

# Bennelong Concentrated Australian Equities Fund

## Performance update

As at 31 January 2019

### Net client returns (after fees and expenses)

	1 mth	3 mths	6 mths	1 Year	3 years pa	5 years pa	Since Inception** pa
Fund	2.93%	-0.39%	-15.62%	-4.78%	10.65%	13.24%	15.74%
Benchmark*	3.87%	1.38%	-4.68%	1.08%	10.04%	7.05%	9.86%
Value added	-0.94%	-1.76%	-10.94%	-5.86%	+0.61%	+6.18%	+5.88%

Performance figures are net of fees and gross of any earnings tax. 'Value added' calculation does not use rounded performance figures.

\*S&P/ASX 300 Accumulation Index

\*\*Inception date is 30 January 2009

### Portfolio positioning

Portfolio Sector Allocation			
Sector	Fund Weight	Benchmark* Weight	Active Weight
Discretionary	24.1%	6.5%	17.7%
Health Care	22.1%	8.8%	13.3%
Consumer Staples	11.0%	5.7%	5.2%
REIT's	10.4%	7.8%	2.5%
Liquidity	2.2%	0.0%	2.2%
Industrials	9.6%	8.0%	1.6%
Materials	19.0%	18.4%	0.6%
Communication	1.6%	3.7%	-2.0%
Utilities	0.0%	2.0%	-2.0%
IT	0.0%	2.3%	-2.3%
Energy	0.0%	5.8%	-5.8%
Financials	0.0%	31.0%	-31.0%

Source: BAEP. \*Benchmark is as for the Fund

### Top Holdings

CSL  
BHP Billiton  
Aristocrat Leisure

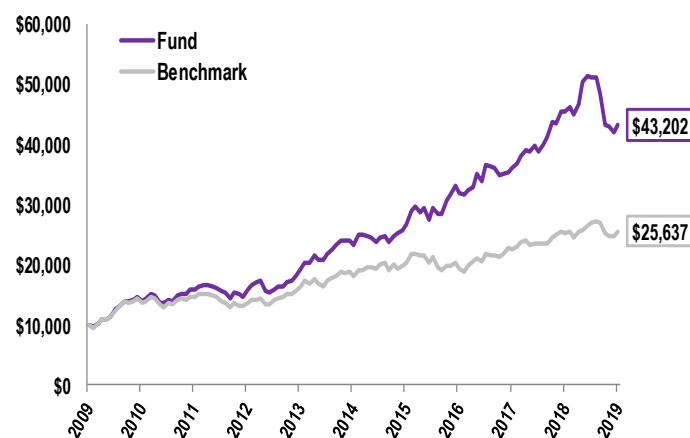
### Portfolio characteristics

	Fund	Benchmark*	
Return on Equity	14.2%	11.8%	Premium Quality
Debt/Equity	25.1%	22.0%	
Sales Growth	7.4%	0.4%	Superior Growth
EPS Growth	9.4%	5.2%	
Price/Earnings	20.0x	15.0x	Reasonable Valuation
Dividend Yield	3.1%	4.9%	
Beta	1.01	1	
Active Share	81%	na	Genuinely Active
No. of Stocks	19	295	

Source: BAEP. \*Benchmark is as for the Fund.

### Long-term performance

#### Growth of \$10,000 Since Inception



Source: BAEP

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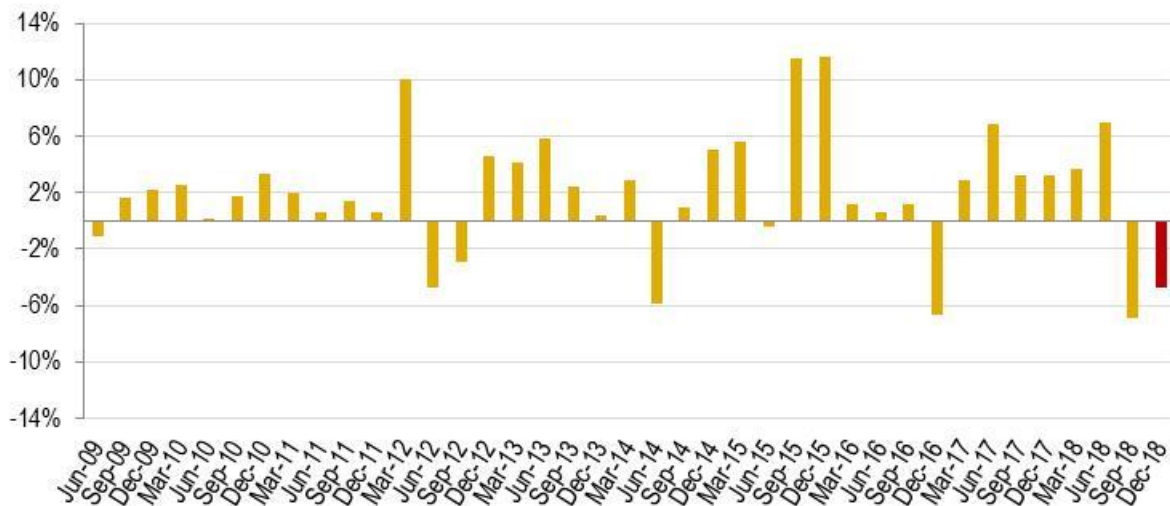
The Bennelong Concentrated Australian Equities Fund (the “Fund”) notched up its 10<sup>th</sup> anniversary at the end of January.

