

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 July 2016

Net Tangible Assets (NTA)

NTA before unrealised tax	\$1.092
NTA after tax	\$1.094

Since the outstanding Loyalty Options have a \$1.10 strike, conversions when the NTA is less than \$1.10 will not result in NTA dilution. \$ currency notation refers to Australian Dollars.

Performance

The Portfolio returned +1.38% in July. Performance was reasonably concentrated this month, with our top pair (Long Bluescope / Short Sims Metal) the standout contributor following a strong trading update from Bluescope in mid-July. The rest of the portfolio was evenly mixed with positive contributions from pair positions in the Industrial and Healthcare sectors offset by two Financials pairs and a position in the Infrastructure/Utilities sector. Our main portfolio change over the month involved exiting our position in Caltex.

Falling bond yields globally saw renewed flows into equity markets from yield-seeking investors and added valuation support in some long duration sections of the market. As we have experienced over time, such activity often involves short covering and is not conducive to fund returns in the short term.

Market Commentary

Share markets worldwide recovered during July following falls in the prior month in the wake of the Brexit vote. Markets started the month with trepidation but soon rallied with help from the United States following supportive economic data (specifically, higher payrolls and lower jobless claims) and a generally solid second quarter earnings season. In all, the US S&P500 Index climbed +3.6% and the NASDAQ Composite Index rose +6.6%, while Europe increased +3.4% (MSCI Europe Index) including a +6.8% rise for the German DAX Index. Japan also bounced by +6.4% (Nikkei Index) following a sharp sell-off in June, while the rest of Asia was up +4.6% (MSCI Index ex Japan Index). Interestingly the bullishness seen in equities over July wasn't mirrored by a sell-off in bond markets, with yields instead declining to record new lows across all major economies. This rally presumably reflected continuing expectations of supportive monetary policy and a lack of concern for future inflation expectations.

Australian shares followed the lead of offshore markets with a rise of +6.3% (S&P/ASX 200 Index). Gains were broad-based with all major sectors rallying at least 4%. The only sector that was absent a rise was Energy, which was flat for the month due to a retreat in the price of crude oil (down -14% over the month from about US\$50 per barrel to closer to US\$40 per barrel). Other commodities remained buoyant with gains across the bulks (iron ore and coal) and base metals (copper, zinc, nickel) further extending a remarkable recovery over the course of 2016. As shown in the chart below, the Materials sector, which is dominated by the major diversified miners, BHP and Rio Tinto, has been the strongest performing sector so far this calendar year. *Continued overleaf.*

NTA* Performance

1 month	+1.38%
Since inception	+2.50%

*Before unrealised tax

Company Details

ASX codes	Shares: AEG , Options: AEGO
Listing date	16 December 2015
Share price	\$1.160
NTA* per share	\$1.092
Market capitalisation	\$105,915,223
Shares on issue	91,306,227
Options on issue	72,023,949
Option expiry date	17 November 2017

*Before unrealised tax

Portfolio Snapshot

Long exposure	Month End	49.4%
Short exposure	Month End	-50.6%
Net market exposure	Month End	-1.2%

Most Profitable Pairs for the Month

Long	Bluescope Steel (BSL)	Short	Sims Metal (SGM)
Long	Aristocrat (ALL)	Short	Tabcorp (TAH)
Long	Oil Search (OSH)	Short	Santos Ltd (STO)

Least Profitable Pairs for the Month

Long	Computershare (CPU)	Short	ASX (ASX)
Long	Beach Energy (BPT)	Short	AGL Energy (AGL)
Long	Henderson Group (HGG)	Short	AMP (AMP)

Contact Details

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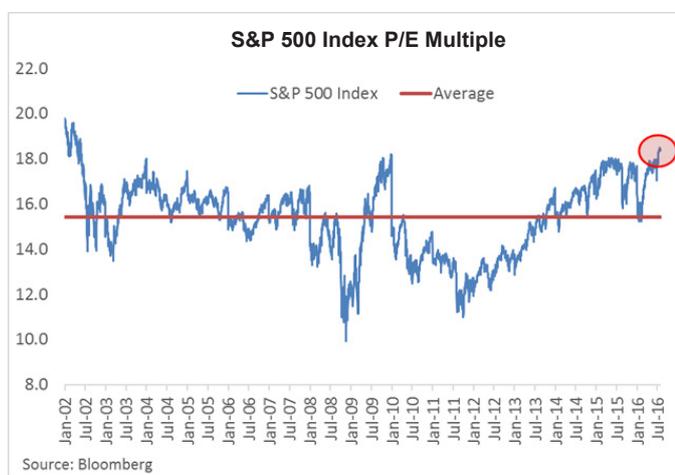
As at 31 July 2016



The Australian Federal election was somewhat of a non-event for the share market, with the Liberal/ National Coalition remaining in government but with a reduced majority in the Lower House and a continued need to negotiate with various minor parties in the Upper House.

Outlook

As we've highlighted in prior monthly reports, much of the progress of equity markets in recent years has been more driven by liquidity factors pushing up earnings multiples, rather than from earnings growth itself. July was no different with multiple expansion taking the S&P500 Index price/earnings (P/E) ratio to a level not seen since 2002.



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

Monthly Table of NTA* Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-0.23%	2.28%	-7.20%	-2.89%	8.53%	-0.92%	1.38%						0.28%
2015	-	-	-	-	-	-	-	-	-	-	-	2.25%	2.25%

*Before unrealised tax. Past performance is not a reliable indicator of future performance.



Important Disclaimer

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