

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 30 September 2018

Net Tangible Assets Per Share (NTA)

NTA before tax ex-dividend*	\$1.185
NTA before tax pre-dividend	\$1.210
NTA after tax ex-dividend	\$1.164

*This is after the deduction of a 2.5 cent per share dividend which Shareholders on the Company's register as of 19 September 2018 are entitled to. This dividend is payable on 19 October 2018. \$ currency notation refers to Australian Dollars.

Portfolio Performance

The Portfolio produced a disappointingly weak -3.87% return for the month. A lack of profitable pairs (long positions matched with short positions) was the most notable feature. Our short portfolio produced a small positive return in the month whilst our long portfolio fell with the market. At the pair level, around one-third of the pairs were positive - a more typical outcome is that between a half and two-thirds of pairs tend to be profitable. In addition, the top three pairs' contribution was modest. The bottom three pairs' contribution was typical. Some of the bigger moves during August sparked some profit taking in September.

Post-reporting season there was limited fundamental news during the month. Noteworthy for the Portfolio was a strong TPG Telecom FY18 result. The Portfolio is long TPG Telecom (TPM) / short Telstra (TLS). We gained a greater understanding of the benefits of the proposed merger with Vodafone and are very optimistic about it. Surprising the market, Sims Metal (SGM) downgraded their guidance only four weeks after delivering their most recent results and guidance. The Portfolio is long BlueScope Steel (BSL) / short Sims Metal (SGM).

Market Observations

Share markets worldwide delivered mixed performances. The Australian market was a notable laggard (S&P/ASX 200 Index -1.8%) with weakness across many sectors including Health Care (-8%), Consumer (-4%) and Financials (-2%). The interest rate sensitives fell (Utilities -4%, A-REITs -2%) on the back of a rise in bond yields. Offshore markets fared better but gains were limited (US S&P 500 Index +0.4%, MSCI Europe +0.4%) except for Japan's Nikkei Index which rallied +5.5% thanks to weakness in the yen.

In September, 10-year government bond yields increased across all the major developed economies. The US has seen its 10-year Treasuries climb to over 3%, its highest level in five years. However, yields are not only rising at the long end of the curve. Short-term bond yields (e.g. 2-year government bonds) are also rising in sympathy with rises in the official cash rate set by the US Federal Reserve. There is a narrowing spread between the long and short ends of the curve (called the term premium), typically measured as the difference between 10-year and 2-year bond yields. As shown overleaf, this spread (the dark blue line) has declined to a low level. The chart also shows real GDP growth, and in the past, periods of a decline in the term spread have been associated with declines in real GDP growth.

NTA* Performance

1 month	-3.87%
3 months	2.07%
12 months	18.53%
Since inception (annualised)	6.12%

*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	\$1.215
NTA* per share (ex-dividend)	\$1.185
Dividend yield [†] (fully franked)	3.70%
Shares on issue	101,264,236
NTA*	\$120,018,245

*Before tax.

[†]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	\$561,248,367
Leverage factor (x NTA)	Month End	4.7
Average leverage factor (x NTA)	Since Inception	4.7

*Sum of long and short positions in the Portfolio.

Top Pair for the Month

Long	Origin Energy (ORG)	Short	AGL Energy (AGL)
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Bottom Pairs for the Month

Long	Aristocrat Leisure (ALL)	Short	Tabcorp (TAH)
Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	Carsales (CAR)	Short	Computershare (CPU)

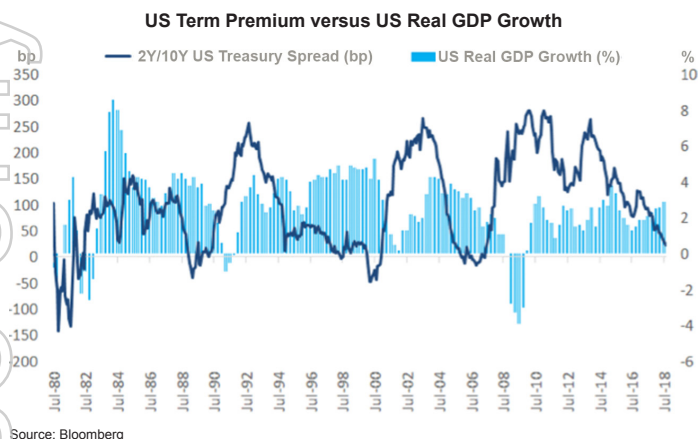
Contact Details

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Market Observations (continued)



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

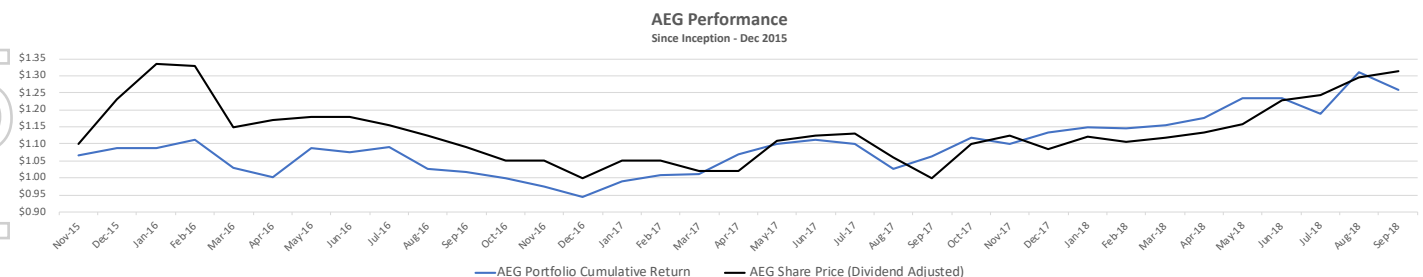
Bennelong Long Short Equity Management Pty Ltd.

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%				11.18%
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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