

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 March 2017

Net Tangible Assets (NTA)

| | |
|----------------|---------|
| NTA before tax | \$1.011 |
| NTA after tax | \$1.046 |

Since the outstanding Loyalty Options have a \$1.10 strike, conversions when the NTA is less than \$1.10 will not result in NTA dilution. \$ currency notation refers to Australian Dollars.

First Quarter Directors' Commentary

Market neutral strategies often prove their relative value performance in challenging equity markets. We commented in our December 2016 newsletter that the turnaround in AEG's performance from a disappointing year could be abrupt when it occurs. Indeed, in the first quarter of 2017, NTA performance of the Company was +7.25%, more than double the return of the S&P/ASX200 over the same period. We are pleased that the Investment Strategy performed strongly over a period when the S&P/ASX200 also performed well. Whilst we are cognisant that the Company is playing catch-up versus our return targets, the result vindicates our continued confidence in the Investment Manager and its process.

The ASX first quarter reporting season validated a number of pairs within the portfolio. Whilst contributing to the year-to-date returns thus far, it is typical to see sustained momentum after the conclusion of the reporting season as analysts and investors recalibrate their numbers.

AEG is trading at a narrow premium to its NTA, although the overall premium has contracted in the last month to more sustainable levels. Whilst some shareholders may have become frustrated following last year's performance, others have seen this as an entry point to either upscale existing holdings or initiate a position. We have received enquiries from institutional investors looking to acquire large blocks of shares. This is a reminder that the only way to access the underlying strategy is through purchasing AEG's shares on-market as the unlisted master fund is closed to new money.

The Company's dividend strategy is a standing agenda item discussed by the Board at each meeting. We are conscious of the value of franked dividends to our shareholders and we intend to implement a sustainable dividend policy as the performance of the portfolio improves and the Company pays tax.

Thank you for your continuing support, and we hope that regardless of what markets have in store, the gap between our performance so far and our collective high expectations will be realised.

NTA* Performance

| | |
|--------------|-------|
| 1 month | 0.17% |
| Year to Date | 7.25% |

*Before tax. *Year to Date' is Calendar Year 2017

Company Details

| | |
|-----------------------|-----------------------------|
| ASX codes | Shares: AEG , Options: AEGO |
| Listing date | 16 December 2015 |
| Share price | \$1.020 |
| NTA* per share | \$1.011 |
| Market capitalisation | \$94,256,189 |
| Shares on issue | 92,408,028 |
| Options on issue | 70,515,907 |
| Option expiry date | 16 November 2017 |

*Before tax

Portfolio Snapshot

| | | |
|---------------------|-----------|--------|
| Long exposure | Month End | 51.5% |
| Short exposure | Month End | -48.5% |
| Net market exposure | Month End | 3.0% |

Most Profitable Pairs for the Month

| | | | |
|------|-------------------|-------|---------------|
| Long | Iluka (ILU) | Short | Downer (DOW) |
| Long | TPG Telecom (TPM) | Short | Telstra (TLS) |
| Long | Challenger (CGF) | Short | AMP (AMP) |

Least Profitable Pairs for the Month

| | | | |
|------|---------------------|-------|--|
| Long | ResMed (RMD) | Short | Ansell (ANN) |
| Long | Harvey Norman (HVN) | Short | Myer (MYR) |
| Long | Seek (SEK) | Short | Nine Entertainment (NEC)/Fairfax (FXJ) |

Contact Details

| | |
|--------------|--|
| Company | Absolute Equity Performance Fund Limited (ACN 608 552 496) |
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| Phone Number | 03 8639 1291 |
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| Website | www.aepfund.com.au |

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Performance

The Company's NTA rose slightly in March 2017, returning +0.17%. The standout pair for the month was long Iluka (ASX:ILU)/short Downer (ASX:DOW) with both positions contributing positively. The mineral sands industry has been in a trough recently and improving feedstock prices are signalling better conditions for ILU. DOW rerated significantly over the last year with little change to the earnings outlook. During the month the company launched a hostile bid for Spotless, which received a frosty reaction from the market with tepid support for the DOW equity raising. The market is dubious about the strategic merit of acquiring Spotless. We also anticipate a challenging outlook for segments of DOW's business. Elsewhere pair performance was balanced with little change.

Performance for the quarter was +7.25%. Portfolio performance has been dominated by company fundamentals in 2017. The portfolio has experienced a heavy skew of positive fundamental news in the reporting season which has defined fund returns. We benefited from numerous upgrades to the long portfolio and downgrades to the short portfolio, and had few losers. Also noteworthy in the March quarter was a number of our most negative pairs from last year have been amongst our strongest contributors.

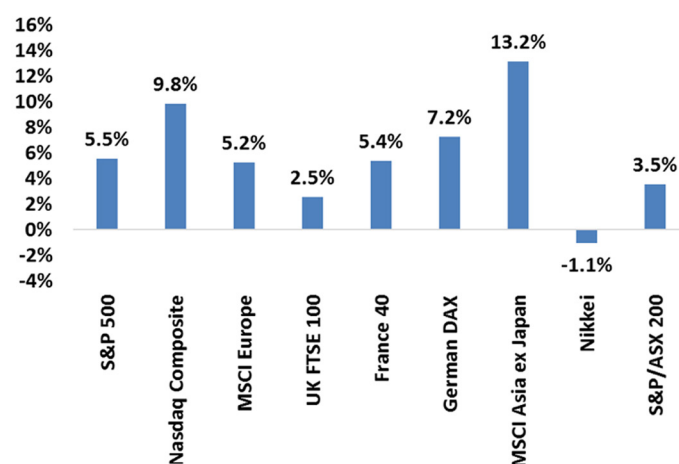
The experience of 2017 so far is in marked contrast to 2016, which had a more even spread of positive and negative fundamental news. Perhaps more importantly, rerating of Price/Earnings multiples was a significant influence on Company returns last year with DOW being a prime example. Our experience and philosophy is that in the long run, company fundamentals will trump sentiment swings.

Market Commentary

Share markets maintained their generally positive tone with most offshore markets posting gains for the month. European markets were particularly strong with France +5.4% (CAC 40 Index), Germany +4.0% (DAX Index) and Spain +9.5% (IBEX Index) reflecting better economic data and reduced concerns around the coming French presidential election. Markets in Asia too were buoyant with most markets higher, although Japan's Nikkei Index edged down 1.1% and is the only major market to be down in 2017. In the US, the Nasdaq Composite Index gained +1.5% while the S&P 500 Index finished unchanged, with markets digesting recent strong gains alongside. Another rate increase by the US Federal Reserve and Trump's first policy initiative failing to get sufficient Republican support weighed on the market. Australia achieved a solid rise of +2.7% (S&P/ASX 200 Index). As per last month, the market's gain was broad-based with all sectors up except for Materials (bulk and industrial commodity prices fell) and Telecommunication Services (Telstra remained weak).

Chart 1 below shows the solid first quarter for world share markets.

Chart 1: Share Price Index Returns - Q1 2017



Source: Bloomberg



Important Disclaimer

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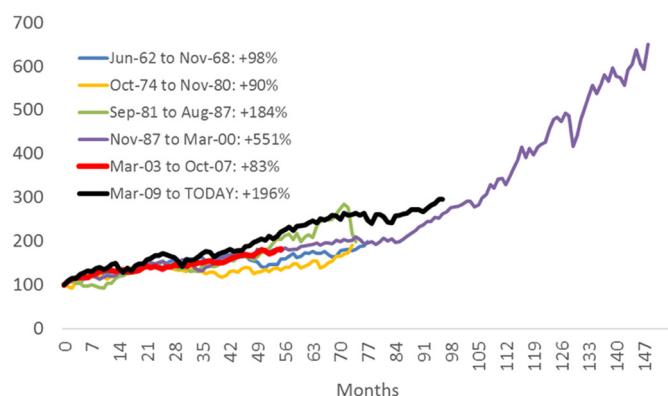
As at 31 March 2017

Outlook

March 2017 represents eight years since equity markets bottomed in the 2008-09 global financial crisis. Since then markets have strongly recovered with both earnings higher but also valuation multiples higher too. It begs the question: how much longer can this bull market last? While investors know that bull markets don't die of old age, it is interesting to compare the duration and magnitude of the current bull market with prior ones.

In the following Chart 2, using monthly price data for the S&P 500 Index, we observe six bull market periods since 1960, the longest of which began after the 1987 stock market crash and then ran through to the early 2000s tech bubble. For the remainder, bull markets have typically run for around 70 months (about six years) with around 100% value gain. This compares with the current bull market which has now run eight years and risen just under 200%. Again, bull markets don't die of old age, but the current bull market is arguably looking a little long in the tooth, unless we are in for a repeat of the 1990s version.

Chart 2: S&P 500 Bull Markets* (Indexed to 100)



*Bull markets defined as a rising trend until such time the market falls 20% or more from its peak

Source: Bloomberg

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

| | |
|----------------|--------------------------|
| Richard Fish | Senior Portfolio Manager |
| Sam Shepherd | Senior Portfolio Manager |
| Sam Taylor | Senior Analyst |
| 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 (Chairman)
Graham Hand
Andrew Reeve-Parker

Company Secretaries

Jeff Phillips
Tharun Kuppanda

Monthly Table of NTA* Performance

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|--------|-------|--------|--------|-------|--------|-------|--------|--------|--------|--------|--------|---------|
| 2017 | 4.91% | 2.06% | 0.17% | | | | | | | | | | 7.25% |
| 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. Past performance is not a reliable indicator of future performance.



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