes	21,360	29,478
	21,360	29,478

Fair value of financial instruments

The fair value of units in unlisted managed investment schemes is determined by reference to published bid prices at the close of business on the reporting date, being the redemption price as established by the underlying scheme's responsible entity.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
As at 30 June 2022				
Unlisted managed investment schemes	-	21,360	-	21,360
	-	21,360	-	21,360
As at 30 June 2021				
Unlisted managed investment schemes	-	29,478	-	29,478
	-	29,478	-	29,478

Notes to the Financial Statements (continued)

6 Financial assets at fair value through profit or loss (continued)

Valuation technique

Unlisted managed investment schemes

The Fund invests in managed funds which are not quoted in an active market. The Fund's investment managers considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. The fair value of units held in Unlisted Managed Investment Schemes is based on their bid prices (redemption price) at the close of business on the reporting date and includes an estimated deduction for transaction costs. Depending on the nature and level of adjustments needed to the bid prices and the level of trading in the fund, the Fund classifies these funds as Level 2.

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. There were no transfers between levels during the year ended 30 June 2022.

7. Other payables

	2022 \$'000	2021 \$'000
Management fees payable	14	18
Redemption payable	75	10
Distribution payable	-	68
	89	96

Refer to Note 2(l) for terms and conditions of other payables.

8. Net assets attributable to unitholders

	2022 Units '000	2021 Units '000
(a) Units on issue		
Balance at the beginning of the year	29,566	38,309
Applications		
- Cash	21,367	8,844
- Reinvested distributions	16	51
Redemptions	(27,300)	(17,638)
Balance at the end of the year	23,649	29,566

The terms and conditions attached to units in the Fund can be found in Note 2(o).

	2022 \$'000	2021 \$'000
(b) Reconciliation of net assets attributable to unitholders		
Net assets attributable to unitholders (calculated in accordance with redemption requirements)	21,785	30,730
Adjustment from nav-market prices to bid-markets prices	(40)	(33)
Net assets attributable to unitholders (calculated in accordance with Australian Accounting Standards)	21,745	30,697

Notes to the Financial Statements (continued)

9. Notes to the Statement of Cash Flows

	2022 \$'000	2021 \$'000
(a) Reconciliation of cash		
Cash at bank	398	1,179
(b) Reconciliation of net profit attributable to unitholders to net cash flows from operating activities		
Change in net assets attributable to unitholders	(3,150)	(17)
Adjustments for:		
Distributions to unitholders	168	851
Net gains/(losses) on financial instruments at fair value through profit or loss	3,026	18
Proceeds from the sale of financial instruments at fair value through profit or loss	12,600	10,700
Purchases of financial instruments at fair value through profit or loss	(7,500)	(1,000)
(Increase)/decrease in distributions receivable	59	430
(Increase)/decrease in sundry debtors	1	1
Increase/(decrease) in management fees payable	(4)	(5)
Participation in dividend reinvestment plans	(9)	(16)
Net cash provided by operating activities	5,191	10,962
(c) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	16	53

10. Financial Risk Management Objectives and Policies

(a) **Financial Risk Management Objectives, Policies and Processes**

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to market risk, liquidity risk and credit risk. Financial instruments of the Fund comprise investments in financial assets for the purpose of generating a return on the investment for unitholders.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and the net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is discussed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflects the investment strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

Notes to the Financial Statements (continued)

10. Financial risk management objectives and policies (continued)

(b) Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date. The risk of counterparty default is deemed to be low as investments are held with reputable organisations and the receivables disclosed in the Statement of Financial Position are mainly distributions receivable.

Financial assets subject to AASB 9's impairment requirements

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2022 and 30 June 2021, cash and cash equivalents and other receivables are held with counterparties with a credit rating of BBB+ or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Funds will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. To control liquidity and cash flow risk, the Funds invests in financial instruments, which under normal market conditions are readily convertible into cash.

Maturity analysis for financial liabilities

Financial liabilities of the Fund comprise other payables, distributions payable, derivative instruments and net assets attributable to unitholders. Other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

The following table summarises the maturity profile of the Funds' financial liabilities based on contractual undiscounted cash flows.

The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. Balances due within 6 months equal their carrying amounts, as the impact of discounting is insignificant.

	Less than 1 month \$'000	1 to 3 months \$'000	6 to 12 months \$'000	Total \$'000
As at 30 June 2022				
Financial liabilities				
Other payables	89	-	-	89
Net assets attributable to unitholders	21,745	-	-	21,745
	21,834	-	-	21,834
As at 30 June 2021				
Financial liabilities				
Other payables	28	-	-	28
Distribution payable	68	-	-	68
Net assets attributable to unitholders	30,697	-	-	30,697
	30,793	-	-	30,793

Notes to the Financial Statements (continued)

10. Financial risk management objectives and policies (continued)

(d) **Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and bond prices. Sandhurst, in appointing and allocating to the investment managers, considers these risks and the processes each investment manager uses to address the impact of these risks.

(e) **Currency Risk**

The Funds' investment portfolio include Australian based funds which have exposure to international markets and as a result have indirect exposure to foreign currency risk. Changes in foreign currency relative to the Australian dollar can have a positive or negative impact on investment returns or values. The underlying investment managers of the Fund may manage currency risk by the use of currency derivatives to hedge currency exposure.

(f) **Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund regularly monitors the impact of changes in interest rates on the underlying portfolios and considers the impact of any rate changes prior to making investment decisions.

(g) **Equity Price Risk**

Equity price risk is the risk that the fair value of equities or fixed interest securities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the markets. Equity price risk exposure arises from the Fund's investment portfolio.

