



**Media release**  
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## **S&P assigns three star 'new' rating to Bennelong SGI**

**Just a month after its official launch, Bennelong Funds Management's global equities fund has been given a three star 'new' rating by Standard & Poor's (S&P).**

Bennelong's global equities capability is managed through a partnership with US-based equities manager, Security Global Investors (SGI), the asset management arm of U.S. financial services company Security Benefit Corp.

The S&P report noted that Bennelong SGI Global Equities Fund's "investment universe is truly global (developed and non-developed), with breadth a key tenet of the investment philosophy."

### **Bottom-up process**

S&P defined Bennelong SGI's global equity strategy as "a style-agnostic, bottom-up process driven by both fundamental and quantitative research."

"Our portfolios are constructed on a bottom-up basis and weightings in both sectors and countries are a by-product of that process," said David Whittall, Bennelong SGI's Portfolio Manager.

While the portfolio managers are cognisant of sector weightings, investment decisions are independent of the index benchmarks. "Our only limit is that exposure to any single regional sector may not exceed 25%, and a single security may not exceed 5% of the total portfolio value," said David.

The typical number of holdings is 45 to 80 stocks, with the portfolio currently at the higher end of this range (75 stocks at the time of writing).

### **Highly experienced team**

S&P Fund Services analyst, Tom Mills, said the team's multilingual skills and the senior members' extensive experience, "with the three key principals having an average of over 20 years' global investment experience", mitigated its relatively small size.

In terms of team stability, the report noted that "Discretionary compensation is a combination of revenue and profit sharing, commensurate with each individual's prior equity ownership. Every team member is a profit-sharing partner, which should assist in staff retention." The team has been stable at the senior level, with three of the four portfolio managers having worked together since 2001.

### **Outperformance with reduced risk**

"Our overall investment philosophy is to provide clients with competitive and consistent, risk-adjusted performance," said David Whittall.

As noted in the S&P report, "the fund's objective is to outperform the MSCI World Index by greater than 3% per year with less risk than the index". Since the US-fund's inception in April 2005, its active management has seen consistently high portfolio turnover, averaging 300% on an annualised basis.

While there are costs associated with this level of movement, David believes "This approach has allowed us to consistently out-perform the MSCI Index, even in these tumultuous times.

“The portfolio construction stage of our investment process is unique, with the investment team building risk management into every aspect of the strategy - from overall philosophy to day-today portfolio construction,” said David.

Decisions on how much of a security to add are driven by its contribution to the overall risk of the portfolio (the ‘risk’ being the annual variability of returns).

“Our proprietary risk management module, specifically designed for global portfolios, enhances our ability to manage risk at the desired levels,” said David.

Around 75% of the portfolio is populated through the fundamental research process. The remaining 25% comprises of securities that rank well in the initial screen but also help to offset systematic risk.

This strategy has seen SGI outperform the benchmark by 3.5% per years (after fees) in the three years to September 30, 2008.

Tom Mills wrote, “The portfolio’s zero exposure to North American financial stocks in 2007 was a significant contributor to this performance, with the portfolio outperforming by 14.2% in that year.”

“While nobody could predict the exact timing or extent of the global economic crisis,” said David, “we saw the depth of the imbalances building in the US labour and housing markets as strong indicators of future finance sector pain”.

**For further information, please contact:**

Sally Barwell or Brodie Neader

evolution media

ph: 02 8969 6077

email: [sbarwell@evolutionmedia.com.au](mailto:sbarwell@evolutionmedia.com.au)

or [bneader@evolutionmedia.com.au](mailto:bneader@evolutionmedia.com.au)

**About Bennelong Funds Management**

Established in 2001, Bennelong Funds Management is a boutique funds management business. It currently has investment management capabilities in: Australian equities, Australian long short and property.

Bennelong Funds Management is a wholly owned subsidiary of the Bennelong Group, a privately owned funds management and private equity business. While the Group owns and manages significant businesses globally, it also measures its success through contributing to positive and lasting change in the wider community via the Bennelong Foundation.

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