

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 30 June 2018

Net Tangible Assets Per Share (NTA)

NTA before tax	\$1.186
NTA after tax	\$1.162

\$ currency notation refers to Australian Dollars.

Portfolio Performance

The Company's Portfolio treaded water in June 2018, finishing virtually unchanged following a strong positive return in May. The Portfolio's total return for the fiscal year to 30 June 2018 was +10.9%. Long Woolworths / short Metcash again was a strong pair contributor. Metcash reported full year profits and guided to higher costs and investment to defend its competitive position, which overshadowed the \$125 million share buyback. Our weakest pair for the month was long Mineral Resources / short BHP following changes to Mineral Resources' operations and monetisation strategy at its Wodgina lithium project.

Market Observations

June was a continuation of fortunes observed in May where US markets fared better than other offshore markets in sympathy with trends in economic and corporate earnings data. The market experienced growing concerns on the outlook for trade relations between the world's two largest economies, the USA and China. Asian markets in particular were weak with the Shanghai Composite Index -8%, the Hang Seng Index -5% and Korean Stock Exchange -4%. European markets similarly were down with German DAX Index -2.4%, France 40 Index -1.4% and UK's FTSE100 Index -0.5%. In the US the S&P 500 Index performance of (+0.5%) reflected the economic data where employment, wages, retail sales and manufacturing continue to improve, while the tech-heavy Nasdaq (+0.9%) suffered a pullback late in the month but still managed to post a decent gain overall.

Australia stood out from offshore equities with a healthy return of +3% (S&P/ASX 200 Index). Gains were broad based for the month - in fact most sectors gained, with Energy (+7.8%) the standout on the back of a +10.6% rally in crude oil (+13.2% in A\$), while Information Technology (+6.3%), Consumer Staples (+6.2%) and Utilities (+5.1%) were also strong. The exception, yet again, was Telecommunication Services which fell -5.8% as a result of further declines in Telstra following its investor strategy day. It announced a range of reforms to improve its competitiveness and also guided to substantially lower earnings in FY19 versus market estimates. Since peaking in February 2015, the telecommunications sector has fallen almost 60% in value. While such a decline seems very dramatic, it is worth noting that listed telecommunications companies worldwide have been struggling for a number of years. Chart 1 shows the price index performance of the local Telecommunications Services sector with several offshore equivalents. The chart shows generally flat to down price index performances making them notable laggards versus other sectors and equity markets in general. We attribute the under-performance as a reflection on the deflationary forces inherent in technological change, something that has been more impactful for this industry than others such as mining, healthcare and transport.

NTA* Performance

1 month	0.08%
3 months	6.91%
12 months	10.93%
Since inception (annualised)	5.89%

*Before tax. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated including dividends. 'Since inception (annualised)' is annualised NTA performance since listing at \$1.065 after listing related expenses.

Company Details

ASX code	AEG
Listing date	16 December 2015
Share price	\$1.165
NTA* per share	\$1.186
Dividend yield [†] (fully franked)	3.86%
Shares on issue	101,264,236
NTA*	\$120,068,339

*Before tax, ex-dividend.

[†]Dividends paid over the past 12 months divided by share price stated above.

Portfolio Snapshot

Long exposure	Month End	50.6%
Short exposure	Month End	-49.4%
Net market exposure	Month End	1.2%
Gross market exposure*	Month End	\$557,872,974
Leverage factor (x NTA)	Month End	4.6
Average leverage factor (x NTA)	Since Inception	4.7

*Sum of long and short positions in the Portfolio.

