

# Bennelong Twenty20 Australian Equities Fund

Performance report | 31 December 2021

## Net client returns (after fees and expenses)

|                        | 1 month | 3 months | 1 year | 3 years p.a. | 5 years p.a. | 10 years p.a. | Since inception <sup>2</sup> |
|------------------------|---------|----------|--------|--------------|--------------|---------------|------------------------------|
| Fund                   | -0.18%  | -0.06%   | 22.92% | 20.27%       | 14.06%       | na            | 13.08%                       |
| Benchmark <sup>1</sup> | 2.65%   | 2.21%    | 17.54% | 13.96%       | 9.94%        | na            | 10.24%                       |
| Value added            | -2.83%  | -2.26%   | +5.38% | +6.31%       | +4.12%       | na            | +2.84%                       |

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

## Why choose the Fund?

The Fund aims to enhance the return clients receive over and above the market.

It is a clever, low cost way to invest into the ASX.

- Its performance mostly replicates that of the market, but historically adds a little extra return.
- It has a low cost of 0.39% (plus a performance fee where applicable).
- It has relatively low turnover and tracking error.

## About the Fund

The Fund is a single portfolio made up of two parts:

### 1. An indexed position in the S&P/ASX 20 Index ('the top 20')

The Fund has a position in each top 20 stock, in the same weight in the Fund as they have in the S&P/ASX 300 index. This means the Fund's largest positions will be the largest companies on the ASX and include Commonwealth Bank, CSL and BHP. For example, if Commonwealth Bank has a weight of 7% in this index, it will also have a weight of 7% in the Fund. Combined, the top 20 stocks currently have a weight of approximately 56% in the index, and so also in the Fund.

### 2. An active position comprising BAEP's best stock ideas from outside the top 20 ('the ex20')

The Fund is also invested in a selection of ex-20 stocks BAEP believes will outperform, which in turn allows the Fund to outperform the benchmark. They are chosen using a robust, disciplined and proven investment approach that focuses on fundamental factors such as earnings, growth and valuations.

Ex-20 stocks make up the balance of the portfolio.

## The composition of the Twenty20 Fund



## The beauty of the Fund

BAEP believes it is more difficult to outperform when investing in the top 20 stocks. The top 20 stocks are well known and heavily researched, and have more broker and media coverage. On the other hand, BAEP believes there is more opportunity to outperform when investing in ex-20 stocks, which tend to be priced less efficiently.

In this context, it makes sense to:

- index the top 20 stocks in order to keep the overall cost of the Fund down; and
- exploit the opportunity to enhance returns via active management in the less efficient ex-20 segment of the market.

This provides clients with the best of both worlds - by combining passive and active productively.

### What returns will it provide?

Because of its large indexed position, the Fund's returns will quite closely follow the returns of the market. In technical terms, this is to say the Fund has a relatively low tracking error.

However, the Fund's returns can deviate from the S&P/ASX 300 index because of its active position in ex-20 stocks. Historically, the Fund has been able to deliver a little extra return over and above the market. In this way, it fulfils its purpose as an enhanced index fund.

### What is currently in the Fund?

The Fund has positions in the top 20 stocks and approximately 20-30 ex-20 stocks. Together, there are typically around 40-55 stocks in the portfolio at any one time.

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

#### Portfolio positioning

| Sector           | Fund Weight | Benchmark <sup>1</sup> Weight | Active Weight |
|------------------|-------------|-------------------------------|---------------|
| Discretionary    | 29.3%       | 8.2%                          | 21.0%         |
| Liquidity        | 3.0%        | 0.0%                          | 3.0%          |
| Communication    | 7.4%        | 4.4%                          | 3.0%          |
| Utilities        | 0.0%        | 1.4%                          | -1.4%         |
| Industrials      | 5.9%        | 7.3%                          | -1.4%         |
| Health Care      | 8.8%        | 10.5%                         | -1.7%         |
| Consumer Staples | 3.0%        | 5.0%                          | -1.9%         |
| Energy           | 0.9%        | 3.2%                          | -2.3%         |
| Financials       | 25.1%       | 28.4%                         | -3.3%         |
| IT               | 0.9%        | 4.6%                          | -3.7%         |
| Materials        | 13.8%       | 19.3%                         | -5.4%         |
| REIT's           | 1.9%        | 7.8%                          | -5.9%         |

Together with positions in the top 20 stocks, the Fund is selectively invested in a group of high quality growth stocks. This provides the opportunity for the Fund to outperform over time. As a diversified group of stocks, we believe the Fund is well set up to provide enhanced index returns.

### 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 facts  |
|-------------------------------|---|
| 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](#)), mFund (code: BAE04), or the following platforms.

### Platforms

|  |   |
|--|---|
| AMP (Elements Investment, Elements Pension, iAccess, My North, North, Portfolio Care, Portfolio Care eWrap, PPS, Summit, Wealthview eWrap Inv) | Macquarie Wrap (IDPS, Super)                  |
| BT Asgard (Master Trust, Employee Super, Infinity eWrap)   | Mason Stevens                                 |
| BT (Panorama)  | Netwealth (Super Service, Wrap Service, IDPS) |
| CFS (FirstWrap)  | Praemium (Non Super, Super)                   |
| Hub24 (Super, IDPS)  | Wealth O2                                     |
|  | Wealthtrac                                    |

## Get in touch



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<sup>1</sup> S&P/ASX 300 Accumulation Index

<sup>2</sup> Inception date is 2 December 2015

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