

Key Points:

- The Bennelong Twenty20 Fund invests in ASX listed stocks, combining an indexed position in the Top 20 stocks with an actively managed portfolio of stocks outside the Top 20.
- Construction of the ex-top 20 portfolio is fundamental, bottom-up, core investment style, biased to quality stocks, with a structured risk management approach.
- Mark East, the Fund's Chief Investment Officer, and Keith Kwang, Director of Quantitative Research have over 50 years combined market experience.
- Bennelong Funds Management (BFM) provides the investment manager, Bennelong Australian Equity Partners (BAEP) with infrastructure, operational, compliance and distribution services.

Management Company Overview:

The Bennelong Twenty20 Australian Equities Fund ("Twenty20 Fund") is managed by Bennelong Australian Equity Partners (BAEP), the same team that runs the Bennelong ex-20 Australian Equities Fund as well as 2 other Australian equity products. BAEP is 40% owned by Bennelong Fund Management (BFM) and 60% by the BAEP Investment Team and was founded in 2008 by CIO Mark East. The team consists of seven investment professionals, four of which are senior investment analysts supporting portfolio managers Mark East, Keith Hwang and Julian Beaumont.

East has over 25 years' experience in the investment industry. His most recent role was Director and Co-Head of Australian Equities for ING Investment Management, where he was jointly responsible for over \$10 billion in funds under management. Prior to this he was Head of Active Equities at State Street Global Advisors and held similar roles at MMI Investment Management and Suncorp Investments. As Chief Investment Officer East, who is a CFA Charterholder and a member of the Institute of Chartered Accountants Australia, is responsible for portfolio construction and overall investment strategy.

Director of Quantitative Research, Keith Hwang has over 19 years' investment management experience having previously been a Fund Manager at Schroders in their Quantitative Equity Products team. Prior to this he was a Senior Quantitative Analyst at ING Investment Management, and held similar roles at GIO Asset Management and BGI. Hwang is a CFA Charterholder.

Investment Director Julian Beaumont joined BAEP in June 2015 and has over 13 years' experience in the financial industry with his most recent role being Portfolio Manager and Equity Analyst at Investors Mutual Limited. He has previously held various roles across research, product development and portfolio management and construction at Montpellier Group in London and ING in Sydney and Singapore. Beaumont is a CFA Charterholder.

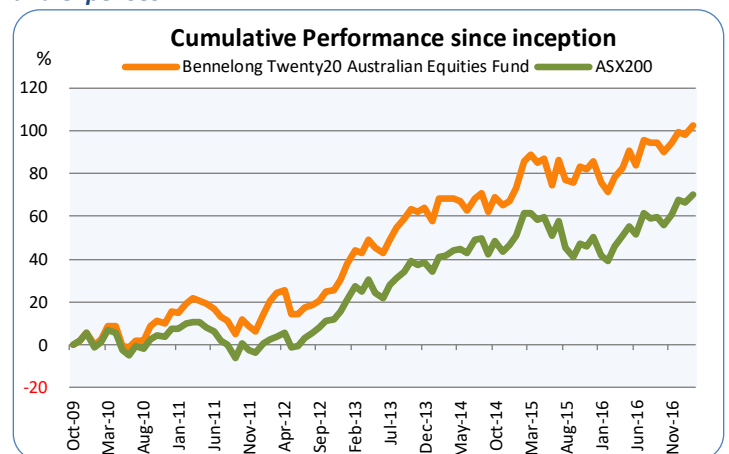


Key Performance Statistics	Twenty20	Index*
Mar-17	3.43	3.32
Annualised Return	10.48	7.91
Latest 3 Months	5.02	4.82
Latest 6 Months	7.71	10.25
Latest 12 Months	17.47	20.49
Latest 24 Months p.a.	5.35	4.37
Latest 36 Months p.a.	7.50	7.53
Latest 60 Months p.a.	11.01	11.08
% Positive Months	57.30	60.67
Best Month	7.52	7.25
Worst Month	-8.83	-7.79
Largest Drawdown	-13.79	-15.13
Average +ve Return	3.42	3.07
Average -ve Return	-2.55	-2.96
Annualised Standard Deviation	12.42	12.19
Downside Deviation (Since Inception)	8.05	8.35
Sharpe Ratio (Since Inception)	0.62	0.44
Sortino Ratio	0.87	0.55

*Index is ASX200 Total Return

The key performance statistics above, and the charts on this Fund Review are based on the past performance of the Bennelong ex-Top 20 Fund since inception on November 2009 and up to November 2016, combined with the index performance of the S&P/ASX 20 Leaders Index. The BAEP Twenty/20 Fund is effectively a combination of the two.

