

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

As at 31 January 2017

### Net Tangible Assets (NTA)

NTA before tax	\$0.989
NTA after tax	\$1.031

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's performance in January was a welcome turnaround with the standout driver our long BlueScope / short Sims Metal Group pair following a large profit upgrade from BlueScope ahead of their interim financial result. Also helping performance were our pairs in the Health Care sector, most notably long CSL Limited / short Sonic Healthcare on the back of a profit upgrade from CSL. The only pair of disappointment for the month was long Brambles / short Amcor following an unexpected profit warning from Brambles in late January, referencing a material slowdown in sales growth over the previous few months. Overall, we were pleased with the attribution of fund returns seemingly driven by fundamentals (i.e. company specific factors) more than macro factors.

We made a few changes to the portfolio over the month. We introduced a new pair in the Energy sector and we reduced a short position in a mining-related pair, replacing it with a new short with exposure to resources. We also closed a building materials pair in response to a significant change in relative earnings prospects.

### Market Commentary

January experienced a mixed performance across global share markets. US markets finally enjoyed their first January rise in five years with S&P 500 Index up +1.8%, Dow Jones Index up +9.4%, and Nasdaq Composite Index up +4.3%. European share markets paused, with the MSCI Europe Index down -0.4% after rallying strongly in December. Asian markets were also a mixed bag with Japan flat (Nikkei Index -0.4%) but the rest of Asia strong (MSCI Asia ex Japan Index +6.2%) driven by Singapore and Hong Kong.

For Australia, the local market declined slightly (S&P/ASX 200 Index -0.8%) with market spirits upbeat in the first week of trading followed by a faltering. Most sectors declined over the month with the largest falls seen in Consumer Discretionary (-4.0%) and REITs (-4.9%). On the other side was continued momentum in the Materials sector with resource stocks buoyed by gains of 5-10% in gold and base metals. Another notable sector to rally was Health Care (+5%) driven by the ASX's largest healthcare company, CSL, announcing a profit upgrade in late January.

### NTA\* Performance

1 month	4.91%
Since inception	-7.09%

\*Before tax

### Company Details

ASX codes	Shares: AEG , Options: AEGO
Listing date	16 December 2015
Share price	\$1.050
NTA* per share	\$0.989
Market capitalisation	\$97,028,429
Shares on issue	92,408,028
Options on issue	70,515,907
Option expiry date	16 November 2017

\*Before tax

### Portfolio Snapshot

Long exposure	Month End	51.2%
Short exposure	Month End	-48.8%
Net market exposure	Month End	2.4%

### Most Profitable Pairs for the Month

Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	Ramsay Health Care (RHC)	Short	Primary (PRY) / Healthscope (HSO)

### Least Profitable Pairs for the Month

Long	Brambles (BXB)	Short	Amcor (AMC)
Long	ALS (ALQ)	Short	Orica (ORI)
Long	Adelaide Brighton (ABC)	Short	Boral (BLD)

### Contact Details

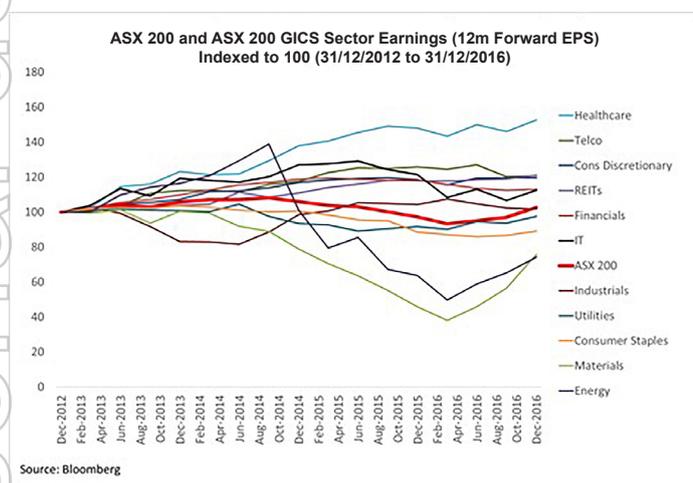
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## Outlook

As we noted in our December report, there is currently renewed optimism for an uptick in global economic growth which should support a recovery in earnings momentum, something that has been lacking for many markets over recent years (the US being the exception). However, such commentary is thus far a prediction rather than an observation. As shown in the below chart, a break-down of the S&P/ASX 200 across its 11 sector classifications shows that the only earnings recovery in recent times has come from the Materials (resources) and Energy sectors. With these sectors representing approximately 20% of the overall market, further earnings progress needs to come from the remaining 80% of the market (in particular, Financial which is 35% of the overall index). The February reporting season will provide some guidance as to potential for this over calendar 2017.



## 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
Justin Hay	Senior Analyst
Daniel Sanelli	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
2017	4.91%												4.91%
2016	-0.23%	2.28%	-7.20%	-2.89%	8.53%	-0.92%	1.38%	-5.90%	-1.06%	-1.73%	-2.32%	-3.31%	-13.39%
2015	-	-	-	-	-	-	-	-	-	-	-	2.25%	2.25%

\*Before 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. 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.