

## Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 August 2019

### Net Tangible Assets Per Share

NTA before tax	\$1.069
NTA after tax	\$1.081

\$ currency notation refers to Australian Dollars.

### Portfolio Performance

The Company's Portfolio returned -2.29% in August 2019, with 80% of the holdings reporting financial results during the month. A large number of short positions delivered soft results with a weak outlook. Two of our shorts cut their dividend payout ratio and one eliminated their dividend. Half a dozen of our long positions delivered strong results, and three were disappointing.

Overall, the companies in the long portfolio which reported results delivered 12% earnings growth and 18% dividend growth. The shorts which reported delivered zero earnings growth and 1% dividend growth. Earnings were downgraded across the market, including for both our long and short positions, with downgrades for our shorts exceeding those for our longs.

Half our pairs delivered a positive return. Our top two pairs featured particularly strong results from the longs: James Hardie (JHX) and ResMed (RMD). Our third top (three-legged) pair featured weak results from the two shorts, AMP and IOOF (IFL). Our worst pair was long Ramsay Health Care (RHC) / short Healius (HLS), with FY20 earnings guidance for Ramsay falling short of market expectations. Our next worst pair, long Iluka Resources (ILU) / short Rio Tinto (RIO) was due to a weak result and downgraded outlook for Iluka.

### Market Observations

World share markets were down across the board during August with escalating trade tensions between the US and China, as well as other geopolitical events, weighing on sentiment. US markets were particularly volatile with an average daily change of +/-1% (ordinarily +/-0.5%) and three individual days down over 2.5%. The table below shows the price index moves for various markets over the month and calendar year to date.

Calendar 2019	S&P 500	MSCI Europe	MSCI Asia ex Japan	Nikkei	Shanghai Composite	S&P/ASX 200
January	7.9%	6.1%	7.3%	3.8%	3.6%	3.9%
February	3.0%	3.9%	2.0%	2.9%	13.8%	5.2%
March	1.8%	1.6%	1.6%	-0.8%	5.1%	0.2%
April	3.9%	3.2%	1.8%	5.0%	-0.4%	2.3%
May	-6.6%	-5.7%	-8.9%	-7.4%	-5.8%	1.1%
June	6.9%	4.3%	6.1%	3.3%	2.8%	3.5%
July	1.3%	0.2%	-2.2%	1.2%	-1.6%	2.9%
August	-1.8%	-1.7%	-4.6%	-3.8%	-1.6%	-3.1%
<b>CYTD</b>	<b>16.7%</b>	<b>11.9%</b>	<b>2.1%</b>	<b>3.4%</b>	<b>15.7%</b>	<b>17.0%</b>

Source: Bloomberg

In Australia, the S&P/ASX200 took a breather (-3.1%) to post its first down month of 2019. The decline was broad based with all but one sector managing a rise (A-REITs +0.7%, helped by further declines in global long-term bond yields). The biggest sector declines came from Materials (-7.9%) and Energy (-6.4%) on the back of weakness in bulk commodity and oil prices. Also unhelpful to the local market was a poor scorecard from the August reporting season.

### NTA\* Performance

1 month	-2.29%
3 months	7.72%
12 months	-11.48%
Since inception (annualised)	2.32%

\*Before tax. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated including dividends. 'Since inception (annualised)' is annualised NTA performance since listing at \$1.065 after listing related expenses.

### Company Details

ASX code	AEG
Listing date	16 December 2015
Share price	\$1.000
NTA* per share	\$1.069
Dividend yield <sup>†</sup> (fully franked)	4.50%
Shares on issue	99,232,614
NTA*	\$106,053,588

\*Before tax

<sup>†</sup>Dividends paid over the past 12 months divided by share price stated above.

### Portfolio Snapshot

Long exposure	Month End	50.2%
Short exposure	Month End	-49.8%
Net market exposure	Month End	0.4%
Gross market exposure*	Month End	\$471,440,221
Leverage factor (x NTA)	Month End	4.4
Average leverage factor (x NTA)	Since Inception	4.7

\*Sum of long and short positions in the Portfolio

### Most Profitable Pairs for the Month

Long	James Hardie (JHX)	Short	CSR (CSR)
Long	ResMed (RMD)	Short	Ansell (ANN)
Long	Challenger (CGF)	Short	IOOF (IFL) / AMP (AMP)

### Least Profitable Pairs for the Month

Long	Ramsay Health Care (RHC)	Short	Healius (HLS)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)
Long	Aristocrat Leisure (ALL)	Short	Tabcorp (TAH)

