

# Bennelong Concentrated Australian Equities Fund

## Performance update

As at 28 February 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	4.32%	4.62%	-2.50%	12.54%	12.52%	16.48%	16.10%
Benchmark*	6.01%	9.86%	6.80%	12.86%	7.28%	11.03%	10.42%
Value added	-1.68%	-5.24%	-9.30%	-0.31%	+5.24%	+5.45%	+5.68%

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	20.8%	6.3%	14.5%
Health Care	22.4%	8.5%	13.9%
Consumer Staples	11.1%	5.3%	5.8%
Materials	23.4%	18.6%	4.8%
REIT's	11.3%	7.5%	3.7%
Industrials	8.4%	8.1%	0.3%
Liquidity	0.3%	0.0%	0.3%
Communication	2.3%	3.6%	-1.3%
Utilities	0.0%	2.0%	-2.0%
IT	0.0%	2.4%	-2.4%
Energy	0.0%	5.9%	-5.9%
Financials	0.0%	31.8%	-31.8%

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

### Top Holdings

CSL  
BHP Billiton  
Aristocrat Leisure

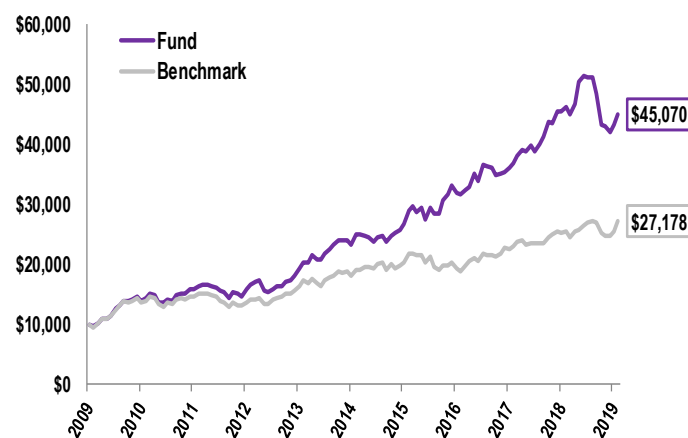
### Portfolio characteristics

	Fund	Benchmark*	
Return on Equity	15.1%	12.0%	Premium Quality
Debt/Equity	28.7%	23.7%	
Sales Growth	7.7%	0.7%	Superior Growth
EPS Growth	7.7%	4.6%	
Price/Earnings	20.3x	15.7x	Reasonable Valuation
Dividend Yield	2.9%	4.7%	
Beta	1.01	1	
Active Share	81%	na	Genuinely Active
No. of Stocks	19	293	

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

### Long-term performance

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



Source: BAEP



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### Recent performance

The Fund had a decent month in February, although note the market was even stronger as it continued to recover from its sell-off late last year.

After Fed talk, US-Sino trade negotiations and other macro factors have driven markets in recent times, the February reporting season focused investors back on corporate profits. Pleasingly, the portfolio performed well over the month, with most stocks in it reporting strong numbers and generally positive outlooks.

The largest detractor to performance was Reliance Worldwide. The company reported decent half year results and reaffirmed full year earnings guidance. The market reacted positively to the result and initially sent its shares higher. The founding family took this as an opportunity to sell its remaining 10% stake in the company. Given the size of the block of shares sold, the discounted sale price, and the implications of an insider selling out, the sell-down weighed on the company's share price. On the latter point, we note the family has been selling down ever since it sold a much larger stake in the company's IPO in 2016 at a share price half of where it trades now. Ultimately, it will be the company's operating performance that will determine shareholders' returns from here. And on this, we can confirm there remains strong momentum in the company's core business, and the large acquisition made last year of John Guest is performing well.

Other large detractors over the month were CSL and Costa Group.

CSL reported yet another strong set of results and guided towards a robust outlook. The company reconfirmed its full year earnings guidance of \$1,880 to \$1,950 million and noted it now expected to hit the upper end of the range. CSL's shares were broadly flat over the month, which meant it underperformed the strong rise in the market.

Costa Group had already guided in January to a weaker-than-expected December half year financial result. Its shares were broadly flat with its results announcement in February. Like CSL, this meant its shares underperformed the strong rise in the market.

Some strong performers for the Fund over the month were IDP Education, Corporate Travel and BWX. IDP Education and Corporate Travel are both global businesses that again reported strong growth. BWX has struggled over the last year, but the company was able to point to early signs of momentum building back in its business, and this translated into a strong market reaction. The stock returned approximately 55% in February, and this helped the Fund's performance even though it is only a small position in the Fund.

### Current positioning

In general terms, the Fund is positioned as follows:

- heavily weighted in high quality, strongly growing global business franchises such as CSL, Aristocrat Leisure and Goodman Group;
- overweight the resources sector, specifically through positions in the big mining houses, BHP and Rio Tinto; and
- largely un-invested in, or underweight, the banks, domestic cyclical and the supposedly safe 'blue chips' like Telstra, Woolworth and Commonwealth Bank.

Overall, we like how the portfolio is currently positioned, and are optimistic on future returns.

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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).

\* Per the Morningstar® Australian Institutional Sector Survey at 31 January 2019.

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

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