

# Bennelong Emerging Companies Fund

## Performance update

As at 30 September 2018

### 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	0.87%	5.92%	17.15%	na	na	na	na
Benchmark*	0.54%	1.64%	3.30%	na	na	na	na
Value added	+0.33%	+4.28%	+13.85%	na	na	na	na

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 was launched on 1 November 2017, so not yet a full year.

The Fund invests predominantly in micro and small-cap stocks listed on the ASX. It is managed employing 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 can also come with greater investment risks. The Fund will 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-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.

### Portfolio positioning

The portfolio is currently invested in a number of high quality, strongly growth stocks, consistent with the BAEP investment philosophy. The portfolio currently has 20 holdings.

#### Top Holdings

Pinnacle Investment Management

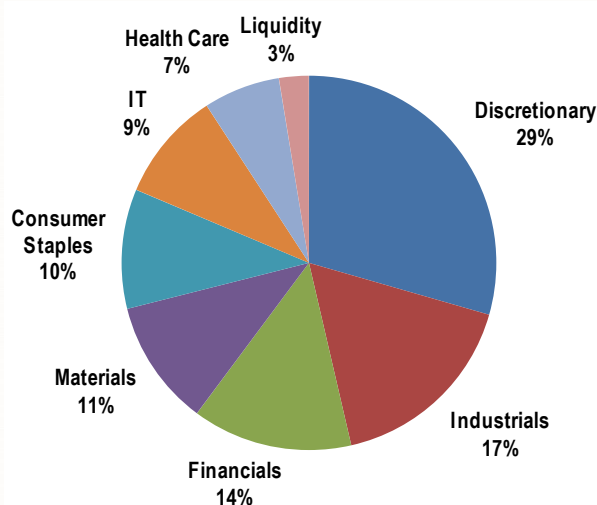
Baby Bunting

Clover

Bwx

HelloWorld

#### Sector Allocation



Source: BAEP



**Bennelong Emerging Companies Fund**  
Monthly performance update  
As at 30 September 2018

## Performance review

It was a reasonable quarter for the Fund, which returned 5.92% (after fees). The result was helped by reasonable returns from some of its larger holdings.

The largest contributor was **Pinnacle Investment Management**, the boutique funds management business with a stable of successful fund managers in respect of which it has ownership interests and provides outsourced sales, administration and other services.

In July, the company provided a positive market update, in which it guided to full year earnings of \$23 million, which amounted to growth of 93% on the prior year. Underpinning this result, the company reported strong FUM growth of 43% over the year to finish as at 30 June with \$38 billion.

At the same time, it also announced the acquisition of 35% of Metrics Credit and 40% of Omega Global Investors. These acquisitions were funded by an equity raising in which we participated for the benefit of the Fund.

In August, Pinnacle reported its full year results in line with the market update in July.

The largest detractor for the quarter was **BWX Limited**, the personal care products company and a top 5 position.

In May, the company announced it had received an approach for a possible takeover. The proposal was in the form of a management buy-out that involved the then CEO and Finance Director together with private equity firm Bain Capital. The Board ran a process to elicit firm offers from the MBO team as well as other potential bidders. This included opening the company up to due diligence.

In August, the company reported its 2018 financial year results, which were slightly disappointing. EBITDA grew by 52% to approximately \$40 million, assisted by recent acquisitions. It also guided to strong earnings growth for this upcoming financial year.

In September, the company announced it had not received an appealing takeover offer and that the company would therefore remain independent and listed on the ASX. The company also confirmed the interim CEO and CFO would continue in their roles in place of the previous CEO and Finance Director that were part of the MBO team. We believe they will capably lead the company into the future.

We continue to believe BWX has a bright future. On consensus earnings, its shares trade on approximately 15 times this year's earnings. Whilst the company may remain distracted in the near term by the fallout of the failed takeover, we are comforted by the market position of Sukin and its other brands, and the many longer term growth opportunities in front of it.

## Bennelong Emerging Companies Fund

### Monthly performance update

As at 30 September 2018

#### 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](http://baep.com.au).

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

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