Most Profitable Pair for the Month

Long	Woolworths (WOW)	Short	Metcash (MTS)
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Least Profitable Pair for the Month

Long	Mineral Resources (MIN)	Short	BHP Billiton (BHP)
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Contact Details

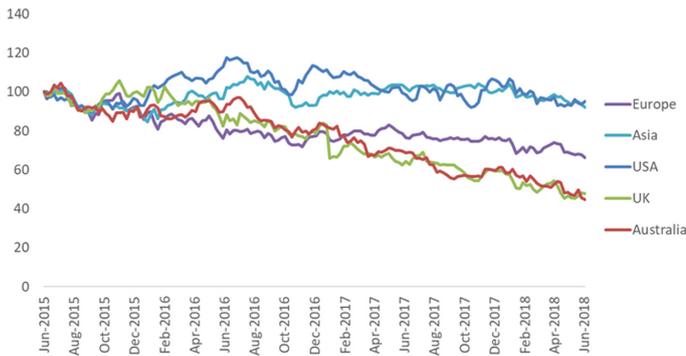
Company	Absolute Equity Performance Fund Limited (ACN 608 552 496)
Address	Level 12, Grosvenor Place, 225 George St, Sydney, NSW 2000
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Email	info@aepfund.com.au
Website	www.aepfund.com.au

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Market Observations *continued*

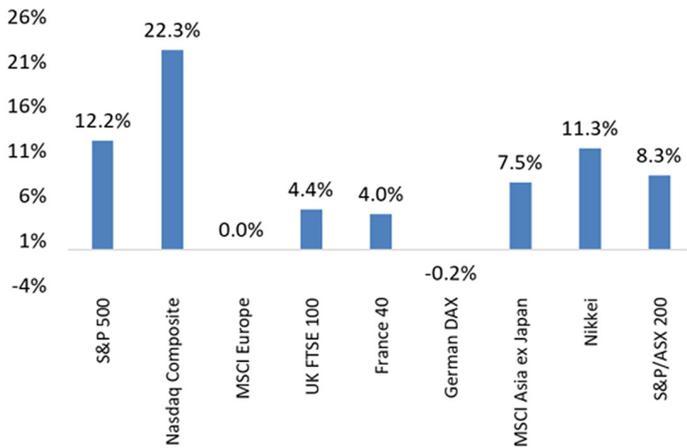
**Chart 1: Telecommunications Share Price Indices
3 Years to 30 June 2018 (Index 100)**



Source: Bloomberg

For the fiscal year to 30 June 2018, sharemarkets overall were more varied than fiscal 2017 when all indices posted strong gains. As Chart 2 shows, US markets gained strongly while Europe was subdued and Asia somewhere in between. Australia managed a gain of +8.3%, which combined with a dividend yield of 5% resulted in a total shareholder return of +13.3%.

Chart 2: Share Price Index Returns - 12 Months to 30 June 2018



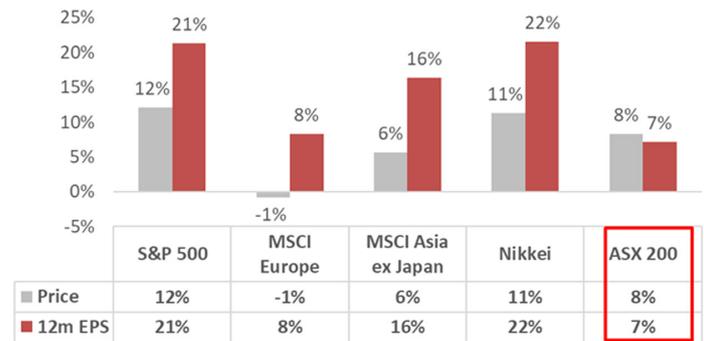
Source: Bloomberg

What about quality? Chart 3 shows price gains for various equity indices against the change in 12 month forward Earnings Per Share (EPS). The idea of including this is to observe whether price gains are being supported by earnings delivery (i.e. fundamentals) or otherwise (e.g. sentiment, liquidity).

The grey-coloured columns represent the price change, the red columns the EPS change. For the most part, earnings change was greater than price change over the fiscal year. This is different to fiscal 2017 when price gains outpaced earnings (except in Australia) resulting in Price/Earnings (P/E) ratios further rising to elevated levels versus historical norms.

