

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 May 2016

Net Tangible Assets (NTA)

NTA before unrealised tax	\$1.087
NTA after tax	\$1.091

Not adjusted for the Loyalty Options outstanding. \$ currency notation refers to Australian Dollars.

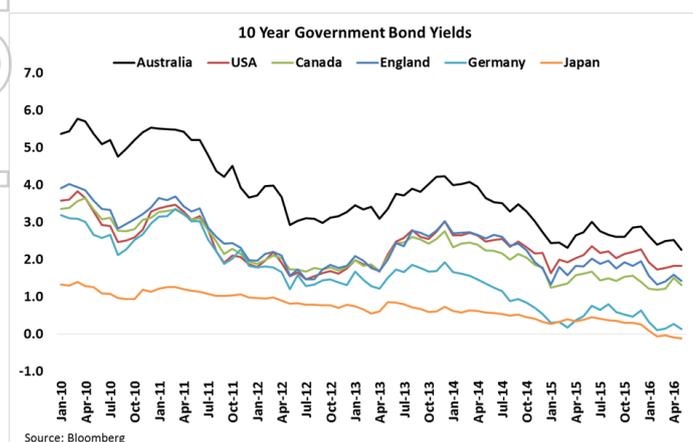
Performance

The portfolio performed strongly during May with a net return of +8.53%. Company fundamentals dictated portfolio returns, in contrast to macro factors dominating in March and April. Specific pairs that helped performance included: 1) long Aristocrat / short Tabcorp, with Aristocrat rallying 29% following a strong trading update and outlook as it continues to gain market share from competitors in Australia and the US; 2) long Macquarie / short IOOF, with Macquarie reporting a solid FY16 profit while IOOF lowered its earnings guidance; and 3) long Qantas / short Flight Centre where Flight Centre guided profit lower.

Market Commentary

Share markets overall achieved small positive gains during May. The US (S&P500 Index +1.5%) was buoyed by a rebound in April consumer spending data as well as upbeat commentary from the Federal Reserve regarding various economic indicators and reassurance that further increases in interest rates will be managed "gradually and cautiously". Elsewhere, Europe gained +1.5% (MSCI Europe Index), Japan was up +3.4%, while the rest of Asia was slightly weaker (-1.6% MSCI Asia ex Japan).

The Australian share market rose +2.4% (S&P/ASX 200 Index) for the month and has now bounced +13% since its recent mid-February low. In contrast to the drivers of April's gain, this month saw the resources and energy sectors pause while the rest of the market rallied on the back of the RBA's decision to cut the official cash rate another 0.25% to 1.75%. The RBA also downgraded forward inflation expectations (recent data has been weak), paving the way for further rate cuts. Naturally the RBA's move and commentary prompted a sell-off in the A\$ (down -4.9% vs the US\$), as it did a sharp rally in short-term fixed interest markets with the 2-year Australian government bond yield falling from an already low 2% at the start of May to 1.65% at month end. As readers would know, falling bond yields in Australia are not simply the result of domestic conditions, but instead part of a global backdrop of loose policy settings by the major central banks as they battle on-going deflationary pressures and a lack of demand for credit. The following chart shows the trend in the yield of the Australian 10-year government bond vs various offshore equivalents. Note that yields in Japan turned negative in February, meaning a buyer of such a security today is assured of receiving less money back (in nominal terms) than their initial outlay (assuming held to maturity).



NTA* Performance

1 month	8.53%
Since inception	2.05%

*Before unrealised tax.

Company Details

ASX code	AEG
Listing date	16 December 2015
Share price	\$1.180
NTA* per share	\$1.087
Market capitalisation	\$107,272,727
Shares on issue	90,909,091

*Before unrealised tax.

Portfolio Snapshot

Long exposure	Month End	50.0%
Short exposure	Month End	-50.0%
Net market exposure	Month End	0.0%

Most Profitable Pairs for the Month

Long	Aristocrat (ALL)	Short	Tabcorp (TAH)
Long	Macquarie (MQG)	Short	IOOF (IFL)
Long	Qantas (QAN)	Short	Flight Centre (FLT)

Least Profitable Pairs for the Month

Long	Bluescope (BSL)	Short	Amcors (AMC)
Long	Caltex (CTX)	Short	Metcash (MTS) / Woolworths (WOW)
Long	Commonwealth Bank (CBA)	Short	Bendigo Bank (BEN)

Contact Details

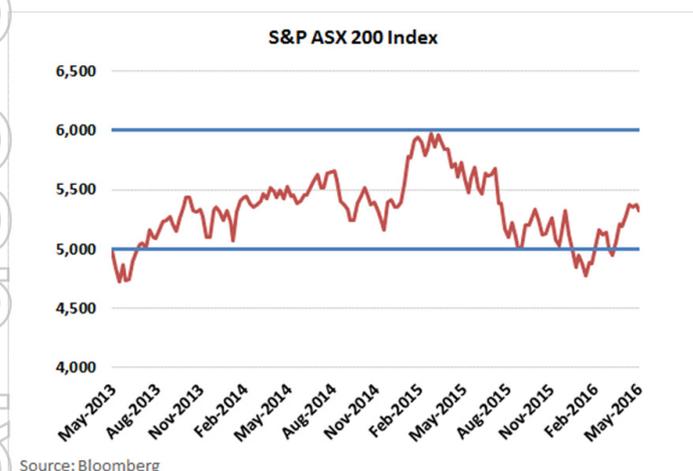
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Outlook

The S&P/ASX 200 Index has been trading between 5,000 and 6,000 for the last three years (see chart below). This range-bound status reflects the counterbalancing effects of supportive policy and liquidity conditions on the one hand, but full valuation multiples and a lack of earnings momentum on the other. Much as there is room for more monetary policy stimulus, we think earnings improvement holds the key to a break-out above the 6,000 peak reached in April 2015.



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%								-0.19%
2015	-	-	-	-	-	-	-	-	-	-	-	2.25%	2.25%

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



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.