Performance figures since December 2015 are actual, net of fees and expenses.



Performance - Net of Fees (%)													
Bennelong Twenty20 Australian Equities Fund													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-0.48	2.03	3.43	-	-	-	-	-	-	-	-	-	5.02%
2016	-5.19	-2.67	4.07	2.31	4.48	-3.49	6.43	-0.74	0.07	-2.20	2.19	2.62	10.99%
2015	3.66	7.10	1.63	-1.98	0.91	-6.42	6.73	-5.12	-0.66	4.37	-0.68	1.92	1.92%
2014	-3.97	6.67	0.29	-0.28	-0.51	-2.57	3.28	1.38	-4.83	4.05	-2.11	1.12	25.72%
2013	5.42	4.80	-0.87	4.25	-2.39	-1.96	4.70	3.48	3.00	2.71	-0.72	1.12	23.05%
2012	7.52	5.59	3.17	0.76	-8.83	0.00	2.62	1.46	1.10	4.13	0.09	4.24	-7.94%
2011	-0.48	3.86	2.23	-1.05	-1.30	-1.96	-2.96	-1.68	-5.63	6.38	-2.80	-2.27	8.92%
2010	-5.56	2.52	5.89	-0.04	-8.28	-0.94	3.24	-0.02	6.54	2.32	-0.85	4.85	5.82%
2009	-	-	-	-	-	-	-	-	-	-	1.94	3.81	5.82%

Investment Approach:

The Twenty20 Fund combines an indexed position in ASX Top 20 stocks, with an actively managed exposure in those stocks outside the Top 20.

The Manager believes that the ability to generate sustained outperformance (or alpha) in Top 20 stocks is difficult due to the intensive focus amongst investors, coupled with the depth and frequency of analyst research of these stocks. As a result, it is rare to find significantly compelling opportunities (in other words “underpriced stocks”) amongst Top 20 stocks where price discovery tends to be highly efficient.

However, the opportunity for active management outside the Top 20 space is compelling. These stocks tend to be less well or intensely researched by analysts and the market in general, providing investment teams such as BAEP which possess the experience and resources to uncover undervalued companies, the ability to significantly outperform the market.

BAEP’s Twenty20 Fund capitalises on passive and subsequently low cost exposure to the ASX Top 20, the more efficient segment of the market, and applies active management to the ex-20 space, which is less efficient and therefore has greater opportunity for out-performance. The Fund is managed as one portfolio but comprises a blend of these two exposures.

The Fund’s weighting in the ASX Top 20 stocks will reflect their weighting in S&P/ASX 300 Index, which in spite of the relatively small number of companies involved generally dominates at around 60 to 65% of the total. This weighting is only adjusted when the weight moves more than +/- 5% from this level.

Meanwhile the balance of the Portfolio, which is actively managed, will typically hold between 40 – 55 stocks and is benchmarked against the S&P/ASX 300 Index.

Bennelong’s objective therefore is to provide strong correlation to the overall market performance, 60 to 65% of which is dominated by the largest capitalised stocks such as the banks and Telstra, at minimal cost. Meanwhile the Manager applies their experience and investment skills on selecting and managing positions in those companies outside this sector which offer greater opportunity for outperformance.

