

Bennelong Emerging Companies Fund

Performance update

As at 31 August 2019

Net client returns (after fees and expenses)

	1 mth	3 mths	1 Year	3 years pa	5 years pa	10 years pa	Since Inception** pa
Fund	6.80%	21.05%	28.25%	na	na	na	34.48%
Benchmark*	0.51%	1.54%	6.59%	na	na	na	6.63%
Value added	+6.29%	+19.51%	+21.66%	na	na	na	+27.85%

Performance figures are net of fees and expenses. 'Value added' calculation does not use rounded performance figures.

*Official RBA Cash Rate + 5%

**Inception date is 1 November 2017

About the Emerging Companies Fund

The Bennelong Emerging Companies Fund invests predominantly in micro and small-cap stocks listed on the ASX. It is managed by the BAEP team based on the same investment approach that is behind the success of BAEP's other long established Australian equity funds. This is a research-intensive and predominantly bottom-up investment approach.

Compared to larger companies, micro and small-cap stocks can offer more exciting growth prospects, but on the other hand, also present far greater investment risks. In this context, the BAEP team aims to be disciplined in focusing on high quality stocks. It will seek to avoid the higher risk, but potentially higher returning, propositions such as minerals explorers, speculative stocks, fads, and unproven business models.

Key features

- The Fund offers investors exposure to micro and small-cap companies. Compared to larger caps, these stocks are often less well known and less well researched;
- The Fund utilises BAEP's existing knowledge of micro and small-cap stocks, gained as part of its sector-targeted research and analysis;
- The Fund leverages BAEP's historical success investing in emerging companies, including in pre-IPO opportunities; and
- The Fund aims to leverage the size and reputation of BAEP within a micro and small-cap offering. This includes by taking advantage of IPOs, placements and other similar opportunities.

Portfolio positioning

The portfolio comprises our best micro and small-cap stock ideas. As indicated before, it is important for us in selecting these stocks to balance out both potential downside risks and upside return potential. To this end, the portfolio comprises a number of high quality growth stocks, consistent with the BAEP investment philosophy.

Top Five Holdings

Eml Payments

Bwx

Viva Leisure

Prospa

Zip Co

The Fund performed strongly through reporting season. Portfolio holdings showed good business momentum, strong near-term earnings growth and bright long term outlooks. As we have from the start of managing this fund, we have taken the opportunity to trim or sell out some positions and purchase new stock ideas.

For some time now, we have been sitting with a relatively high cash position. Currently, it sits at nearly 20%, but it has been over 10% since May. This has meant less risk and the ability to be opportunistic. We manage the portfolio with a view to appropriately balancing out the risks – which can be very large in the case of micro and small caps – and returns – which can also be large.



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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.

About the Fund

The Bennelong Emerging Companies Fund typically holds approximately 20-30 predominantly micro and small-cap stocks listed on the ASX.

Benefits of the Fund

- The Fund offers investors exposure to micro and small-cap companies. Compared to larger caps, these stocks are often less well known and less well researched;
- The Fund utilises BAEP's existing knowledge of micro and small-cap stocks, gained as part of its sector-specific research and analysis;
- The Fund leverages BAEP's historical success investing in emerging companies, including in pre-IPO companies; and
- The Fund aims to leverage the size and reputation of BAEP within a micro and small-cap offering. This includes by taking advantage of IPOs, placements and other similar opportunities.

The Fund at a glance

Feature	Fund facts
APIR code	BFL3779AU
Benchmark	Official RBA Cash Rate + 5%
Investment objective	To beat the benchmark over the medium to long term
Investment manager	Bennelong Australian Equity Partners (BAEP)
Cash limit	0-30%
Inception date	1 November 2017
Recommended investment period	Long term (seven years plus)
Minimum investment	\$10,000
Buy/sell spread	+/-0.25%
Entry/exit fees	Nil
Management Fee	1.20% p.a. of Net Asset Value of the Fund
Performance Fee	20% of the extent to which the Fund's gross performance is 1.20% per annum greater than the benchmark

How to invest

The Fund is open to investors directly via the PDS, available on our [website](#), or the following platforms.

Platforms

Hub24 (IDPS, Super)
Netwealth (IDPS)

Contact details

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

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

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