

## Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 January 2020

### Net Tangible Assets Per Share

NTA before tax	\$1.261
NTA after tax	\$1.199

\$ currency notation refers to Australian Dollars.

### Performance Commentary

The Portfolio returned 6.68% in January in a month with little fundamental news. Two-thirds of pairs were positive and there were no material negative pairs. In a strong market, the long portfolio performed satisfactorily, and the short portfolio performed very well for us. In terms of sectors, Consumer, Health Care, and Financials were the larger contributors with no sector making a negative contribution.

Of our top three pairs, the only news was a downgrade from Super Retail due to softer trading conditions (Long JB Hi-Fi (JBH) / short Super Retail (SUL)).

### Market Observations

World share markets made a solid start to the new year (and decade) but the momentum faded over the final week of January on growing concerns of the spreading coronavirus. Also casting a shadow was commentary from the US Federal Reserve regarding asset valuations currently being elevated. The only major offshore index to post a gain was the tech-laden Nasdaq index (+2.0%) which held up late in the month following the release of strong quarterly results from Amazon, Microsoft and Netflix.

Australia also bucked the weakness with a rise of 5%. While the rally was broad-based given all sectors gained for the month, there was a wide range of outcomes. Laggards included resources and energy stocks due to weakness in commodities and crude oil. Consumer stocks also showed volatility with several retailers revising down sales and earnings due to the bushfires. On the other side were strong gains in healthcare with help from the 5% fall in A\$ / US\$, while consumer staples and technology stocks also rose strongly.

There's a saying: "when the US catches a cold, Australia gets pneumonia". Can we then ask: what happens to Australia when China gets coronavirus? We don't want to make light of a WHO global health emergency, but it is a good segue into the serious topic regarding how much China matters to the Australian economy. Being the second biggest economy in the world, it is no surprise that China is our single biggest trading partner (about 30% of all exports, Japan next at 10%). But a fact perhaps less appreciated is the relative importance of China to Australia compared with other countries. Using World Bank data, the below table shows the dollar value of goods exported to China as a % of the exporting country's GDP. As shown, while emerging Asian countries have the highest exposure (e.g. Vietnam 22%), Australia at 7% ranks high when compared to its developed peers.

### NTA\* Performance

1 month	6.68%
3 months	12.29%
12 months	27.08%
Since inception (annualised)	7.18%

\*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	\$1.120
NTA* per share	\$1.261
Dividend yield <sup>†</sup>	5.36%
Grossed up dividend yield <sup>†</sup>	7.65%
Shares on issue	97,307,614
NTA*	\$122,634,537

\* Before tax. <sup>†</sup>Dividends paid over the past 12 months, 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	51.0%
Short exposure	Month End	-49.0%
Net market exposure	Month End	2.0%
Gross market exposure*	Month End	\$564,151,174
Leverage factor (x NTA)	Month End	4.6
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	James Hardie (JHX)	Short	CSR (CSR)
Long	Woolworths (WOW)	Short	Metcash (MTS)
Long	JB Hi-Fi (JBH)	Short	Super Retail (SUL)

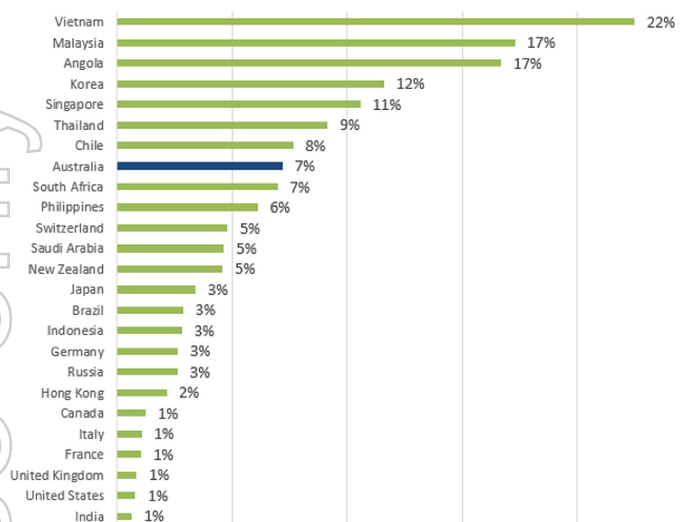
### Contact Details

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Email	<a href="mailto:info@aepfund.com.au">info@aepfund.com.au</a>
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As at 31 January 2020

Exports to China as a % of GDP



Source: World Bank, Bloomberg

## 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)

Andrew Reeve-Parker

Raymond Da Silva Rosa

## 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

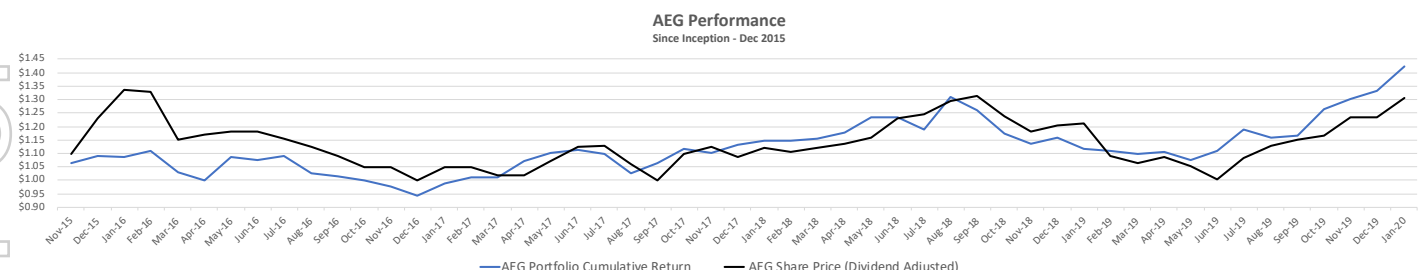
Bennelong Long Short Equity Management Pty Ltd.

## 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
<b>2020</b>	6.68%												<b>6.68%</b>
<b>2019</b>	-3.51%	-0.84%	-0.90%	0.52%	-2.53%	3.04%	6.99%	-2.29%	0.56%	8.50%	2.88%	2.31%	<b>14.94%</b>
<b>2018</b>	1.27%	-0.15%	0.76%	1.98%	4.75%	0.08%	-3.67	10.22%	-3.87%	-6.90%	-3.16%	2.05%	<b>2.29%</b>
<b>2017</b>	4.91%	2.06%	0.17%	5.83%	2.80%	1.15%	-1.28%	-6.62%	3.61%	5.26%	-1.58%	2.93%	<b>20.19%</b>
<b>2016</b>	-0.23%	2.28%	-7.20%	-2.89%	8.53%	-0.92%	1.38%	-5.90%	-1.06%	-1.73%	-2.32%	-3.31%	<b>-13.39%</b>

\*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.

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