

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 October 2019

Net Tangible Assets Per Share

NTA before tax	\$1.123
NTA after tax	\$1.105

\$ currency notation refers to Australian Dollars.

Portfolio Performance

The Company's performance was 8.5% for October 2019. There was quite a bit of news flow during the month with many companies providing trading updates at their AGMs. Overall, both long and short portfolios were on the right side of most company news. As we noted in August, the portfolio had a good reporting season, despite that month's negative return. August reporting season also influenced this month's return.

Positive returns were spread across a wide range of pairs from all sectors, while negative pairs detracted modestly from the portfolio's return. The long portfolio made the larger contribution, however the short portfolio contribution was also material.

Of the top three pairs, long BlueScope (BSL) / short Sims Metal (SGM) was marginally the largest contributor. Sims announced its second large profit warning since the full-year result, which was reported only two months ago. Sims is now guiding to a loss in the December-half. Our number two pair, long Qantas (QAN) / short Flight Centre (FLT) also featured a Flight Centre downgrade ahead of its AGM in November. Tough trading conditions and structural issues are evident for Flight Centre. Qantas also announced a small downgrade with its Q1 trading update. Long Iluka (ILU) / short RIO was our number three pair. Iluka bounced after the company announced it is reviewing the structure of its iron ore royalty (over BHP's Mining Area C). This royalty is very attractive, and we agree with the company, but it appears the market does not appreciate it. For our top pairs and some others, both sides of the pair made a positive contribution.

Market Observations

After declining early in the month on weak economic data, global equities staged a strong rebound as news broke that the US and China had reached an in-principle trade deal. Despite little detail, markets embraced the so-called first-phase deal, as a potential turning point in trade friction.

Adding to the positive trade sentiment was the Federal Reserve cutting rates for a third time this year as insurance against the US-China trade war. The Fed did however indicate a change in future stance, with a pause in direction now likely. US third-quarter earnings season was also not as bad as feared. The yield curve is no longer negative. Global growth indicators are stabilising after falling for some time.

NTA* Performance

1 month	8.50%
3 months	6.61%
12 months	7.92%
Since inception (annualised)	4.52%

*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	\$0.980
NTA* per share	\$1.123
Dividend yield [†]	6.12%
Grossed up dividend yield [†]	8.75%
Shares on issue	98,397,315
NTA*	\$110,494,430

* Before tax. [†]Last two semi-annual dividends paid, divided by the share price stated above. Includes a Special Dividend of 1.5c paid on October 11 2019. This yield was fully franked at a rate of 30%.

Portfolio Snapshot

Long exposure	Month End	50.8%
Short exposure	Month End	-49.2%
Net market exposure	Month End	1.6%
Gross market exposure*	Month End	\$482,417,957
Leverage factor (x NTA)	Month End	4.4
Average leverage factor (x NTA)	Since Inception	4.6

* Sum of long and short positions in the Portfolio

Most Profitable Pairs for the Month

Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	Qantas Airways (QAN)	Short	Flight Centre (FLT)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

Contact Details

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As a result, higher beta stocks and emerging markets generally outperformed during the month whilst defensives lagged (excluding Health Care). Global government bond yields retraced. The MSCI developed market index closed up +2.6%, whilst the emerging market index closed up +4.2%.

Back home, Australian equities were mixed with the S&P/ASX200 closing down -0.4%. Health Care +7.6% and Industrials +3.0% were the strongest sectors, whilst Information Technology -3.9% and Financials -2.8% were the weakest. The Australian dollar rose 1.5c to US\$0.689 by month end.

The domestic economy is mixed with reports of weak conditions, excluding mining. In response, the RBA is persisting with its accommodative policy, cutting rates again to a record low cash rate of 0.75%. House prices in Sydney and Melbourne have rebounded, and the equity market seems somewhat optimistic that the enthusiasm will flow into the broader economy.

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

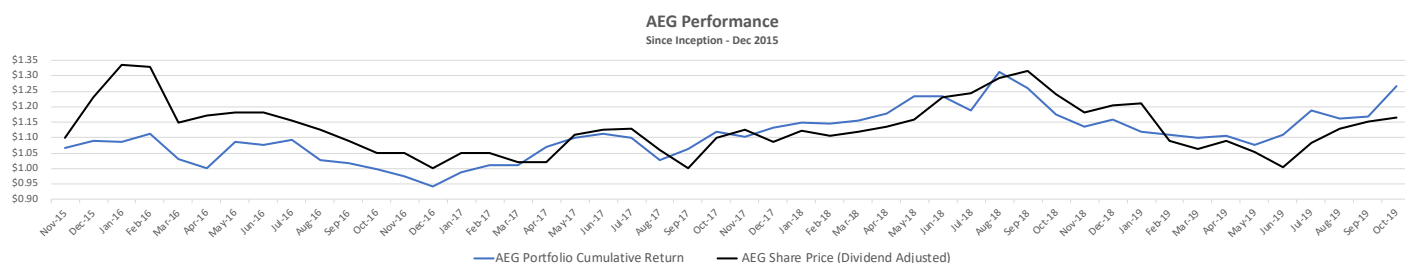
Bennelong Long Short Equity Management Pty Ltd.

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
2019	-3.51%	-0.84%	-0.90%	0.52%	-2.53%	3.04%	6.99%	-2.29%	0.56%	8.50%			9.20%
2018	1.27%	-0.15%	0.76%	1.98%	4.75%	0.08%	-3.67	10.22%	-3.87%	-6.90%	-3.16%	2.05%	2.29%
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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