

# Bennelong Twenty20 Australian Equities Fund

## Performance update

As at 30 September 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	3.13%	5.47%	11.24%	11.97%	na	na	11.13%
Benchmark*	1.91%	2.55%	12.57%	11.85%	na	na	11.23%
Value added	+1.22%	+2.92%	-1.33%	+0.11%	na	na	-0.09%

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

\*S&P/ASX 300 Accumulation Index

\*\*Inception date is 2 December 2015

### Introduction to the Twenty20 Fund

The Fund has been operating since December 2015. It combines a passive investment in the S&P/ASX 20 Index and an actively managed investment in Australian listed stocks outside this index. The passive investment is one that mirrors the performance of the S&P/ASX 20 Index, while the active management seeks to invest in a limited selection of ex-20 stocks that the manager believes will outperform.

The **passive position in the S&P/ASX 20 Index** is achieved by investing individually in each of the index's constituent stocks, including for example Commonwealth Bank, Telstra and CSL. The weighting in each of these 20 stocks approximates the same weight they represent in the S&P/ASX 300. The Fund's overall weight in the S&P/ASX 20 will thus approximate its weight in the S&P/ASX 300. Currently, this weight is over 50%.

Given this heavy weight in the S&P/ASX 20, the Fund's largest positions will typically coincide with those of the market, as seen in the table of the Top 10 Holdings.

The **active position in ex-20 stocks** has the goal of allowing the Fund to outperform the broader market. This active investment is managed according to the same strategy adopted in respect of the Bennelong ex-20 Australian Equities Fund. This strategy seeks to identify high quality, strongly growing companies whose earnings prospects are underestimated by the market.

Divergence in the performance of the Bennelong Twenty20 Australian Equities Fund from its benchmark, the S&P/ASX 300, will arise from the relative performance of the Fund's active investment in ex-20 stocks.

The Fund gives broad exposure across the Australian stock market and is available at a low management fee of 0.39% (plus a performance fee where applicable).

### Top Holdings

Commonwealth Bank
BHP Billiton
CSL
Westpac Banking
National Australia Bank
Australia and New Zealand Banking
Goodman
Aristocrat Leisure

Source: BAEP

The Fund's sector exposures will deviate from the benchmark to the extent that its actively managed investment in ex-20 stocks results in an over or under-weighting to any particular sector.

Sector	Fund Weight	Benchmark* Weight	Active Weight
Discretionary	15.6%	6.6%	9.0%
Liquidity	3.9%	0.0%	3.9%
Health Care	10.5%	9.1%	1.4%
Consumer Staples	7.2%	5.9%	1.3%
REIT's	8.3%	7.8%	0.5%
Communication	4.0%	3.6%	0.4%
IT	2.8%	2.6%	0.2%
Industrials	6.8%	8.1%	-1.3%
Utilities	0.0%	1.9%	-1.9%
Energy	1.6%	5.1%	-3.5%
Financials	27.0%	31.9%	-4.8%
Materials	12.3%	17.4%	-5.1%

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



## Bennelong Twenty20 Australian Equities Fund

### Performance update

As at 30 September 2019

#### Market overview & outlook

2019 has seen a number of negative economic, geopolitical and social developments, including:

- continued difficulties in Sino-US trade negotiations;
- Brexit instability;
- Hong Kong riots; and
- weakening economic conditions and outlook in Australia and globally.

Despite this, the Australian stockmarket has returned almost 23% in the calendar year to the end of September, including 2.6% in the September quarter. The takeaway is the noise is not driving returns, at least in the short term. The precipitous fall in interest rates over the year explains most of the strong performance of equities this year. One of the main risks then is the possibility that interest rates might rise, however unlikely it currently seems. Alternatively, the earnings outlook could deteriorate to such an extent that it starts to overwhelm the valuation uplift resulting from lower rates.

