

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 March 2016

Net Tangible Assets (NTA)

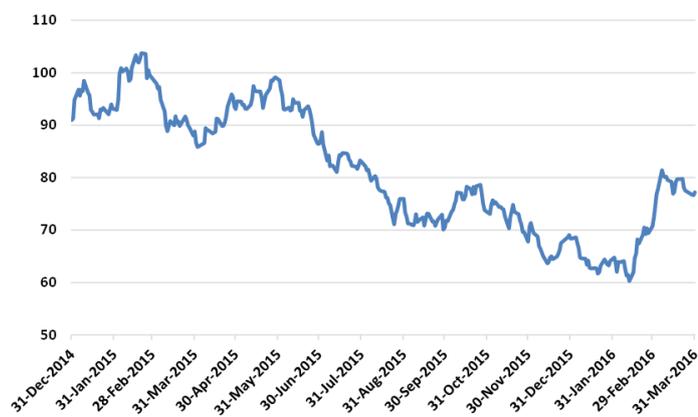
NTA before unrealised tax	1.031
NTA after tax	1.052

Not adjusted for the Loyalty Options outstanding

Performance

Performance in March was disappointing with a return of -7.2%. The short book drove the under-performance with a negative return contribution approximately twice the size of the positive return generated from the long book. By way of pairs, loss-making pairs outnumbered profitable ones, again by a ratio of about two to one. Other than the higher A\$ impacting performance given our modest bias toward offshore earners, a clear thematic during March that hurt returns was a reversal out of higher return / quality names in favour of lower return / value names (the latter of which features among the short positions in our portfolio). Indeed, a review of our short book shows that across the top 10 losing positions in March, not one of these stocks actually rallied in sympathy with positive earnings revisions. That is, all of the price action was driven by sentiment and liquidity factors as opposed to fundamental earnings. Data from Citigroup shows the move in the top 20 most shorted stocks in the Australian market from late February to March.

S&P / ASX 200 - Index of Top 20 Most Shorted Stocks



Source: Citigroup, Bloomberg

As our investment philosophy has always centred upon fundamentals, the outlook of which hasn't changed since last writing, we have not responded to the events of March with any notable portfolio changes.

Market Commentary

Following weak performances in January and February, share markets around the world bounced during March as markets were reassured by comments from central banks that loose monetary policy will remain the norm for the foreseeable future. The US share market was the standout developed-world market to bounce with the S&P 500 Index up +6.6% and finished the first quarter of 2016 in positive territory (+0.8%). A recent Bloomberg article put the turbulence of the US market over the last three months in perspective – it was the first quarter since 1933 that the US market had fallen by more than 10% (reached 11 February) but still finished in positive territory (see below chart). Elsewhere across the world, Europe gained only modestly (MSCI Europe +1.0%), Japan was up +4.6% (Nikkei Index), while China's Shanghai Composite Index rallied +11.8% but still ended the quarter down -15.1%.

NTA* Performance

1 month	-7.20%
Since inception	-3.17%

*Before unrealised tax

Company Details

ASX code	AEG
Listing date	16 December 2015
Share price	1.15
NTA* per share	1.031
Market capitalisation (A\$)	104,545,455
Shares on issue	90,909,091

*Before unrealised tax

Portfolio Snapshot

Long exposure	Month End	50.1%
Short exposure	Month End	-49.9%
Net Market Exposure	Month End	0.2%

Most Profitable Pairs for the Month

Long	Bluescope Steel (BSL)	Short	Ancor (AMC)
Long	Challenger (CGF)	Short	ANZ (ANZ)
Long	Beach Energy (BPT)	Short	AGL Energy (AGL)

Least Profitable Pairs for the Month

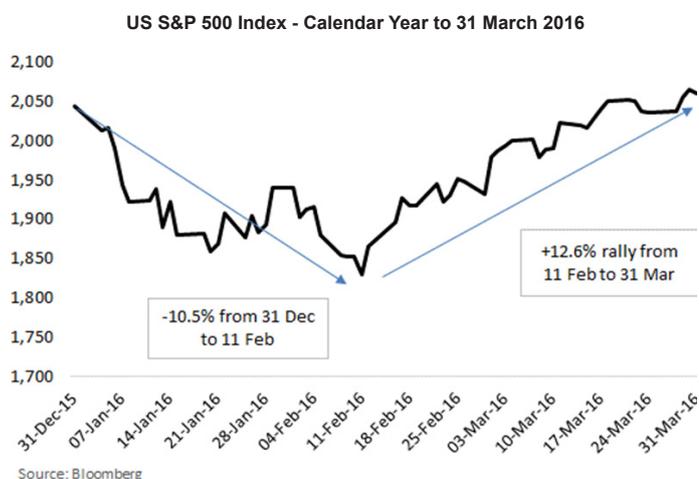
Long	Ramsay (RHC)	Short	Primary (PRY), Healthscope (HSO)
Long	Resmed (RMD)	Short	Ansell (ANN)
Long	Asciano (AIO)	Short	Cimic (CIM)

Contact Details

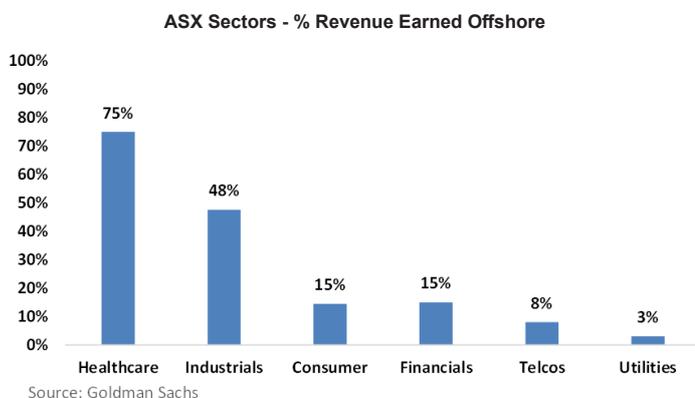
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In Australia, the S&P/ASX 200 Index rallied +4.1%, resulting in a quarter return of -4.0%. Gains during March were broad-based with strong rises seen in Banks (+6.5%) and Resources (+5.5%) while Utilities (+0.5%), Telcos (+1.9%) and REITs (+2.4%) lagged. The exception to gains over the month was the Healthcare Index (-0.5%) which in no small part was adversely impacted by the strong bounce in the Australian dollar (+7.2% to US\$, +2.5% Euro, +3.9% British Pound, +7.1% Japanese Yen). As shown in the following chart, the Healthcare sector is head and shoulders above other ASX 200 sectors regarding the portion of revenues derived from overseas versus domestically.



Outlook

Given generally lacklustre earnings momentum, we see share markets as remaining heavily influenced by the comments and actions of central banks across the US, UK, Europe and Japan. Where policy settings are seen to be reaching their limits (e.g. the move to now negative official interest rates), many now question what else can be done to revive demand and defend against deflation. It is certainly not lost on authorities that Japan, which has been on a sub 1% policy rate for the last 20 years now,

has failed to achieve a sustained economic recovery. Accordingly, there is increasing conjecture as to whether the next chapter of policy reform involves central banks creating money to fulfil fiscal stimulus measures (the infamous helicopter drops). Whether such initiatives are adopted is unclear, but our expectation would be that direct transfers of money into the economy would be a far more challenging development for bondholders than equity 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.