



Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 October 2018

Net Tangible Assets Per Share (NTA)

| | |
|----------------|---------|
| NTA before tax | \$1.102 |
| NTA after tax | \$1.105 |

\$ currency notation refers to Australian Dollars.

Portfolio Performance

The Company's Portfolio fared poorly in a month which featured elevated market volatility, general weakness, corporate activity and a plethora of updates to earnings guidance at Annual General Meetings.

In company earnings and guidance updates, both the long and short portfolios experienced a favourable bias of upgrades and downgrades. In addition, one of our short positions gained from the announcement of an asset sale which the market received very negatively.

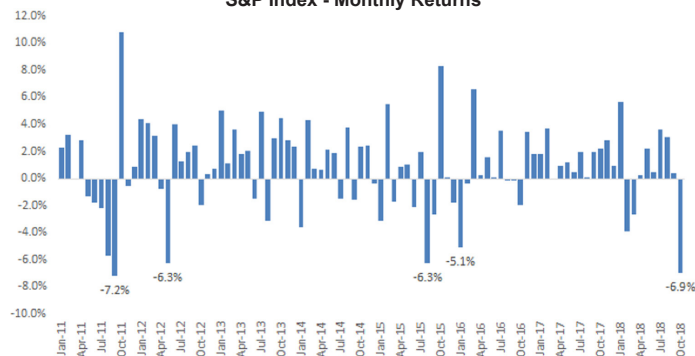
However, company fundamentals were overwhelmed by the market favouring defensive traits in preference to operating and fundamental performance. This is not unusual in this type of environment. There was an element of mean reversion in our September and October performance following our strong August result.

The Portfolio's value was also hit by an indicative bid by private equity firm KKR for MYOB. The Portfolio is long Xero (XRO) / short MYOB (MYO). This pair accounted for one-third of our negative return for the month. The timing was especially unfortunate as it was announced the day before the start of the US tech stock correction, leaving our XRO position unsatisfactorily hedged. Whilst it was a significant cost for the Company in October, even post the bid the pair has been profitable. Our historic sale price for the short on MYOB is around the post-bid share price, however our buy price for XRO is less than half the current share price. It is often the case that takeovers can be preceded by lengthy periods of poor performance by the target.

Market Observations

It was a weak month for equity markets. The US S&P500 Index declined -6.9%, its biggest monthly setback since September 2011. The tech-focused Nasdaq Composite Index fell -9.2%, its worst calendar month since February 2009. European markets similarly declined mid-to-high single digits (UK FTSE Index -5.1%, France CAC 40 Index -7.3%, German DAX Index -6.5%) while Asian markets fared worse with the Japan Nikkei Index down -9.1% and MSCI Asia ex Japan -10.9%.

S&P Index - Monthly Returns



Source: Bloomberg

NTA* Performance

| | |
|------------------------------|--------|
| 1 month | -6.90% |
| 3 months | -1.36% |
| 12 months | 4.85% |
| Since inception (annualised) | 3.38% |

*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 | \$1.140 |
| NTA* per share | \$1.102 |
| Dividend yield [†] (fully franked) | 3.95% |
| Shares on issue | 101,508,804 |
| NTA* | \$111,842,692 |

*Before tax.

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

Portfolio Snapshot

| | | |
|---------------------------------|-----------------|---------------|
| Long exposure | Month End | 50.1% |
| Short exposure | Month End | -49.9% |
| Net market exposure | Month End | 0.2% |
| Gross market exposure* | Month End | \$510,517,823 |
| 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.

Top Pairs for the Month

| | | | |
|------|--------------------------|-------|-----------------------------------|
| Long | Orica (ORI) | Short | Downer EDI (DOW) |
| Long | Ramsay Health Care (RHC) | Short | Primary (PRY) / Healthscope (HSO) |
| Long | Woolworths (WOW) | Short | Metcash (MTS) |

Bottom Pairs for the Month

| | | | |
|------|-----------------------|-------|-----------------|
| Long | Xero (XRO) | Short | MYOB (MYO) |
| Long | TPG Telecom (TPM) | Short | Telstra (TLS) |
| Long | Iluka Resources (ILU) | Short | Rio Tinto (RIO) |

Contact Details

| | |
|--------------|--|
| Company | Absolute Equity Performance Fund Limited (ACN 608 552 496) |
| Address | Level 12, Grosvenor Place, 225 George St, Sydney, NSW 2000 |
| Phone Number | 02 8016 2819 |
| Email | info@aepfund.com.au |
| Website | www.aepfund.com.au |