The Fund has been successful in adding value for our clients over time. Indeed, the Fund is the top performing all-cap Australian equities fund over the last five and 10 years, according to the most recent Morningstar® Australian Institutional Sector Survey at 31 December 2018.

Unfortunately, the 10-year anniversary of the Fund comes at a time when recent returns have been disappointing. Markets have fallen, but the Fund has also underperformed over this period.

In the 10-year journey managing the Fund so far, we have quite regularly had to manage through tougher times like these. The following graph shows the Fund’s relative outperformance (or alpha) in each quarter since inception. The last two bars show the Fund underperformed the market in the last two quarters, as it has done on three prior occasions over the past decade.

**The Fund’s gross quarterly performance versus the benchmark since inception\***



Source: BAEP. \* Performance figures are relative to the benchmark and are gross (ie, before fees and expenses). Net performance can be found on the front page of this report.

Particularly in these tougher times, sticking to the same tried-and-tested process is paramount. To that end, we remain focused on what we believe ultimately drives investor returns over time: earnings, growth prospects and other business fundamentals.

Some stocks such as Aristocrat Leisure that are held in the Fund have been sold down in recent months, sometimes without any material deterioration in business fundamentals. This has affected returns, but in general the lower share prices have set them up from here with more attractive risk-return dynamics.

As usual, the portfolio continues to evolve, reflecting our conviction levels around individual stocks. As we move into reporting season, we are particularly mindful of what we perceive to be significant earnings risk prevalent right across the market. Investors are nowadays brutal when it comes to even minor earnings misses or downgrades.

We have bought or added to stocks where our conviction levels have improved, particularly in relation to near-term earnings prospects. This has included some of the stocks that were sold down in recent months, as well as some stocks with naturally higher earnings certainty such as certain REITs. We have also trimmed or exited stocks where our conviction levels have waned, including some longer held positions.

Overall, we like how the portfolio is currently positioned and we are optimistic on its investment prospects.

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**The Bennelong Concentrated Australian Equities Fund is the top performing all-cap Australian equities fund over the last five and 10 years.\***

### About the Fund

The Fund typically holds 20-30 stocks across the entire spectrum of the Australian sharemarket. It primarily holds stocks from the S&P/ASX300 Index, although it can invest in stocks beyond this index.

### Benefits of the Fund

- BAEP is an award winning and highly rated equities fund manager with an experienced and performance-orientated team.
- BAEP is a genuinely active and high conviction fund manager.
- The Fund is managed in accordance with BAEP's robust, disciplined and proven investment philosophy and process.
- The Fund comprises a concentration of some of BAEP's best stock ideas.
- The Fund has a track record of adding value by outperforming the market over the long term.

### About BAEP

Bennelong Australian Equity Partners (BAEP) is a boutique fund manager focused on Australian equities. It was founded in 2008 in partnership with Bennelong Funds Management. BAEP is a genuinely active fund manager with a consistent, disciplined and proven investment approach.

BAEP's investment philosophy is to selectively invest:

- in high quality companies;
- with strong growth outlooks; and
- underestimated earnings momentum and prospects.

BAEP's investment process is research-intensive with a focus on proprietary field research and is supported by macro-economic and quantitative insights.

### The Fund at a glance

Feature	Fund facts
APIR code	BFL0002AU
Benchmark	S&P/ASX 300 Accumulation Index
Investment objective	4% p.a. above benchmark measured over rolling 3-year periods
Investment manager	Bennelong Australian Equity Partners (BAEP)
Active stock limit	± 10%
Cash limit	0-10%
Inception date	30 January 2009
Recommended investment period	Medium to longer term (five years plus)
Buy/sell spread	+/-0.25%
Entry/exit fees	Nil
Management Fee	0.85% p.a. of Net Asset Value of the Fund
Performance Fee	15% of any amount by which the Fund's return is more than 2% greater than the return generated by the S&P/ASX 300 Accumulation Index

### How to invest

The Fund is open to investors directly via the PDS, available on our website, or via a range of platforms.

Platforms	
ANZ (Grow, PortfolioOne)	IOOF (AET, IPS, Pursuit Select, TPS)
AON	Linear
BT (Wrap, Super Wrap, Investment Menus)	Macquarie Wrap (IDPS, Super, Accumulator)
CFS (FirstWrap, IX)	MLC (Navigator, Wrap)
Credit Suisse	Netwealth (Super Service, Wrap Service, IDPS)
Federation	Oasis (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (Smartwrap)

### Contact details

For more information, call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit [baep.com.au](http://baep.com.au).

\*According to the most recent Morningstar® Australian Institutional Sector Survey at 31 December 2018

The Fund is managed by Bennelong Australian Equity Partners, a Bennelong Funds Management boutique.

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