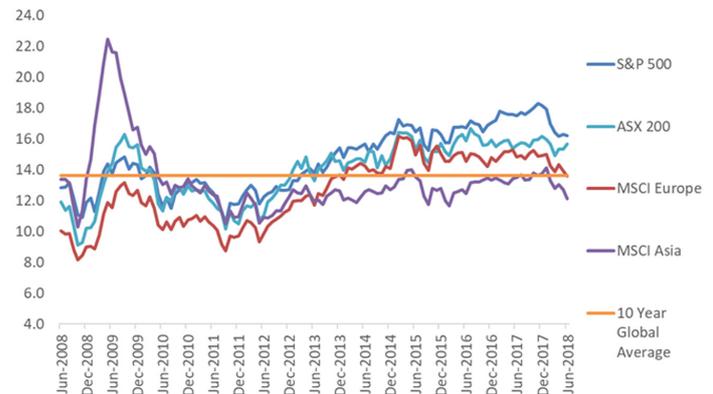
This year P/E ratios have instead declined and we interpret this development as evidence of the impacts to the valuation of all asset classes (equities included) in the face of the world's central banks commencing the unwinding of very loose monetary policy settings. Given policy settings on the whole remain very accommodative and given geopolitical tensions appear more strained than recent memory, we do not rule out further multiple compression of P/E's in the coming fiscal year.

Chart 3: Share Market Returns - 12 Months to 30 June 2018



Source: Bloomberg

**Chart 4: World Share Market P/E Ratios
(rolling 12m forward)**



Source: Bloomberg

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As at 30 June 2018

Investment Team

Sam Shepherd	Portfolio Manager
Sam Taylor	Head of Research
Steven Lambeth	Senior Analyst
Justin Hay	Senior Analyst
Daniel Sanelli	Analyst

Directors

Marc Fisher (Chair)
Graham Hand
Andrew Reeve-Parker

Investment Manager

Bennelong Long Short Equity Management Pty Ltd.

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.

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.

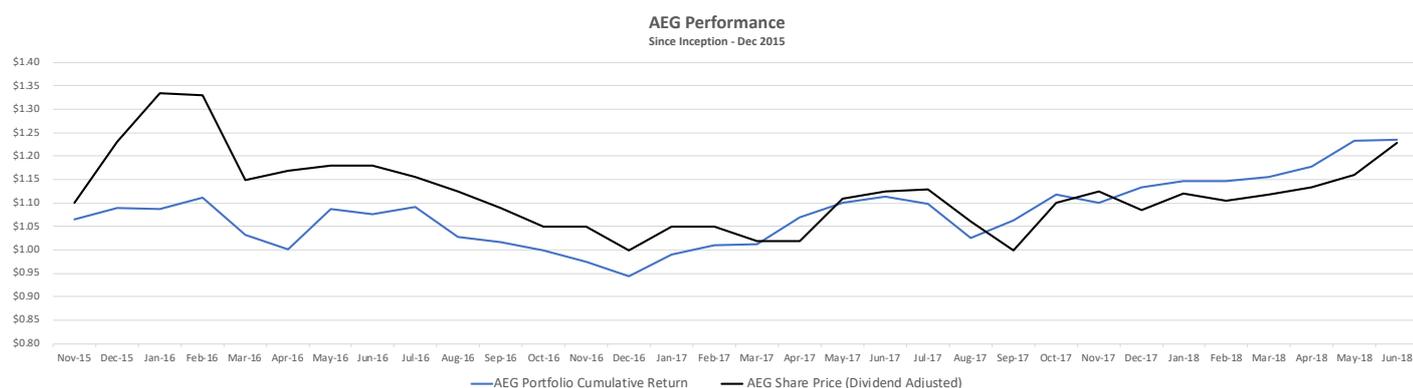
Company Secretaries

Jeff Phillips
Tharun Kuppanda

Monthly Table of NTA* Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	1.27%	-0.15%	0.76%	1.98%	4.75%	0.08%							8.93%
2017	4.91%	2.06%	0.17%	5.83%	2.80%	1.15%	-1.28%	-6.62%	3.61%	5.26%	-1.58%	2.93%	20.19%
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. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated on a pre-dividend NTA basis.



*These calculations are unaudited. 'AEG Portfolio Cumulative Return' is intended to illustrate the performance of the investment portfolio net of corporate expenses and manager fees, and including the hypothetical reinvestment of dividends.



Important Disclaimer

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