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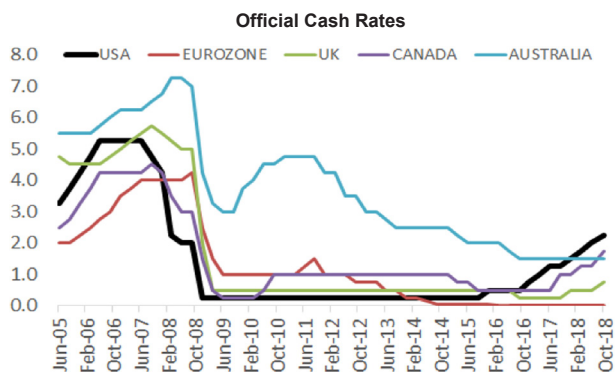
As at 31 October 2018

Market Observations (continued)

The Australian share market performed in lock-step with offshore markets, posting a decline of -6.1% in the ASX/S&P200 Index. All industry sectors declined during the month with Energy (-10.5%) and Information Technology (-11.3%) sectors hardest hit in sympathy with a weaker oil price (Crude Oil -11%) and the sell-off in tech sectors worldwide.

To a significant extent, the more fragile progress of share markets in the last 12 months reflects changing monetary policy settings from the major central banks who implemented unprecedented stimulus measures in the aftermath of the GFC. They have only recently begun unwinding these settings. While the programmes to normalise monetary policy are gradual and orderly, they nevertheless mark the end of the prior tailwind. There is now an absence of a large known buyer of various financial assets that impacted the pricing of many asset classes, including equities. To put the normalisation process in perspective, the following charts show:

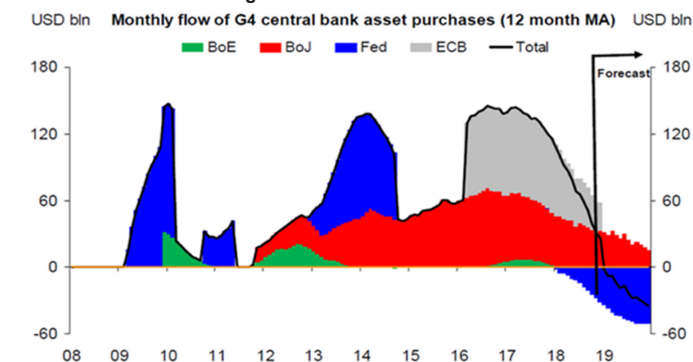
1) The starting point of short-term interest rates set by the central banks:



Source: Bloomberg

2) Deutsche Bank has estimated the profile of net asset buying by each of US Federal Reserve, European Central Bank, Bank of England and Bank of Japan. In aggregate, central banks are reversing the process of expanding liquidity and are now withdrawing it.

QE coming to an end will have significant implications for global fixed income markets



Source: DB Global Research, Fed, ECB, BoJ, BoE, Haver Analytics

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 (Chair)

Graham Hand

Andrew Reeve-Parker

Company Secretaries

Jeff Phillips

Lisa Dadswell

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

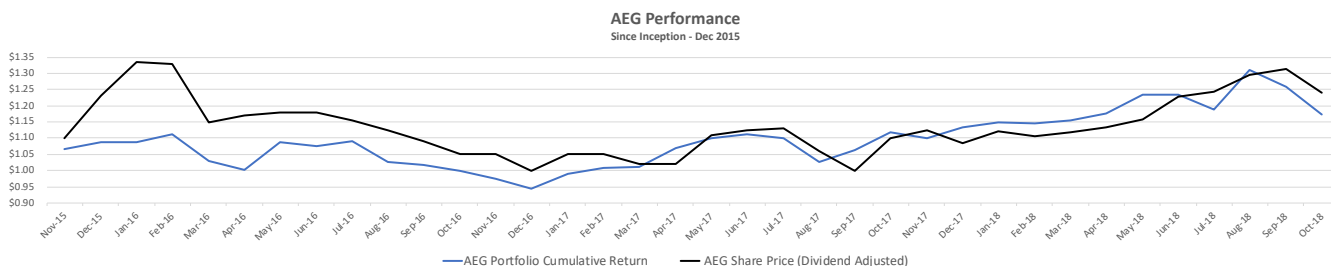
Bennelong Long Short Equity Management Pty Ltd.

Investment Team

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

| | 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% | -3.67 | 10.22% | -3.87% | -6.90% | | | 3.51% |
| 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

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.

