

Bennelong Concentrated Australian Equities Fund

Monthly performance report

As at 30 November 2011

Market review

The Australian equity market (S&P/ASX 300 Accumulation Index) traded lower over the month, closing down 3.44% in November. Equity markets were hostage to fears about the potential failure to find a timely solution to the European financial crisis. Attempts by the European Union to appease market concerns were undermined by the increasing yields on Italian Government bonds, which shifted solvency concerns to other parts of Europe.

The strongest performing sectors included REITs (+2.6%), Health Care (+2.2%) and Telecommunications (+1.9%). While the underperforming sectors included Financials ex-REITs (-6.8%), Materials (-6.6%) and Energy (-4.3%).

The Australian AGM season provided confirmation of the challenging trading environment facing most non-resource companies. In other company news, BlueScope Steel announced a \$600m capital raising with proceeds being used to reduce debt, while David Jones announced first quarter like-for-like sales down 11%.

The European debt crisis has escalated with Italian bond yields reaching record highs, and the prime ministers of both Italy and Greece forced to step down. This prompted the European Central Bank to lower its interest rate by 25bps. In China, there is growing evidence of lower inflation, and a slowdown in manufacturing activity, which led to the People's Bank of China announcing cuts to reserve requirements for large banks.

Strategy in review

The Bennelong Concentrated Australian Equities Fund achieved a -2.60% return for the month versus the S&P/ASX 300 Accumulation Index return of -3.44%.

The outperformance was attributable to positive contribution of the portfolio's overweight positions in the Miscellaneous Services, Retailing and Transportation sectors. This was partially offset by negative contribution from underweight positions in the Real Estate and Telecommunications sectors.

Performance

Timeframe	Fund return	Benchmark [#]	Value added
1 month	-2.60%	-3.44%	+0.84%
3 months	-1.78%	-2.95%	+1.17%
1 year	-0.38%	-6.27%	+5.89%
2 years	3.06%	-2.31%	+5.37%
Since Inception*	15.60%	10.61%	+4.99%

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 Australian equity market is currently trading on 10.3x consensus earnings forecasts for 2011-12 and 9.3x for 2012-13, together with prospective dividend yields of 4.9% and 5.4% in the corresponding periods.

Company earnings are currently forecast to achieve 9.6% growth in 2011-12 and 11.0% growth in 2012-13. These forecasts have been significantly downgraded over the past six months, with the hardest hit sectors including steel, discretionary retail, non-bank financial institutions, insurance, real estate and media.

While we are always vigilant about earnings risk, the current valuations, together with the downgraded earnings expectations and pronounced market uncertainty, are presenting attractive investment opportunities. The combination of a possible European resolution, together with investor friendly monetary policy in Australia, the US and China, could deliver a positive environment for equities over the coming months.

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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