Despite recent strength, we believe it pays to remain constructive on equities, although doing so will come with heightened volatility from time to time. In general, valuations are relatively attractive versus other asset classes and especially given where interest rates currently sit. ASX equities offer an earnings yield of approximately 6% plus some growth. Meanwhile, Australian sovereign bond yields sit below 1% and offer no growth, and most other asset classes sport valuation metrics well beyond historic norms.

However, we believe it is becoming increasingly important to be selective when investing in equities, particularly given earnings risks appear to be on the way up. We have positioned the Fund appropriately and see it offering an attractive risk-reward proposition.

#### Fund performance

The Fund outperformed nicely over the quarter, with a return of approximately 5.5%.

The outperformance against the benchmark owes itself to the outperformance of ex-20 stocks chosen for the portfolio.

Most of these ex-20 stock holdings announced very strong financial results during reporting season in August. These results were largely in line with the investment team's expectations. Almost without exception, their results provided evidence of strong business momentum, better-than-expected near-term outlooks and bright longer term prospects.

Some of the largest contributors to performance were Afterpay, BWX and Resmed.

**BWX**, which owns Sukin and other personal care brands, is a relatively small holding within the portfolio. However, it was a relatively large contributor

as it returned an outsized 114% over the quarter (it was the second best performer on the S&P/ASX 300 index after Dacian Gold). The stock had been a detractor in recent times, although it has been a very important contributor over time.

The major detractors to performance over the quarter were the REITs (particularly positions in Goodman and Dexus Property) and the Gold sector (in which the Fund is underweight but which performed strongly).

#### Fund positioning

As discussed above, the Fund is nice balance between passive investing (in the top 20 stocks) and active investing (in ex-20 stocks). We believe the portfolio provides diversification as well as some scope to outperform within the opportunity-rich ex-20 segment of the market.

The ex-20 stocks chosen are mostly picked on the basis of their stock-specific fundamentals. That said, there are a couple of themes that currently run through the ex-20 sleeve of the portfolio.

Firstly, the Fund has a large weighting in this sleeve to defensive sectors that include healthcare, gaming, REITs and consumer staples. These companies provide greater earnings certainty at a time when earnings risk is increasing.

And secondly, the Fund has a heavy exposure in the ex-20 sleeve to offshore earnings. We generally see more opportunity for attractive growth among ASX-listed global companies.



## Bennelong Twenty20 Australian Equities Fund

Performance update  
As at 30 September 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 Twenty20 Australian Equities Fund combines an indexed investment in the S&P/ASX 20 Index and an actively managed investment in Australian listed stocks outside of this index. It typically holds 40-55 stocks.

### Benefits of the Fund

- BAEP is an award winning and highly rated equities fund manager with an experienced and performance-orientated team.
- The Fund is managed in accordance with BAEP's robust, disciplined and proven investment philosophy and process.
- The Fund provides a broad exposure to the Australian market via a combination of passive investment (in respect of the S&P/ASX20) and an actively managed investment (in respect of stocks outside of the S&P/ASX20).
- The Fund's ex-20 exposure is managed in accordance with the strategy adopted in the Bennelong ex-20 Australian Equities Fund. This fund is of high conviction and it has a track record of adding value by outperforming the market over the long term.

### The Fund at a glance

Feature	Fund fact
APIR code	BFL0017AU
Benchmark	S&P/ASX 300 Accumulation Index
Investment objective	2% 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	2 December 2015
Recommended investment period	Long term (five years plus)
Buy/sell spread	+/-0.20%
Entry/exit fees	Nil
Management Fee	0.39% p.a. of Net Asset Value of the Fund
Performance Fee	15% of any amount by which the Fund's return is 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.

#### Platforms

AMP (Elements Investment, Elements Pension, iAccess, My North, North, Portfolio Care, Portfolio Care eWrap, PPS, Summit, Wealthview eWrap Inv)

AON Mason Stevens

CFS (FirstWrap) Netwealth (Super Service, Wrap Service, IDPS)

Credit Suisse Wealth O2

Federation

### 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.

Disclaimer: This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Twenty20 Australian Equities 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](http://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 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 Equities 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