

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 December 2019

Net Tangible Assets Per Share

NTA before tax	\$1.182
NTA after tax	\$1.146

\$ currency notation refers to Australian Dollars.

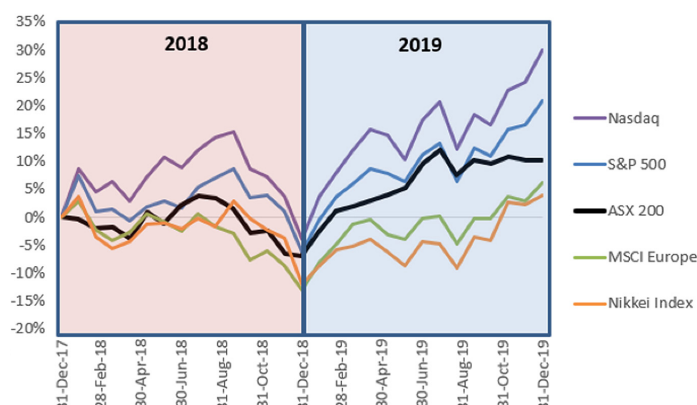
Portfolio Performance

Portfolio performance for the month was +2.31%. 20 out of 30 pairs were profitable, with no disproportionate individual pair contributions. Almost all positive pairs derived profit from the short side and vice versa loss-making pairs were driven by the long side. This outcome reflected the broad-based sell-off of the Australian share market, with two-thirds of stocks in the market posting a decline over the month. Portfolio activity included the introduction of a new pair in the materials sector.

Market Observations

The Australian share market ended 2019 on a soft note with a -2.4% fall in December. The fall was notable given its breadth and in the way it contrasted with solid gains from offshore markets to cap off what has been a very strong calendar year for equities. As shown in the following chart, the rally over 2019 was in part catch-up from a weak 2018 when markets were heavily sold down fearing rate hikes. The US Federal Reserve subsequently abandoned its rate hike agenda and delivered three 0.25% rate cuts over 2019.

World Share Indices



Source: Bloomberg

While the US Fed cutting rates in 2019 seemed appropriate from a short term perspective (i.e. share markets were in retreat, trade tensions were rising, lead economic indicators softening), harder to understand is why the starting point of cutting was so low in the first place – just 2.5%, which is half the level prevailing before the GFC a decade ago. Yet observe the economic progress over the last decade: US GDP up 50% from \$14.6 trillion to \$21.5 trillion; US unemployment rate down from 9.5% to 3.5%; household debt to income from 127% to 97%; housing starts from 0.6m to 1.3m; new car sales from 11m to 17m; and the Case-Shiller Home Price Index up 44%. Moreover, US consumer confidence today is at its highest level in almost 20 years. Despite this progress, monetary policy stayed looser for longer than any other period in recent history.

NTA* Performance

1 month	2.31%
3 months	14.20%
12 months	14.94%
Since inception (annualised)	5.65%

*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	\$1.050
NTA* per share	\$1.182
Dividend yield [†]	5.71%
Grossed up dividend yield [†]	8.16%
Shares on issue	97,662,067
NTA*	\$115,433,560

* Before tax. [†]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	\$525,224,804
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 Pair for the Month

Long	ALS (ALQ)	Short	Aurizon (AZJ)
------	-----------	-------	---------------

Least Profitable Pair for the Month

Long	Brambles (BXB)	Short	Amcor (AMC)
------	----------------	-------	-------------

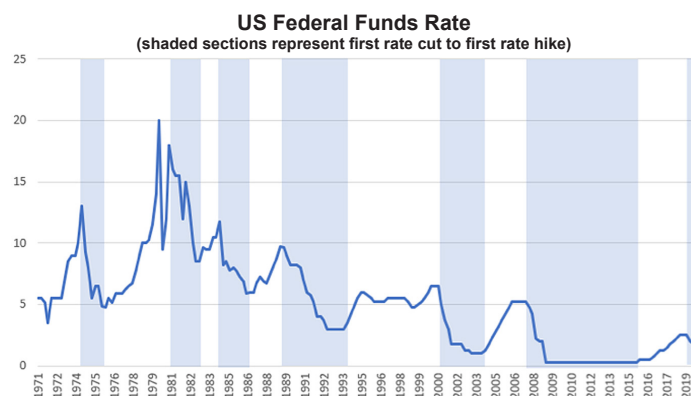
Contact Details

Company	Absolute Equity Performance Fund Limited (ACN 608 552 496)
Address	Level 12, Grosvenor Place, 225 George St, Sydney, NSW 2000
Phone Number	02 8016 2819
Email	info@aepfund.com.au
Website	www.aepfund.com.au

Absolute Equity Performance Fund Limited

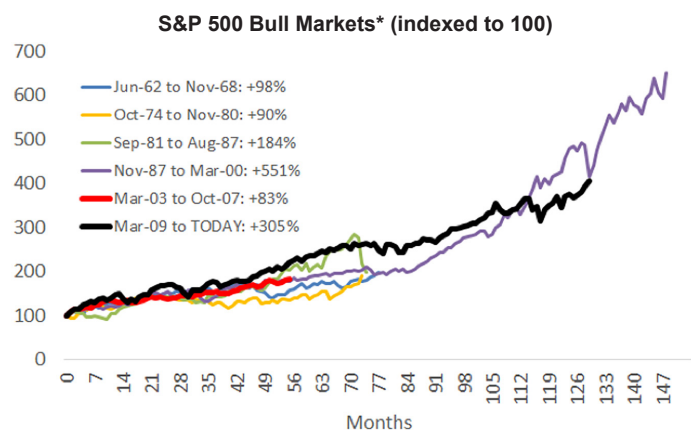
Monthly NTA and Performance Update

As at 31 December 2019



Source: Bloomberg

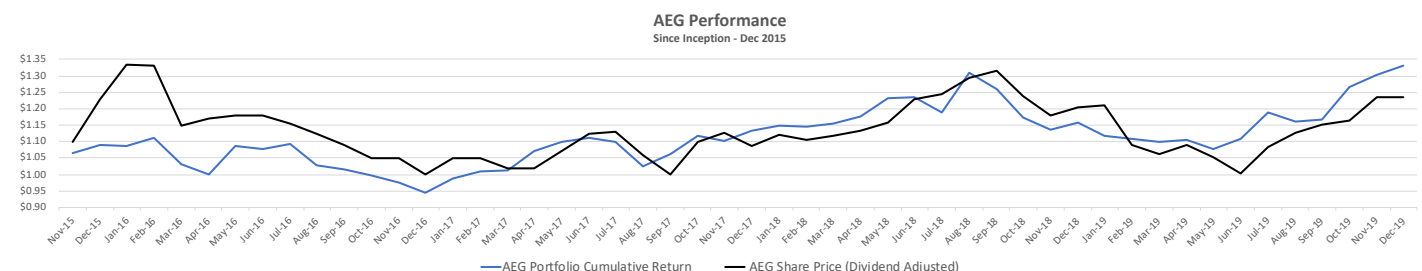
The persistence of loose monetary policy has been very supportive for equities. The S&P 500 Price Index last decade rose 190%. Will this goldilocks environment of loose policy, justified by a lack of inflationary pressures, be sustained? Even if it can, does it necessarily mean healthy returns for equities? The last decade started with valuations low, fundamentals weak, and sentiment poor. Today, while fundamentals look supportive for earnings, valuations are higher, and sentiment is bullish. We note that the current US bull market is mature when measured against prior bull markets.



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

	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%	2.88%	2.31%	14.94%
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

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.

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

