Absolute Equity Performance

ASX Release

Net Tangible Asset Backing per Share

Friday, 5 March 2021

In accordance with ASX Listing Rule 4.12, **Absolute Equity Performance Fund Limited** ACN 608 552 496 (ASX:**AEG**) advises that the following calculations have been made as at 28 February 2021.

Net Tangible Asset backing per Ordinary Share, **before** providing for estimated tax	$1.148
Net Tangible Asset backing per Ordinary Share, **after** providing for estimated tax	$1.141

The calculation of the above amounts has been made in accordance with the definition of net tangible asset backing in Chapter 19 of the Listing Rules and is subject to review by the Company's external auditor.

This announcement has been authorised for release to ASX by the Board of Directors of Absolute Equity Performance Fund Limited.

Please refer to the Company's "Monthly NTA and Performance Update" released separately, for further information.

ENDS

For more information please contact:

Lisa Dadswell
Company Secretary
Lisa.Dadswell@boardroomlimited.com.au

Absolute Equity Performance

Absolute Equity Performance Fund Limited

Monthly NTA and Performance Update

As at 28 February 2021

Performance Commentary

February was a very difficult month for the Portfolio with performance of -10.12%. The return was flat up to the middle of the month and then deteriorated in the second half of the period.

At the portfolio level one-third of pairs were profitable and two-thirds were loss making, with the majority of the impact felt in the bottom few pairs.

Intra month volatility was again higher than normal. There were two reasons for higher volatility. The first was the first half company reporting season, which is typically more volatile than the full year reporting season. This period had the added complexity of companies and investors trying to interpret trading results and outlooks amid the effect of the pandemic. After achieving a strong hit rate of results during the 2020 reporting seasons we had a mixed reporting season this time with a similar number of profit upgrades and downgrades across longs and shorts.

The second reason and larger influence was investors picking short term winners and losers as economies re-open from the pandemic lockdowns, as they did when economies closed last year. This continues to create volatility. The enthusiasm for the re-opening trade sparked large share price moves in a number of shorts including Nine Entertainment (+19%) and Flight Centre (+18%). Conversely companies considered prior beneficiaries of the pandemic fell, with JB Hi-Fi (-16%) and PointsBet (-10%), despite both having strong operational trading results. These four stocks contributed significantly to the negative fund return.

The pandemic has been a very challenging period to navigate for all investors and our approach has been consistent through-out, which is to focus on the attractiveness of the pair with regards to the medium-term outlook for the long and short.

The market is focussed on near term issues like COVID disruption and the re-opening. We are positioned for the longer-term structural issues over the next 3-5 years. With regards to the stocks mentioned above we make the following observations.

Travel will certainly pick up yet there will also be structural changes to travel behaviour. Domestic travel will be stronger than international. Consumers will transact more online. Airlines will control their own distribution to their benefit over agents.

Retailers and gaming stocks have benefited from consumers having more time at home, stimulus payments and less choice on where to spend money. Retail sales will slow from an elevated level. However, consumers have got used to and like shopping and gaming online. Retailers and gaming companies which have very low costs and provide a good experience will continue to do well.

Media will also continue to change. Traditional TV was a beneficiary of the pandemic as people watched more news at home. Ad companies used TV more instead of outdoor and radio as people were at home. Yet the structural trend of audience fragmentation remains. The best content will win.

One of our bottom three pairs was ORI/IPL due to Orica announcing a substantial profit downgrade. Short term results have been impacted by China-Australia trade tensions and mining companies temporarily closing mines in COVID hotspots around the world.

NTA Per Share and Share Price

NTA before tax	$1.148
NTA after tax	$1.141
Share price	$1.130

$ currency notation refers to Australian Dollars.

NTA* Performance

1 month	-10.12%
3 months	-13.01%
12 months	-6.49%
Since inception *(annualised)*	4.56%

*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
Dividend yield†	4.51%
Grossed up dividend yield†	6.45%
Shares on issue	92,095,812
NTA*	$105,681,201

* Before tax. †Last two semi-annual dividends paid, divided by the share price stated above. This yield was fully franked at a rate of 30%.

Most Profitable Pairs for the Month

Long	Origin Energy (ORG)	Short	AGL Energy (AGL)
Long	Ramsay Health Care (RHC)	Short	Medibank Private (MPL)
Long	Mineral Resources (MIN)	Short	BHP (BHP)

Least Profitable Pairs for the Month

Long	Carsales.com (CAR)	Short	Nine Entertainment (NEC)
Long	Orica (ORI)	Short	Incitec Pivot (IPL)
Long	JB Hi-Fi (JBH)	Short	Super Retail (SUL)

Portfolio Snapshot

Long exposure	Month End	50.6%
Short exposure	Month End	-49.4%
Net market exposure	Month End	+1.2%
Gross market exposure*	Month End	$489,239,179
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

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

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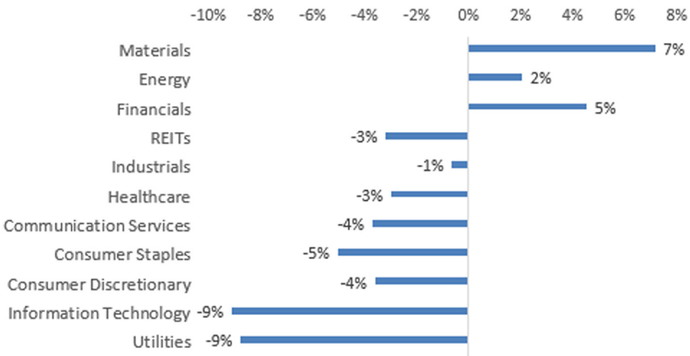
Market Observations

World share markets posted modest positive gains in February reflecting rising confidence that vaccines are working to end the pandemic and thus paving the way for full economic recovery. All the major regions rose over the month with previously laggard markets in Europe doing best (e.g. France and Spain +6%). Commodity markets were also buoyant with oil touching US$60/bbl to be above its pre-pandemic level and copper surged to levels not seen since the China-led commodities boom in the late 2000s. Reflecting the risk-on nature of equities, gold prices fell and so did bonds with 10-year Government yields now at (and in some cases above) their pre-pandemic levels.