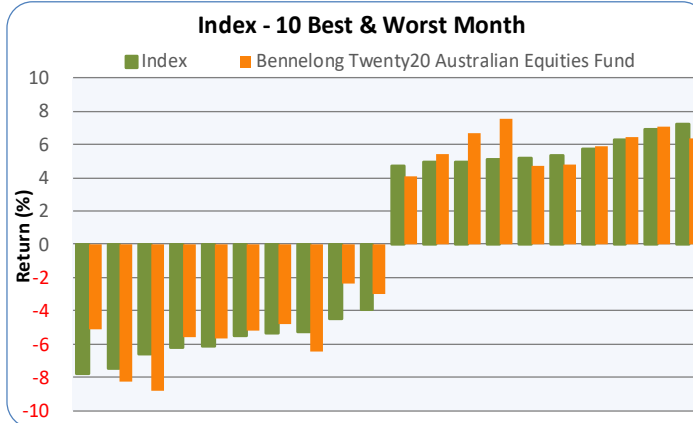
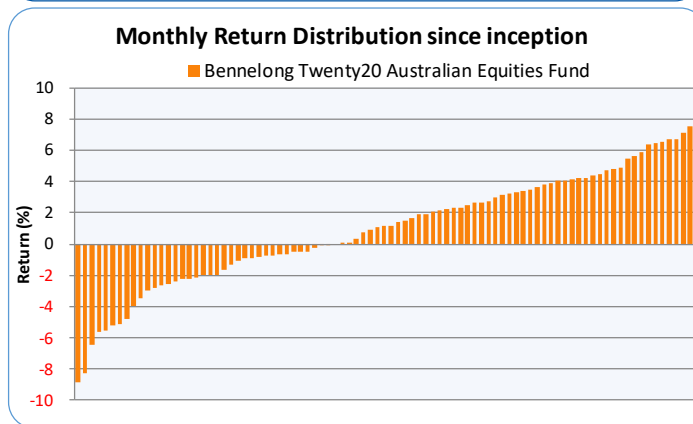
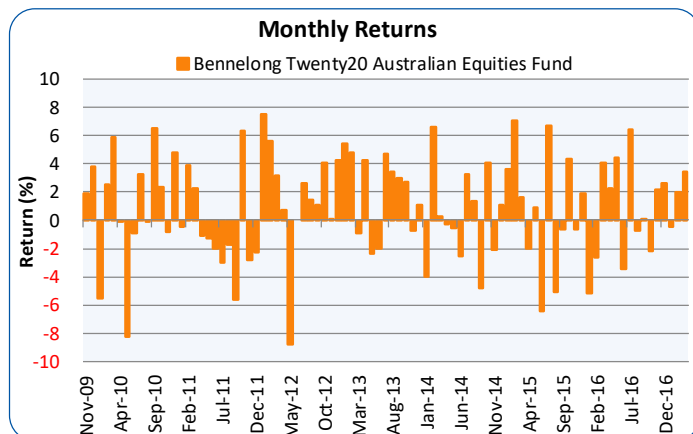
Investment Philosophy – ex Top 20:

BAEP’s investment philosophy outside the Top 20 is to invest in quality companies that have excellent management, strong growth prospects, and earnings strength to meet or exceed market earnings forecasts. The research program focuses on each of these and invests in underpriced stocks where the market fails to recognise their quality or growth outlook.

BAEP relies on the fact that price discovery of most companies in the Australian equity market is largely efficient, with stock prices generally reflecting expectations around future earnings and other value factors. When this is the case stock prices move to reflect earnings growth relative to the market expectations.

Equally it follows that investing in those companies whose earnings out-perform expectations will lead to investment out-performance, and conversely poor investment performance is driven by avoiding companies that under-perform expectations.

As a result, BAEP’s philosophy is that quality companies, especially those with sound long-term growth opportunities, are likely to deliver shareholder value and, as a result, share price out-performance over time.



While this is a simple and logical conclusion, and the aim of all active share investors, BAEP believe that their experience and expertise, along with a disciplined investment strategy when investing in the smaller and less efficient end of the market, provides an excellent blend of index and individual stock performance.

The attributes that BAEP is looking for in their investments are generally uncommon, particularly when an over-riding principal is to only invest when their value is compelling – in other words when other investors have yet to recognise their potential value.

As such BAEP have a multi-disciplinary and intense approach to their investment process including a combination of qualitative and quantitative company research, including company visits, coupled with industry and sector analysis, and an overlay of macro-economic factors.

The BAEP view is reinforced by intensive field research that aims to generate unique and differentiated insights and

understanding into companies and markets. Their view is that the market is often not prepared to conduct the level of research necessary to find these insights creating an opportunity for the Fund. BAEP estimates that the research team makes over 1000 company contacts per annum.

Investment Strategy:

The Research Process has five steps, outlined below, with each step driven by the underlying philosophy.