Accounting assumptions - Variability of equity prices

The following table summarises the sensitivity of changes in fair value of investments to equity price risk. The reasonable possible movements in the individual indices have been based on the volatility of change in these indices over the last 5 years. This analysis is an estimate only, as actual movements in these indices may be greater or less than anticipated due to a number of factors, including unusually larger market shocks resulting from changes in the performance of the markets and securities in which the Funds invest.

The effect on the net assets attributable to unitholders and operating profit before distribution due to reasonably possible changes in market factors, as represented by the indices, with all other variables held constant as indicated in the following table.

Market Index	Changes in equity price		Sensitivity of changes in fair value of investments	
	Increase %	Decrease %	Increase \$'000	Decrease \$'000
30 June 2022				
Bloomberg AusBond Composite Index 0 + Years	4	(4)	533	(533)
Barclays Capital Global Aggregate (\$A Hedged)	3	(3)	241	(241)
30 June 2021				
Bloomberg AusBond Composite Index 0 + Years	3	(3)	485	(485)
Barclays Capital Global Aggregate (\$A Hedged)	3	(3)	366	(366)

11. Segment information

The Fund operates in one market segment being investment management. The Funds are all domiciled in one geographic segment being Australia. The Funds achieve their diversified exposure by investing in underlying managed investment schemes which invest in Australian and International fixed interest and cash. The Fund has no direct control over these underlying investments.

Notes to the Financial Statements (continued)

12. Related party disclosures

(a) Responsible Entity

The Responsible Entity of the Fund is Sandhurst Trustees Limited (Sandhurst).

The controlling entity of Sandhurst is Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).

(b) Details of Key Management Personnel

Sandhurst Trustees Limited, the Responsible Entity of the Fund, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Fund.

(c) Fees and other related party transactions

	2022 \$'000	2021 \$'000
Management fees paid/payable to Sandhurst Trustees Limited as the Responsible Entity in accordance with the provisions of the Fund's Constitution	58	81
Other fees payable to Sandhurst Trustees Limited as at reporting date	Nil	Nil
Loans, shares, options and other equity holdings to directors of the Responsible Entity	Nil	Nil

The Responsible Entity is entitled to receive a total management fee of 0.51 % of the net asset value of the Fund (inclusive of GST, net of reduced input tax credits available to the Fund).

(d) Related party investments in the Fund

There is no related party investments held in the Fund, or by other funds of which Sandhurst Trustees Limited is also the Responsible Entity.

(e) Loans, shares, options and other equity holdings to directors of the Responsible Entity

The Funds have not made or given, guaranteed or secured, directly or indirectly, any loans, shares, options and other equity holdings to the directors or their personally-related entities at any time during the reporting year.

Cash at bank of \$375,305 (2021 : \$805,865) are held with Bendigo and Adelaide Bank Limited, the parent entity of Sandhurst Trustees Limited as Responsible Entity of the Funds. All interest earned as disclosed in Note 3(a) to the accounts is derived from this account.

13. Net gains/(losses) on financial instruments at fair value through profit or loss

	2022 \$'000	2021 \$'000
Realised capital gains/(losses)	(61 9)	98
Unrealised capital gains/(losses)	(2,407)	(1 6)
	<u>(3,026)</u>	<u>(1 8)</u>

Notes to the Financial Statements (continued)

14. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Fund holds investments in managed investment funds which are considered to be structured entities. The structured entities over which control can be exercised would be consolidated.

The managed investment funds in which the Fund holds units, but does not consolidate, have the purpose of generating a range of investment opportunities for investors. These vehicles are financed through the issue of units to investors. For these investments, the maximum exposure to loss is the current carrying value of these interests representing the fair value at reporting date per Note 6.

15. Auditors' remuneration

For the year ended 30 June 2022 audit fees and other service fees of \$1 4,338 were paid by the Responsible Entity.

16. Contingent asset and liabilities and commitments

There are no contingent assets and liabilities or commitments as at 30 June 2022 and 30 June 2021.

17. Events after the reporting date

On a letter to unitholders dated 8 August 2022, Sandhurst Trustees Limited (Sandhurst) as responsible entity of the fund has made the decision to terminate the Bendigo Diversified Fixed Interest Fund (Fund). Sandhurst determines 14 September 2022 as the termination date. The Fund will be wound up in accordance with the Fund's constitution with the net proceeds of the sale of assets distributed to unitholders.

Responsible Entity's declaration to the Unitholders of the Bendigo Diversified Fixed Interest Fund

The directors of the Responsible Entity declare that:

- (a) the financial statements and notes of the Fund are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) giving a true and fair view of the financial position of the Fund as at 30 June 2022 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth);
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (c) the financial statements are in accordance with the provisions of the Fund's Constitution; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

This declaration is made in accordance with a resolution of the board of directors of the Responsible Entity.



Vicki Carter
Chair
Melbourne
12 September 2022



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Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Unitholders of Bendigo Diversified Fixed Interest Fund

Opinion

We have audited the financial report of Bendigo Diversified Fixed Interest Fund (the Fund), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the declaration to unitholders.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - basis of accounting

We draw attention to Note 2(a) of the financial report, which describes the basis of accounting. It is the directors' intention to wind up the Registered Scheme prior to the next year end. On a letter to unitholders dated 8 August 2022, Sandhurst Trustees Limited as responsible entity of the fund has made the decision to terminate the Fund. Sandhurst determines 14 September 2022 as the termination date. As a result, the financial report has been prepared on a net realisable value basis. Our opinion is not modified in respect of this matter.



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Information Other than the Financial Report and Auditor's Report Thereon

The directors of Sandhurst Trustees Limited, as the responsible entity of the Fund are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of Sandhurst Trustees Limited, as the responsible entity, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Hayley Watson', written in a cursive style.

Hayley Watson
Partner
Melbourne
12 September 2022

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