### Contact Details

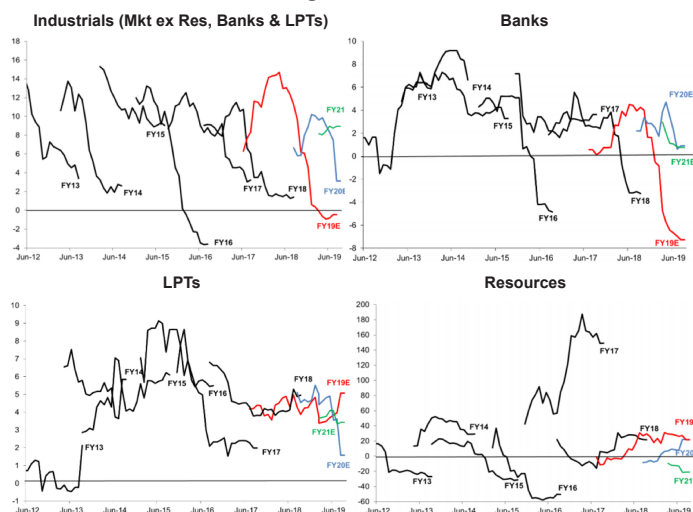
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Phone Number	02 8016 2819
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As at 31 August 2019

As flagged last month, over the course of this year the overall earnings of the ASX have been narrowly driven by the resources sector due to buoyant iron ore and gold prices. Outside this sector, earnings delivery has been disappointing and the August results prompted further downgrades to FY20 estimates. The charts below (courtesy of Macquarie Bank) track EPS (Earnings Per Share) revisions and demonstrate the extent of downgrades for Industrials and Banks.

## ASX Earnings Per Share Growth



Source: FactSet, Macquarie Research, September 2019

## Company Overview

The Company's portfolio of investments is managed by Bennelong Long Short Equity Management Pty Ltd, using the same market neutral investment strategy behind the award winning Bennelong Long Short Equity Fund.

## Directors

Marc Fisher (Chair)

Graham Hand

Andrew Reeve-Parker

## Company Secretaries

Jeff Phillips

Lisa Dadswell

## Investment Objective

The Absolute Equity Performance Fund Limited aims to generate positive returns regardless of the overall equity market performance, through employing a 'market neutral' equity strategy.

## Investment Manager

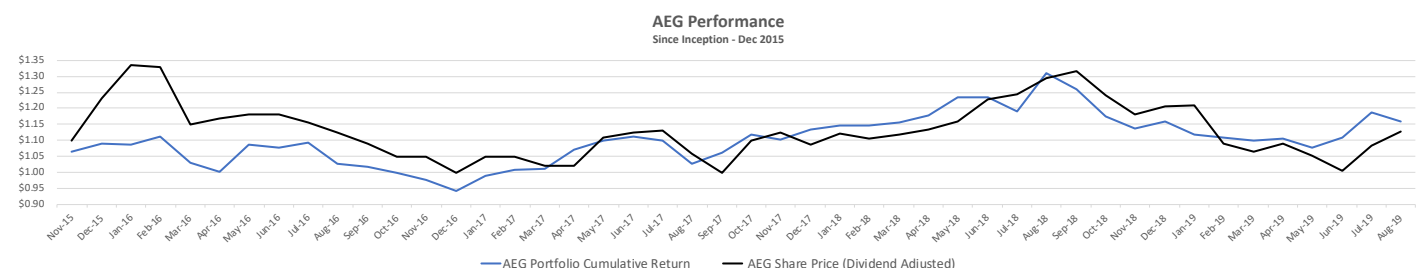
Bennelong Long Short Equity Management Pty Ltd.

## Investment Team

Sam Shepherd	Portfolio Manager
Sam Taylor	Head of Research
Steven Lambeth	Senior Analyst
Justin Hay	Senior Analyst
Daniel Sanelli	Analyst

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-3.51%	-0.84%	-0.90%	0.52%	-2.53%	3.04%	6.99%	-2.29%					0.08%
2018	1.27%	-0.15%	0.76%	1.98%	4.75%	0.08%	-3.67	10.22%	-3.87%	-6.90%	-3.16%	2.05%	2.29%
2017	4.91%	2.06%	0.17%	5.83%	2.80%	1.15%	-1.28%	-6.62%	3.61%	5.26%	-1.58%	2.93%	20.19%
2016	-0.23%	2.28%	-7.20%	-2.89%	8.53%	-0.92%	1.38%	-5.90%	-1.06%	-1.73%	-2.32%	-3.31%	-13.39%
2015	-	-	-	-	-	-	-	-	-	-	-	2.25%	2.25%

\*Before tax. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated on a pre-dividend NTA basis.



\*These calculations are unaudited. 'AEG Portfolio Cumulative Return' is intended to illustrate the performance of the investment portfolio net of corporate expenses and manager fees, and including the hypothetical reinvestment of dividends.



## Important Disclaimer

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