

Bennelong Concentrated Australian Equities Fund

Monthly performance report

As at 31 January 2012

Market review

The Australian equity market (S&P/ASX 300 Accumulation Index) posted a 5.13% return over the month of January. The strongest performing sectors included Materials (+10.3%) and Energy (+8.3%). The underperforming sectors included Health Care (-1.2%) and Telecommunications (+0.1%).

Company news flow in January was subdued ahead of the interim profit results season. Super Retail Group and Leighton Holdings announced upgrades to earnings expectations while QBE downgraded its profit guidance. In other corporate news, Pacific Brands announced it had received an approach from private equity group KKR regarding a possible acquisition.

Domestic economic data released in January shows that the labour market contracted marginally and fourth quarter CPI saw its smallest increase in three years.

International economic news was positively received by investors as the US Federal Reserve announced it would keep interest rates at exceptionally low levels until at least 2014. In China, the manufacturing indicators were solid while the People's Bank of China started injecting funds into the market. Europe continues to attract negative headlines as Standard & Poor's downgraded the debt ratings of nine Eurozone nations.

Strategy in review

The Bennelong Concentrated Australian Equities Fund achieved an 8.33% return for the month compared to the S&P/ASX 300 Accumulation Index return of 5.13%.

The outperformance was attributable to the positive contribution from overweight positions in the Gaming & Leisure, Construction and Miscellaneous Services sectors. This was partially offset by the negative contribution from underweight positions in the Gold and Energy sectors.

Performance

Timeframe	Fund return	Benchmark [#]	Value added
1 month	8.33%	5.13%	+3.20%
3 months	2.57%	0.06%	+2.51%
1 year	0.21%	-6.51%	+6.72%
2 years	6.82%	0.82%	+6.00%
3 years	16.65%	11.29%	+5.36%
Since Inception*	16.65%	11.29%	+5.36%

NB: performance figures are net of investment fees, administration fees and gross of any earnings tax

[#] S&P ASX 300 Accumulation Index

*Inception date: 30 January 2009

Outlook

The market is currently trading on 12.5x consensus earnings forecasts for 2011-12, which are now expected to grow 8% with a corresponding dividend yield of 4.3%.

Despite the significant rebasing in earnings growth expectations that we have seen over the past six months, there is still a large group of companies with significant profit growth expectations for the second half of the year.

While Europe continues to struggle to find a solution to its growing debt crisis, we are encouraged by the improvement in economic conditions in the US and the recent signs of policy stimulus in China. Furthermore, the re-emergence of private equity players on the acquisition trail is a timely reminder about valuation support.

Contact details

For more information, visit www.bennfundsmanagement.com.au or call 1800 895 388.

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

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