Step 1 is an Investment Filter to screen stocks to create a universe of investment grade opportunities from which investments are selected. These filters are:

- market capitalisation greater than \$A250m,
- acceptable market liquidity, and
- sufficient earnings track record.

Step 2 is Idea Generation where the investment team seeks to identify stocks on which to focus in depth analysis. The Idea Generation has two parts:

First, a systematic process that relies on a quantitative quality ranking screen they call the **Multi-Factor Monitor**. This further screens in the Investment Grade Universe and ranks each on a broad range of key alpha factors that define the Manager's required quality. These key factors are valuation, growth, profitability, earnings stability, financial strength, management quality, and sentiment.

The second part of Idea Generation is an unstructured extension of the investment team's broader research efforts and includes the economic and sector insights, company announcements and change of analyst valuation or investment thesis. The ideas generated combine to produce a Focus List.

Step 3 is Stock Picking and Selection that involves very intensive research on each remaining investment opportunity, including the following:

- Financial modelling, forecasting and analysis;
- Analysis of data, reports, and presentations from the company as well as industry bodies, competitors, and suppliers;
- Analysis of earnings drivers and sensitivities;
- Analysis of company risk factors; and
- Understanding of the micro-economic and macro-economic backdrop.

Step 3 involves an extensive program of meetings with companies, competitors and suppliers, and where appropriate regulators. The Manager views the meetings and field research as the most important aspect of the process as it forms the basis of their understanding of the investment, and which is focused on finding a differentiated view.

Micro and Macro Economic issues:

The Manager notes that while the approach is primarily based on bottom-up stock picking, consideration is given to micro- and macro-economic issues as well as market strategy issues as these will often highlight trends and factors relevant to the stock or sector under consideration. The factors examined are;

- Relative asset valuations;
- Economic growth drivers, risks and their impact on earnings;
- Capital market sentiment such as index changes and fund flows;
- Business and consumer confidence indicators;
- Commodity prices; and,
- Currency, bond and credit markets.

Step 4 is Portfolio Construction. The portfolio is constructed on a stock-by-stock basis and decisions to include and weight a stock is driven by a range of factors (with the CIO having final responsibility for portfolio construction) including;

- A quantitative ranking of the company;
- The level of near term earnings;
- The potential for earnings out-performance; and
- The potential level of mispricing and downside risk.

An assessment of the risks and factor exposures in the portfolio is conducted including for example, interest rate, currency and market risk.

A quantitative tool called the "Construction Matrix" is used to guide portfolio construction but does not direct the final decision. It ranks all stocks in the Investment Grade Universe based on the analyst's rating, in addition to their rating on the quantitative quality ranking screen and valuation.

Finally **Step 5 is Ongoing Portfolio Optimisation** that is driven by ongoing monitoring and assessment of the underlying stocks, risks and factor exposures as noted above. This process also takes into account macroeconomic research and market strategy research to guide risks and opportunities.

Investment Risk & Processes:

The investment team employs a rigorous risk program with the maximum active position (portfolio weight less index weight) of an individual stock being +/-5% within the overall Fund. The process has some flexibility, with a tolerance level of +/-5% around the weighting in the Broad Index. BAEP re-positions the Fund within 5 business days when it falls outside this range.

The Fund can use exchange-traded derivative instruments to replicate underlying positions and hedge market and company specific risks. Any derivatives transaction or strategy is managed and implemented in accordance with the BFM's Derivatives Risk Statement.

However, the Manager cannot use derivatives to achieve gearing in the portfolios, and is required to maintain cash or the relevant physical shares to cover any derivatives position or exposure. Derivatives cannot account for more than 20% of the portfolio, unless approved by the Chief Financial Officer.

The strategy does not permit shorting, and the portfolio is typically fully invested. Turnover for the portfolio is typically 30% but can be up to 50%. The portfolio must adhere to the below mandatory risk constraints and limits:

Portfolio	Portfolio Limits
Tracking Error (ex-ante)	2% - guide only
Cash Level	0 – 5%, Typically 1 – 3%
Turnover	Up to 50%, typically 30%
Derivatives	Up to 20%

The portfolio is tax aware and takes into account of franking and capital gains at the time of each trade.

Operational and Business Risk:

Operational and business risk is considerably reduced as a result of the umbrella of Bennelong Funds Management, which has interests in a range of managed funds and provides them with back office, operational and compliance functions.

