

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 30 September 2017

Net Tangible Assets (NTA)

NTA before tax	\$1.063
NTA after tax	\$1.096

Since the outstanding Loyalty Options have a \$1.10 strike, option exercises when the NTA is greater than \$1.10 will result in NTA dilution. \$ currency notation refers to Australian Dollars.

Performance

The Portfolio experienced a much better month with two-thirds of pairs generating positive returns. Reflecting the volatility of monthly measurement, the three most positive pairs in September had been materially negative in August. Xero had a strong month following the annual Xerocon conference which reinforced the positive outlook leading to the long Xero (XRO) / short MYOB (MYO) pair being our strongest. Long BlueScope Steel (BSL) / short Sims Metal (SGM) generated a good return due to SGM underperforming as steel scrap prices fell. Amongst our losing pairs only one, long James Hardie (JHX) / short CSR was significant, which was largely due to the stronger aluminium price, supportive of CSR's exposure to the Tomago aluminium smelter.

Our long portfolio generated a positive return in a negative month for equities. The short portfolio was the key driver though, contributing three-quarters of the Portfolio's return – perhaps reflecting a hangover after the reporting season inspired enthusiasm.

We note the level of variation in performance month-by-month is not inconsistent with our history, although we do currently observe more day-to-day volatility in the market around news and events than in the past.

Market Commentary

Share markets lifted in September 2017 with gains across most major markets. The US managed a solid rise of +1.9% (S&P 500 Index) despite heightened political tensions with North Korea. Europe was also strong with France +4.8% (CAC 40 Index) and Germany +6.4% (DAX Index), although the UK was down -0.8% (FTSE 100 Index) on Brexit commentary and a stronger pound (+3.6% vs US\$ and +4.4% vs Euro). Asian markets were mixed with Japan and South Korea up modestly, but China and Singapore down.

The Australian share market continued to lag offshore markets with a loss of -0.6% (S&P/ASX 200 Index) for the month. As shown in the chart on the next page, the S&P/ASX 200 has failed to achieve any price appreciation so far in 2017, which stands in contrast to all other major offshore markets where price indices are up in local currency between +7% (Europe, Japan) and +20% (US Nasdaq Index, HK Hang Seng Index). The lacklustre performance of the Australian market is a reflection of its concentrated composition in which oversized sectors and stocks (namely the four major banks, Telstra, Wesfarmers and Woolworths) are struggling either to grow or maintain their competitive position. Accordingly it is up to the rest of the market to drive any meaningful capital appreciation: for example, further strength in the Materials sector, continued solid growth from Health Care, a lift in Consumer Discretionary, etc.

NTA* Performance

1 month	3.61%
3 months	-4.48%
12 months	4.64%
Since inception (annualised)	-0.09%

*Before tax. 'Since inception (annualised)' is annualised NTA performance since listing at \$1.065 after listing related expenses

Company Details

ASX codes	Shares: AEG , Options: AEGO
Listing date	16 December 2015
Share price	\$1.000
NTA* per share	\$1.063
Market capitalisation	\$93,239,363
Shares on issue	93,239,363
Options on issue	69,684,572
Option expiry date	16 November 2017

*Before tax

Portfolio Snapshot

Long exposure	Month End	50.3%
Short exposure	Month End	-49.7%
Net market exposure	Month End	0.6%

Most Profitable Pairs for the Month

Long	Xero (XRO)	Short	MYOB (MYO)
Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	Qantas Airways (QAN)	Short	Flight Centre (FLT)

Least Profitable Pair for the Month

Long	James Hardie (JHX)	Short	CSR (CSR)
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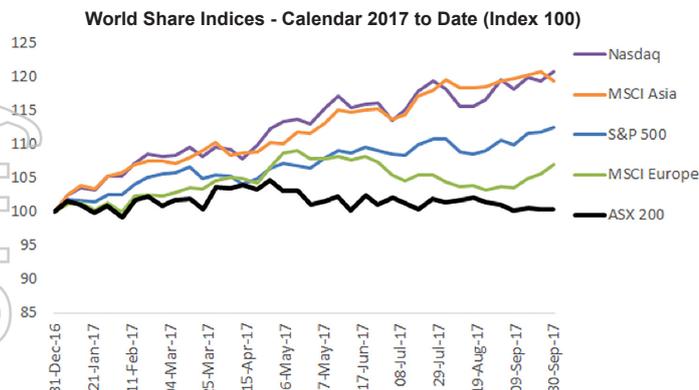
Contact Details

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Market Commentary (continued)

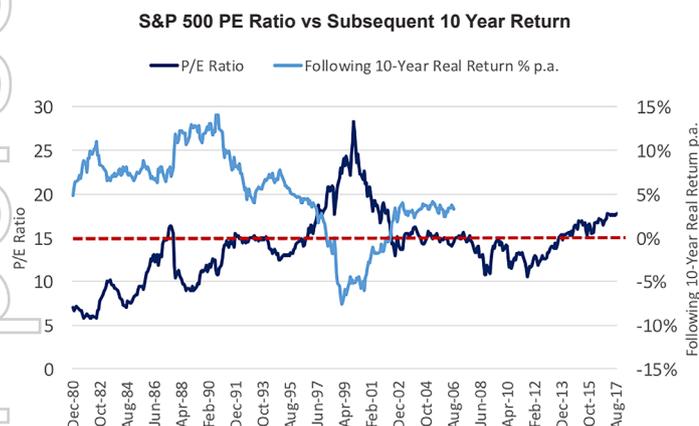


Source: Bloomberg

Outlook

There is no change to our outlook in seeing equities as offering less attractive future returns than enjoyed in recent years. Hindsight is a wonderful thing and looking back, it has been somewhat of a Goldilocks environment for equities in terms of: a) the unprecedented stimulus provided by central banks; b) low starting valuation multiples; and c) improving earnings fundamentals. While earnings fundamentals may continue to remain sound, the graduated reduction in monetary policy stimulus at a point in which valuations are elevated will surely weigh on future returns to equities.

We remind investors that the single most important determinant of future returns is the valuation level (i.e. the price you pay for the future earnings being forecast). Using S&P 500 data, historically a P/E ratio of below 15x has supported positive future real returns, while a ratio above this has been resulted in zero or negative future returns. The S&P 500 P/E currently is 18x.



Source: Bloomberg

Monthly Table of NTA* Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	4.91%	2.06%	0.17%	5.83%	2.80%	1.15%	-1.28%	-6.62%	3.61%				12.73%
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. NTA performance since listing at \$1.065 after listing related expenses. 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.

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

Sam Shepherd	Portfolio Manager
Sam Taylor	Head of Research
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
Tharun Kuppanda

