

Bennelong Emerging Companies 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	11.79%	5.82%	5.66%	na	na	na	17.10%
Benchmark'	0.51%	1.62%	6.70%	na	na	na	6.71%
Value added	+11.28%	+4.20%	-1.04%	na	na	na	+10.40%

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 risk and downside risks. To this end, the portfolio comprises a number of high quality growth stocks, consistent with the BAEP investment philosophy.

The portfolio is heavily weighted into:

- the technology sector (eg, Nearmap, Audinate & Bravura Solution)
- financials (eg, CML Group & Pinnacle Investments)
- consumer stocks (eg, Jumbo Interactive & BWX)

Top Five Holdings

Nearmap

Audinate

Pinnacle Investment Management

Cml

Bravura Solutions

Portfolio performance and discussion

Whilst smaller stocks have proven to be more volatile, they come with the prospects of higher returns over the long term. This recommends towards taking a longer term view of investing in the Fund.

Indeed, the Fund's performance has been up and down over the last six months – technically, down then up. The sell-down in the December quarter was particularly brutal for smaller cap stocks, but the recovery since has been just as powerful.



Bennelong Emerging Companies Fund
Monthly performance update
As at 28 February 2019

This rollercoaster ride does not in any way reflect upon the volatility in the value of the businesses owned within the Fund. These businesses are growing earnings and value in a relatively steady way. Ultimately, the Fund's returns will reflect as much over time.

The February reporting season focused investors back on corporate profits. Pleasingly, the portfolio performed well over the month. Most stocks in the portfolio reported strong numbers, with positive full year guidance upgrades or outlook statements.

The best performers in calendar year 2019 have been technology companies Nearmap, Audinate and Braavura Solution.

The tech sector has led the market's recovery since the sell-off late last year. In general, the sector offers opportunities for strong long-term growth. Often, this growth is structural in nature – rather than reliant on cyclical factors, a cost-out effort, or other unsustainable reasons – and this means the growth is generally more resilient to difficult economic times. The growth might come from:

- offering new products or services;
- disrupting the large markets of incumbent players; and/or
- enabling other businesses to operate with improved productivity, efficiency and lower costs (all of which gains increasing attention in tougher economic times).

Taking examples from our portfolio:

- Nearmap provides regularly-updated aerial images as an improved service to help a wide range of businesses and government departments;
- Audinate provides digital audio-visual networking technologies that replace old analogue systems; and
- Bravura Solutions provides a wealth management platform that can improve their customers' operating costs and client engagement.

Importantly, this growth becomes ever more valuable in a low-growth environment, as we are facing now. Indeed, the market has been willing to pay up for their growth in recent months. Notwithstanding their recent strong returns, we remain positive on future returns.

There are other tech stocks that appeal, but which lack valuation credibility. At the right price, we may purchase them for the Fund, just as we might sell existing positions should the price and other factors warrant.

Bennelong Emerging Companies Fund

Monthly performance update

As at 28 February 2019

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.

Disclaimer: This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Emerging Companies Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at the date of this document. Bennelong Australian Equity Partners (ABN 69 131 665 122) is a Corporate Authorised Representative of Bennelong Funds Management Ltd (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.