The Head of Compliance, Susanna Check, in conjunction with an external consultant, Compliance and Risk Services (CRS), is responsible for monitoring regulatory and compliance changes.

The BFM Board is provided with minutes of each Audit, Risk and Compliance Committee meeting.

BFM Disaster Recovery and Business Continuity Policy was developed by BFM's Head of IT, Russell Close, in conjunction with the outsourced IT providers, TechPatrol to preserve and protect the essential elements of BFM and to maintain an acceptable level of operation in the event of a crisis.

BFM monitors all activities of external service providers as necessary to ensure license obligations are continually met.

Structure, Terms & Conditions and Fees:

The minimum investment is \$25,000 with no lock-up or exit restrictions and a daily redemption facility. There is a 0.39% p.a. management fee, payable monthly, with a 15% annual performance fee on any amount by which the investment return of the Fund (before payment of the Management Fee) is greater than the return generated by a benchmark of the S&P/ASX300 Accumulation Index with a high-water mark. As the Top 20 exposure is indexed it cannot out-perform therefore Performance fees will only apply to the extent that the ex- Top20 component outperforms the Ex-20 Index. All other expenses are currently capped at 0.05% p.a.

Bennelong Australian Equity Partners Pty Ltd ABN 69 131 665 122 ('BAEP') is the Investment Manager for the Fund and is a Corporate Authorised Representative of BFML. As the Investment Manager, BAEP is responsible for managing the investments of the Fund.

Bennelong Twenty20 Australian Equities Fund Key Terms	
Strategy	Equity Long
Domicile	Australia
Investor Type	Retail & Wholesale
Min. Investment	A\$25,000
Additional Investment	A\$1,000
Management Fee	0.39% p.a.
Performance Fee	15%, with high water mark
Benchmark	S&P/ASX 300 Accumulation Index
Buy and Sell Spread	Max. 0.05%
Distributions	6 monthly, 30 June & 31 December
Redemption	Daily, minimum \$5,000
Inception Date	Nov-15
Manager's Total FUM	+\$7.6bn (Bennelong Funds Managm't)
Status	Open

Bennelong Funds Management Ltd (ACN 111 214 085) is an Australian company which was registered with ASIC on 1 October 2004. The company holds AFS Licence number 296806 issued on 8th March, 2006. BFM is the AFSL holder and thus Responsible Entity for BAEP's funds.

The Fund is structured as an Australian Unit Trust and is currently open to retail and wholesale investors.

Service Providers:

Custodian and Prime Broker: RBC Investor Services ("RBC")

Administrator: RBC Investor Services ("RBC")

Auditors: Deloitte Touche Tohmatsu

Legal: Hall and Wilcox

Bennelong Ex-20 Australian Equities Fund:

The actively managed section of the Twenty20 Fund follows the same strategy as Bennelong Ex-20 Australian Equities Fund. The Bennelong Ex-20 Australian Equities Fund launched in November 2009 and the performance statistics are shown below.

Investors may wish to examine the performance record of the Bennelong Ex-20 Australian Equities Fund, which is also managed by Mark East, who continues as CIO for the new Fund.

Although there are differences between each of the funds, the track record of the Bennelong Ex-20 Australian Equities Fund can provide an indication of how the strategy can perform in a range of market conditions.

Investors should note that past performance is not guarantee of future performance, and there are various differences between the implementation of each fund.

Key Performance Statistics	BEx20AEF	Index*
Mar-17	3.56	3.32
Annualised Return	12.68	7.91
Latest 3 Months	3.68	4.82
Latest 6 Months	-1.34	10.25
Latest 12 Months	8.29	20.49
Latest 24 Months p.a.	10.66	4.37
Latest 36 Months p.a.	10.10	7.53
Latest 60 Months p.a.	11.64	11.08
% Positive Months	60.67	60.67
Best Month	9.17	7.25
Worst Month	-10.23	-7.79
Largest Drawdown	-13.50	-15.13
Average +ve Return	3.52	3.07
Average -ve Return	-2.69	-2.96
Annualised Standard Deviation	13.60	12.19
Downside Deviation (Since Inception)	8.29	8.35
Sharpe Ratio (Since Inception)	0.73	0.44
Sortino Ratio	1.08	0.55

*Index is ASX200 Total Return adjusted since Fund's Inception

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