

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 January 2016

Net Tangible Assets (NTA)

NTA before unrealised tax	1.086
NTA after tax	1.090

Not adjusted for the Loyalty Options outstanding

NTA Performance

1 month	-0.23%
Since inception*	2.01%

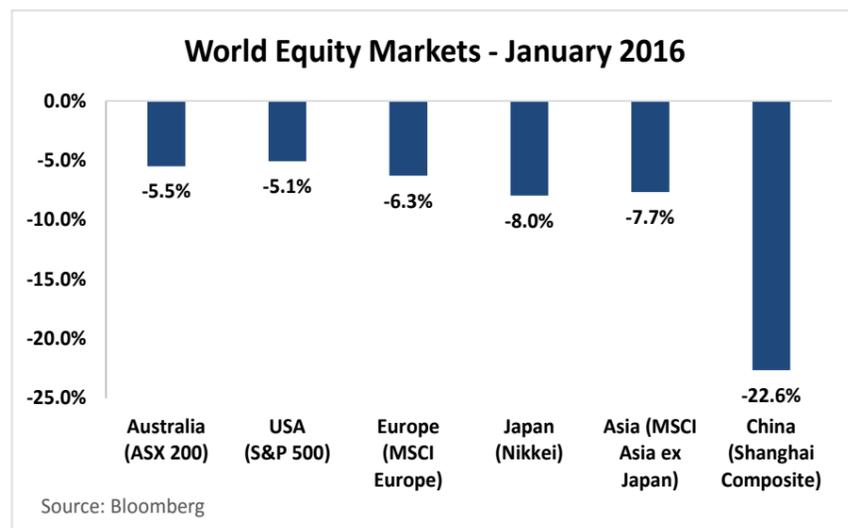
*Before unrealised tax. Please see footnote for further details on the above NTA Performance calculation

Performance

Following a solid December, performance was flat in January. While the number of winning pairs was outnumbered by losing pairs over the month, our strongest performing pairs (see table right) delivered greater profit than our largest detractors, hence stabilising performance. News flow was generally light in January ahead of the February profit reporting season. One company in our portfolio that did report in January was Resmed with a quarterly financial result that demonstrated continued solid growth in sales for its core sleep-disordered breathing business.

Market Commentary

Share markets continued to disappoint in January with widespread falls across all major overseas indices. China, in particular, was very weak where rising concerns for the economy saw the Shanghai Composite index fall by 22.6%. Much of the weakness across markets occurred in the first three weeks of the month. Thereafter, markets staged a modest recovery as the US Federal Reserve calmed fears around the timing of further rate hikes, and the Bank of Japan announced a significant stimulus plan at month-end involving the introduction of negative interest rates for deposits received by domestic banks.



The Australian share market fell by 5.5% over the month, in-line with the US and European markets. As with offshore markets, most sectors fell, notably Banks (-9.1%) and Materials (-9.5%), except for the defensives that rose modestly such as Telecommunications (+0.7%), Utilities (+0.7%) and REITs (+1.0%). Supporting these latter interest rate sensitive sectors were significant falls in long-term government bond yields both here and abroad.

Company Details

ASX code	AEG
Listing date	16 December 2015
Share price	1.335
Net assets per share*	1.086
Market capitalisation (A\$)	121,363,636
Shares on issue	90,909,091

Portfolio Snapshot

Long exposure	Month End	51.4%
Short exposure	Month End	-48.6%
Net Market Exposure	Month End	2.8%

Most Profitable Pairs for the Month

Long	Resmed (RMD)	Short	Ansell (ANN)
Long	Harvey Norman (HVN)	Short	Myer (MYR)
Long	REA Group (REA)	Short	Nine (NEC)

Least Profitable Pairs for the Month

Long	Computershare (CPU)	Short	ASX Limited (ASX)
Long	Beach Energy (BPT)	Short	AGL Limited (AGL)
Long	Ramsay (RHC)	Short	Primary, Healthscope (PRY, HSO)

Contact Details

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The Pro-Forma Balance Sheet as published on 15 December 2015 shows an after tax pro-forma NTA of 1.075 at Inception Date. The before unrealised tax equivalent pro-forma NTA at Inception Date was 1.065. The difference is due to the resulting deferred tax asset arising on the capitalised costs associated with the initial public offering. The NTA performance calculation in the Newsletter uses the before unrealised tax basis of 1.065.

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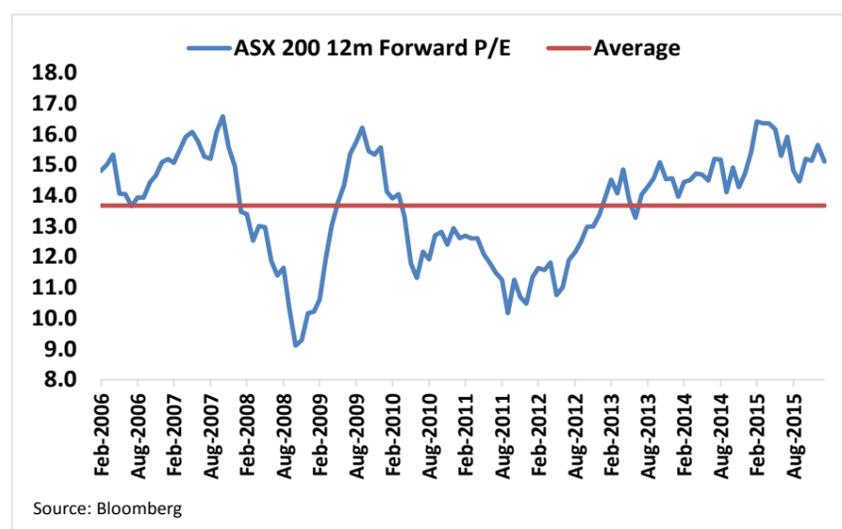
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Outlook

A reader may ask: how much (more) does the market need to fall in order to take a more constructive view of the outlook? As a market-neutral investor, we do not spend much time focussed on either the level or direction of the market. Nonetheless, we observe prices and valuations every day. And our observation remains that despite a healthy correction over the last 9 months (the ASX 200 is down ~17% since its post GFC peak of 6,000 in April 2015), valuations are still not inviting by historical standards (see below chart). Without compelling valuation support, a sustained rally in equities cannot be expected without the passing of the current corporate earnings malaise.

For the coming month, your investment team will be most focussed on the results and outlook flowing from the February profit reporting season. While the majority of listed companies only report interim financial results (as opposed to full year financial accounts), it nonetheless is a very important time for investors.



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.

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