

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

As at 29 February 2016

### Net Tangible Assets (NTA)

NTA before unrealised tax	1.111
NTA after tax	1.108

Not adjusted for the Loyalty Options outstanding

### Performance

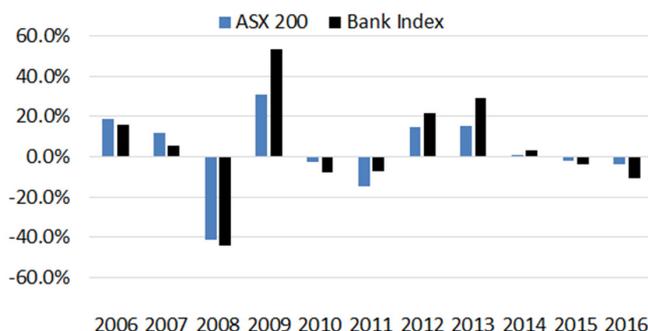
Performance in February was solid with a return (net of fees) of +2.28%\*. Positive contributing pairs outnumbered loss-making pairs. Of special mention among our top contributors over the month was our long Seek / short Fairfax pair. While this pair was unprofitable last year, we have remained patient on a view that Seek's increased investment spending would eventuate in improved top-line growth, and this came to fruition in the recent interim financial result. In contrast, Fairfax's interim financial result prompted earnings downgrades due to growing evidence that, with the exception of Domain, Fairfax is not sufficiently monetising its digital audience to overcome continued declines across its print advertising publications. The Fund continues to hold this pair. On the other side of the ledger, a key negative contributor for the month was our long Ramsay / short Primary Health Care pair. While Ramsay delivered a quality result with (again) an upgrade to full year earnings guidance, Primary staged a strong rally following relief after its financial result that a capital raising was not necessary and confidence from management that their Medical Centres business is improving.

### Market Commentary

Despite signs of recovery toward the end of the month, February was again lacklustre for equity markets. Across the major share market indices, the US fell 0.4% (S&P 500), Europe was down 2.5% (MSCI Index), Japan fell 6% (Nikkei Index) despite escalated monetary easing measures, and China failed to bounce (Shanghai Composite -1.8%) after January's decline of -23%. The one exception, rather oddly given the hullaballoo of Brexit, was the UK where the FTSE 100 Index finished the month broadly unchanged (+0.2%).

Locally, the Australian share market fell 2.5% (S&P/ASX 200 Index). Behind this aggregated performance were mixed performances across the major sectors. Specifically, the Materials sector rebounded sharply, up 9%, driven largely by gains in the major resource stocks following a surprise 19% recovery in the iron ore price. Other sectors to gain, albeit in smaller measure, included A-REITs (+2.0%), Health Care (+0.6%) and Utilities (+0.6%). Across the rest of the market, the Bank Index again suffered heavy falls (-9.1%) and is now down 30% from its highs in March 2015 and back at pricing levels prevailing three years ago. The Financial sector, which is dominated by the four major banks, represents almost 50% of the S&P/ASX 200 Index. Accordingly, it is axiomatic that the return of the overall market index is joined to the hip of the banking sector. The below chart shows that in each calendar year going back 10 years, the S&P/ASX 200 Index has never produced a price return that is opposite in direction (i.e. positive vs negative) to the Bank Index.

ASX 200 Index vs ASX 200 Bank Index - Price Return



Source: Bloomberg

YTD

### NTA\* Performance

1 month	2.28%
Since inception	4.34%

\*Before unrealised tax

### Company Details

ASX code	AEG
Listing date	16 December 2015
Share price	1.330
NTA* per share	1.111
Market capitalisation (A\$)	120,909,091
Shares on issue	90,909,091

\*Before unrealised tax

### Portfolio Snapshot

Long exposure	Month End	51.2%
Short exposure	Month End	-48.8%
Net Market Exposure	Month End	2.5%

### Most Profitable Pairs for the Month

Long	Seek (SEK)	Short	Fairfax (FXJ)
Long	CBA (CBA)	Short	Bendigo Bank (BEN)
Long	Bluescope Steel (BSL)	Short	Ancor (AMC)

### Least Profitable Pairs for the Month

Long	Asciano (AIO)	Short	Cimic (CIM)
Long	Ramsay (RHC)	Short	Primary (PRY), Healthscope (HSO)
Long	Macquarie (MQG)	Short	IOOF (IFL)

### Contact Details

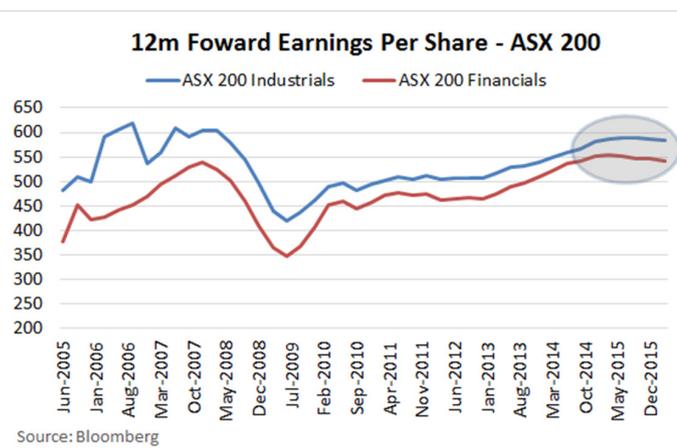
Company	Absolute Equity Performance Fund Limited (ACN 608 552 496)		
Address	C/-ZG Advisors, Level 34, 360 Collins Street, Melbourne VIC 3000		
Phone Number	03 8639 1291		
Email	<a href="mailto:info@aepfund.com.au">info@aepfund.com.au</a>		
Website	<a href="http://www.aepfund.com.au">www.aepfund.com.au</a>		

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## Outlook

There is little change to our view of the market outlook. With valuations not currently inviting by historical standards, we see limited scope for a sustained rally in equities without an improvement in the outlook for corporate earnings. The financial results delivered over February were largely a reiteration of this. As shown in the chart below, even if we exclude the collapse in profitability of the resources sector, the earnings progress for the rest of the market (largely the Financial and Industrials sectors) has stalled in the last 12 months.



## 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

Richard Fish	Senior Portfolio Manager
Sam Shepherd	Senior Portfolio Manager
Sam Taylor	Senior Analyst
Steven Lambeth	Senior Analyst

## 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 (Chairman)  
Graham Hand  
Andrew Reeve-Parker

## Company Secretaries

Jeff Phillips  
Tai Phan



## Important Disclaimer

This monthly report has been prepared by Absolute Equity Performance Fund Limited with commentary provided by the Investment Manager Bennelong Long Short Equity Management Pty Ltd (ABN 63 118 724 173). This document has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. This report does not take into account individual investors investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this report is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance.