

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 August 2017

Net Tangible Assets (NTA)

NTA before tax	\$1.026
NTA after tax	\$1.070

Since the outstanding Loyalty Options have a \$1.10 strike, option exercises when the NTA is greater than \$1.10 will result in NTA dilution. \$ currency notation refers to Australian Dollars.

Performance

The Portfolio delivered a very weak return of -6.62% for the month. We have previously highlighted that the thematic headwinds we faced in calendar 2016 had abated, allowing stock fundamentals to dominate share price direction. Therefore, it is disappointing to experience a poor month in the midst of company results season. Our hit rate of positive fundamental news during this latest reporting season was mixed, in contrast to the February 2017 season where we experienced a favourable skew to positive fundamental news. In addition, share price moves on the day of announcements have become very significant, leading to the Company experiencing a choppy month in both positive and negative territory. Ultimately, performance finished at its most negative at month's end.

The main driver of the poor return was that two-thirds of pairs generated a negative return. The Financials and Materials sectors accounted for much of the month's negative return, in equal measure, whilst Healthcare and Telecommunications made positive contributions. There were no clear trends with company results. The Company experienced both upgrades and downgrades in the long and the short portfolio.

One of our best performing pairs over the last three years, long BlueScope Steel / short Sims Metal, was the worst performing pair over the month. BlueScope reported a significant downgrade to first half FY18 guidance, taking your Investment Manager and the market by surprise. Volatility in raw material price (coking coal and iron ore) will detract from steel-making spreads in Australia in the near term. In addition, Australia has experienced steel dumping recently which affects domestic prices for commodity steel. Our assessment is that these issues will not be permanent. As a consequence, and taking into account the share price reaction to the announcement, we are still attracted to the prospects for BlueScope Steel relative to Sims Metal.

Our most positive pair, long Ramsay / short Healthscope / short Primary profited from a poor result and downgraded guidance from Healthscope. Many aspects of Healthscope's result reflect the lower quality of their hospital portfolio in comparison to Ramsay's.

We have had a relatively busy period of activity in the Company, driven by fundamental opportunities identified. Post month-end we have conducted a thorough review of the Portfolio and as always we continually look for fresh ideas to displace mature positions.

Market Commentary

World share markets paused during August with geopolitical tensions and recent solid gains overshadowing otherwise supportive fundamentals. The mainstream US market index, the S&P500 Index, was flat, while Europe was down -1.1% (MSCI Europe Index) and Japan was also down -1.4% (Nikkei Index). The rest of Asia did better, however, with a gain of +1.0% (MSCI Asia ex Japan Index).

NTA* Performance

1 month	-6.62%
3 months	-6.75%
12 months	-0.09%
Since inception (annualised)	-2.10%

*Before tax. 'Since inception (annualised)' is annualised NTA performance since listing at \$1.065 after listing related expenses

Company Details

ASX codes	Shares: AEG , Options: AEGO
Listing date	16 December 2015
Share price	\$1.060
NTA* per share	\$1.026
Market capitalisation	\$98,785,427
Shares on issue	93,193,799
Options on issue	69,730,136
Option expiry date	16 November 2017

*Before tax

Portfolio Snapshot

Long exposure	Month End	50.5%
Short exposure	Month End	-49.5%
Net market exposure	Month End	1.0%

Most Profitable Pairs for the Month

Long	Ramsay Health (RHC)	Short	Primary (PRY) / Healthscope (HSO)
Long	ALS Ltd (ALQ)	Short	Aurizon (AZJ)
Long	Carsales.com (CAR)	Short	Computershare (CPU)

Least Profitable Pair for the Month

Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	Janus Henderson (JHG)	Short	IOOF (IFL)
Long	James Hardie (JHX)	Short	CSR Limited (CSR)

Contact Details

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Market Commentary (continued)

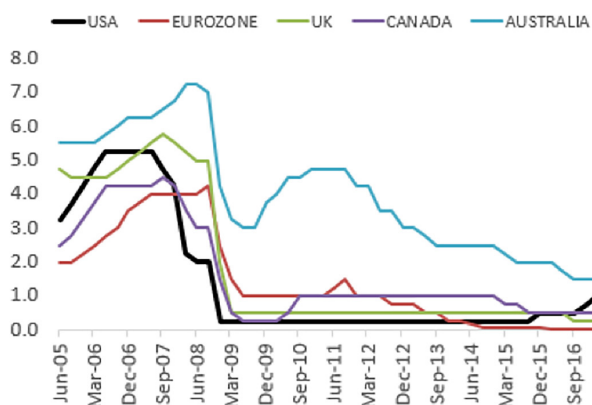
The Australian share market had another flat month (S&P/ASX 200 Index -0.1%) and similar to July featured mixed sector performances. Despite a fall in crude oil during August (-6% to US\$47 per barrel), the Energy sector was strongest with a rally of +5% due to progress among the Queensland liquefied natural gas (LNG) stocks as they reduce costs and indebtedness. Resources stocks also gained (Materials Index +4.1%) with the entire commodity complex (i.e. bulk, industrial and precious metals) rallying strongly over the month. Finally, the risk-off tone of financial markets which fuelled demand for government bonds spilled over to the interest rate sensitive sectors with REITs +0.5% and Utilities +2.1%.

However, not all interest rate sensitive sectors did well, notably the Telecommunications sector which fell -10.8% (now down -28% for the calendar year) as heavyweight Telstra slashed its guidance on future dividends. This fall, alongside a -3% decline in the Financials sector, was enough to leave the overall market steady.

Outlook

Notwithstanding the support to equities being provided by a global improvement in economic fundamentals, we think the more meaningful driver of share market returns remains revisions to monetary policy settings. As shown in the chart below, policy settings remain at the emergency levels set in the fallout of the GFC, which unfolded 10 years ago. Economic activity has since made substantial progress including significant household sector balance sheet de-leveraging in the US and Europe. Australia and Canada, in contrast, have not de-levered, in no small part due to elevated terms of trade, capital flow and population growth. The case for policy normalisation from the world's foremost monetary authority, the US Federal Reserve, seems compelling.

Reserve Bank Cash Rates



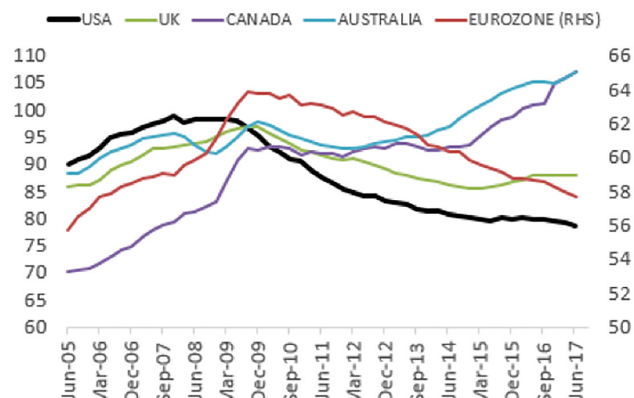
Source: Bloomberg

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%	5.83%	2.80%	1.15%	-1.28%	-6.62%					8.80%
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. NTA performance since listing at \$1.065 after listing related expenses. Past performance is not a reliable indicator of future performance.

Household Debt to GDP



Source: St. Louis Fed

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 (Chairman)
Graham Hand
Andrew Reeve-Parker

Company Secretaries

Jeff Phillips
Tharun Kuppanda



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.

