

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

As at 29 February 2020

### Net Tangible Assets Per Share

NTA before tax	\$1.276
NTA after tax	\$1.210

\$ currency notation refers to Australian Dollars.

### Performance Commentary

The portfolio returned 1.23% in February. The split of winning and losing pairs was 50/50. The portfolio was well positioned for reporting season with many positive results evenly distributed in both the long and short portfolios. In a portfolio of sixty-four companies, there were four results which missed our expectations but none of the four featured in our bottom three pairs.

Following what has been a significant waste of time, money and commercial opportunity the ACCC lost the Federal Court case to block the merger of TPG and Vodafone. The ACCC's action has held up the merger for a considerable period with the Statement of Issues released back in December 2018. Post month end the ACCC stated it will not appeal the Federal Court decision. The merger is now expected to complete in July. We retain our long TPM (TPG Telecom) / short TLS (Telstra) pair.

The private equity investor Partners Group announced a non-binding indicative bid for HLS (Healius). Long RHC (Ramsay Health Care) / short HLS (Healius) was our worst pair for the month. HLS made a small negative contribution for the month, given the size of our holding and the move, however RHC was the larger negative contributor.

Regarding portfolio positioning and current market turmoil, we are exposed in both the long and short portfolios. We are net long the US economy and net short the Australian and Asian economies, which is an outcome of the stocks we prefer rather than a strategy.

### Market Observations

The Coronavirus took centre stage in the last week of February, as escalating concerns about the economic fallout took its toll on markets. Up until the last week of the month, most major market indices were trading flat to up. However, in the last week equities sold off dramatically with most markets down -10%. Countering the sell-off in equities, bonds rallied with 10-year government bond yields moving to record lows. Interest rate markets also moved to price-in near-term rate cuts and post month-end we have seen the US Federal Reserve cut 50bps and Reserve Bank of Australia cut 25bps with other central banks looking at stimulus options. The following chart plots the path of various share market indices against the number of confirmed coronavirus cases.

### NTA\* Performance

1 month	1.23%
3 months	10.49%
12 months	29.73%
Since inception (annualised)	7.34%

\*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	\$1.185
NTA* per share	\$1.276
Dividend yield <sup>†</sup>	5.06%
Grossed up dividend yield <sup>†</sup>	7.23%
Shares on issue	95,862,614
NTA*	\$122,368,331

\* 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	49.5%
Short exposure	Month End	-50.5%
Net market exposure	Month End	-1.0%
Gross market exposure*	Month End	\$548,476,826
Leverage factor (x NTA)	Month End	4.5
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	Challenger (CGF)	Short	IOOF (IFL) / AMP (AMP)
Long	Worley (WOR)	Short	Downer EDI (DOW)
Long	TPG Telecom (TPG)	Short	Telstra (TLS)

### Least Profitable Pair for the Month

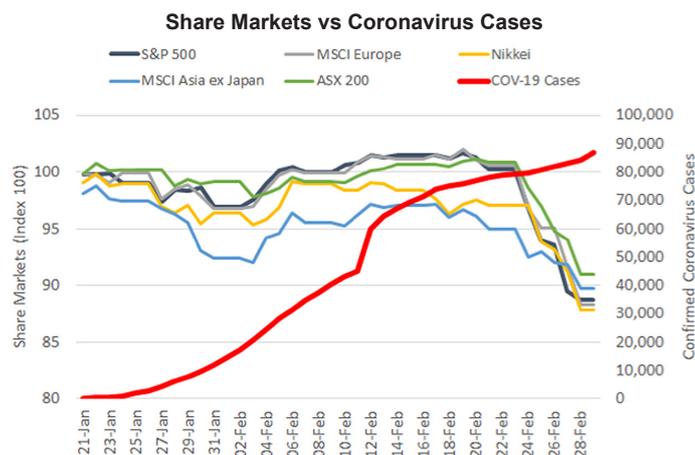
Long	Ramsay Health Care (RHC)	Short	Healius (HLS)
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### Contact Details

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Website	<a href="http://www.aepfund.com.au">www.aepfund.com.au</a>		

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Source: Bloomberg

## Market Observations

It is difficult to predict the medium-term impact of Coronavirus on markets. SARS proved to have a transitory impact but there are many differences. Coronavirus death rate is lower at between 1-3% versus SARS at 10%. However, it is spreading wider with 60 countries reporting cases of Coronavirus versus 10 for SARS. But economic differences are stark. Today China is 16% of global GDP versus 5% at the time of SARS and is now more heavily integrated into the global supply chain. The capacity for stimulus is likely different given much of the world's monetary and fiscal policy settings are already very accommodative. China's debt to GDP is 280% vs 150% during SARS, US government debt is 107% vs 57% and Eurozone government debt is 86% vs 68%. The ECB's deposit rate is currently -0.5% vs 3% then, while the federal funds rate is 1.3% (post the early March 50bps cut) vs 1.8% during SARS. The SARS outbreak came at the end of an equities bear market following the bursting of the tech bubble and the 2003 Iraq war. In contrast share markets today have enjoyed a long bull market.

## 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

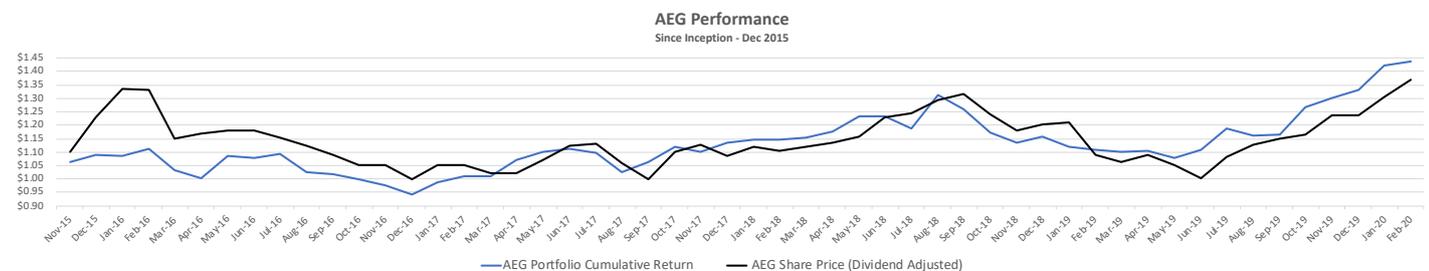
Bennelong Long Short Equity Management Pty Ltd.

## 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
2020	6.68%	1.23%											8.00%
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

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