

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 January 2019

Net Tangible Assets Per Share (NTA)

NTA before tax	\$1.051
NTA after tax	\$1.070

\$ currency notation refers to Australian Dollars.

Portfolio Performance

Portfolio performance for January 2019 was -3.51%, due entirely to the balance of returns of the top and bottom three pairs (that is, long one company paired with short another), with the bottom three pair losses exceeding the top three gains.

The bottom three pairs' performance was driven by fundamental news with all three delivering similar negative contributions. The weakest, long ResMed (RMD) / short Ansell (ANN), was due to a downgrade delivered by ResMed at its quarterly result. The downgrade was driven by delays to earnings contributions from recent software acquisitions, rather than deterioration in the core business. Long Ramsay (RHC) / short Healius (HLS) was impacted by the announcement of a non-binding indicative bid for Healius by its largest shareholder, Jangho. Long Challenger (CGF) / short IFL and ANZ was hit by a downgrade from Challenger with the company blaming market volatility for poor returns in its investment portfolio.

In stark contrast to Challenger, Magellan (long Magellan (MFG) / short Perpetual (PPT)) disclosed strong funds under management and performance fees, reflecting excellent performance achieved in that same volatile environment. Long BlueScope Steel (BSL) / short Sims Metal (SGM) was amongst our top pairs following another downgrade from SGM, which exposed a number of the structural and cyclical challenges facing the company.

This is a disappointing period for the Company. Last year, despite underwhelming portfolio performance, we generally experienced a positive balance of company fundamental news. That is not the case this month with our misses, particularly ResMed and Challenger, swamping our wins.

Market Observations

Share markets rebounded strongly in January. All the major markets gained, most notably the US (S&P 500 Index +7.9%, Nasdaq Composite +9.7%) following heavy losses in December. European and Asian markets also gained with the former up 6.3% (MSCI Europe Index) and the latter ranging between 4% (Japan, China) and 8% (Hong Kong, South Korea). Locally, while Australia lagged offshore it nonetheless managed a solid rise of +3.9% (S&P/ASX 200 Index). Outside a fall in the Financials sector (down around -1% reflecting nervousness ahead of the final findings from the Financial Services Royal Commission), other sectors rebounded with the smallest gains seen in Consumer Staples (+2.8%) owing to their defensive status while Energy surged (+11.5%) on the back of a 19% recovery in crude oil prices.

Key to the rally in stocks for January was the swing to a dovish tone from the US Federal Reserve. Specifically, the Federal Open Market Committee

NTA* Performance

1 month	-3.51%
3 months	-4.64%
12 months	-2.53%
Since inception (annualised)	1.57%

*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	\$1.11
NTA* per share	\$1.051
Dividend yield [†] (fully franked)	4.05%
Shares on issue	101,508,804
NTA*	\$106,652,156

*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	-50.0%
Net market exposure	Month End	0.1%
Gross market exposure*	Month End	\$493,897,086
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 Pairs for the Month

Long	Magellan (MFG)	Short	Perpetual (PPT)
Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)

Least Profitable Pairs for the Month

Long	ResMed (RMD)	Short	Ansell (ANN)
Long	Ramsay Health Care (RHC)	Short	Healius (HLS)
Long	Challenger (CGF)	Short	IIOF Holdings (IFL) / ANZ Bank (ANZ)

Contact Details

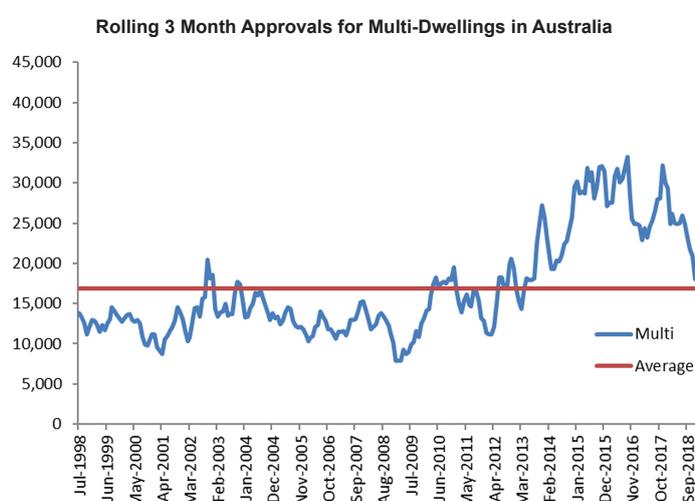
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statement removed reference to 'some further gradual increases' regarding the Fed Funds rate (currently 2.25-2.50%). It noted that inflationary pressures had muted and that global economic and financial developments are leading the Committee to be patient in determining future adjustments to the Funds rate.

In Australia, we note the significant slowing in residential building approvals in recent months. In the last three months to 31 December 2018, building approvals declined to a quarterly run rate of just 46,000 versus 60,000 in the prior corresponding period, a decline of over 20%. This decline was driven almost entirely by the multi-dwelling category which has fallen a staggering 40% over the same period and is now at about their average levels of the last 20 years, as shown below.

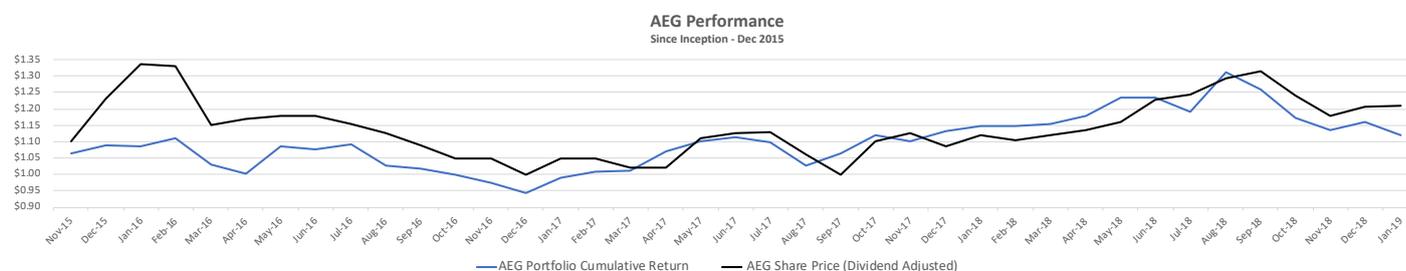


Source: ABS

The main focus for the coming month will be earnings reporting season (mainly interim financial results for June fiscal year companies, but some reporting full year results to 31 December).

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-3.51%												-3.51%
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.

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

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



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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