Common to all share markets in February was the on-going recovery in cyclical and 'value' sectors (e.g. energy, resources, banks) while defensives and 'growth' sectors (e.g. healthcare, utilities, technology) lagged following a prolonged period of out-performance. This theme was particularly evident in our local sharemarket as shown in the chart below. Overall, the ASX 200 Index rose +1.0% thanks to gains across the materials, energy and banking sectors offsetting falls across utilities, tech, consumer and healthcare.

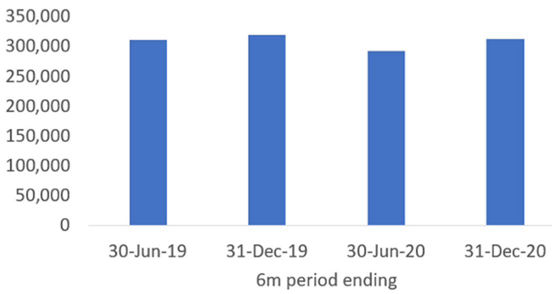
ASX 200 Sector Returns - February 2021



Source: Bloomberg

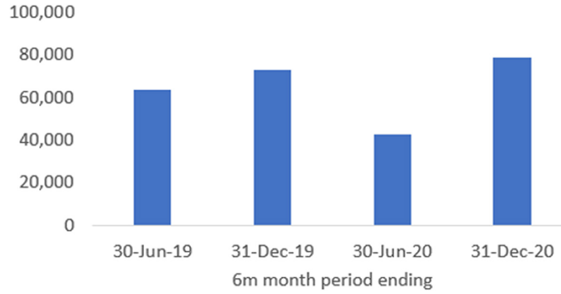
The wide dispersion of fortunes from COVID-19 was on full display during the February profit reporting season. Such dispersion is not evident when looking at aggregated statistics. To illustrate, below is the summed sales and earnings for all stocks in the ASX 100 with a fiscal period end of either 30 June or 31 December. The charts show both sales and earnings are back to their pre-pandemic levels after a soft 6-month period to 30 June when lockdowns disrupted business. From our workings, in the most recent 6-month period to 31 December, around 40% of companies got back to their pre-COVID levels of sales, and 50% fully recovered on profit. The higher profit recovery relative to sales reflects cost management, some of which was extreme on expectation the pandemic would play out worse than has transpired.

ASX 100
Half-Year Revenue A$m



Source: Bloomberg

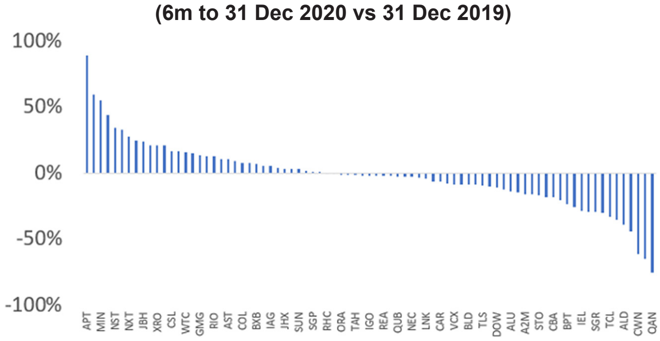
ASX 100
Half-Year Earnings A$m



Source: Bloomberg

Behind the above was extreme divergence at a stock level. This is shown in the next chart which plots sales growth over the 6-months to 31 December 2020. The data is ranked highest to lowest. Stocks on the left side of the chart can be classified as either structural growth winners (i.e. unaffected by cyclical conditions) and/or pandemic beneficiaries (e.g. home office equipment, healthcare, on-line commerce). There were also several mining stocks attached to higher commodity prices. Stocks on the right side were linked to mobility (e.g. airports, airlines, transport) and other out-of-home activities (e.g. casinos, shopping malls).

Revenue Growth
(6m to 31 Dec 2020 vs 31 Dec 2019)



Source: Bloomberg

What about share prices? Share price performances were also very disperse, but naturally did not move in lockstep with movements in sales or earnings. This can be seen in the below two scatter plots mapping sales growth and earnings growth on the horizontal axis and the corresponding movement in share price on the vertical axis. The lack of correlation shown isn't unexpected given share prices are not solely driven by short-term financials, but the magnitude of dispersion was extreme. For example, a number of companies reported extreme increases and decreases in sales and profit with little change in share price. Meanwhile there were those stocks that delivered modest growth (positive and negative) in sales or earnings yet saw a material change in share price. Such a picture highlights what a challenging period it's been for investors in navigating the upheaval caused by a crisis not seen in over 100 years.

ASX 100 - Revenue Growth vs Share Price Change
(6m to 31 Dec 2020 vs 31 Dec 2019)

Source: Bloomberg

Absolute Equity Performance

Bennelong Long Short Equity

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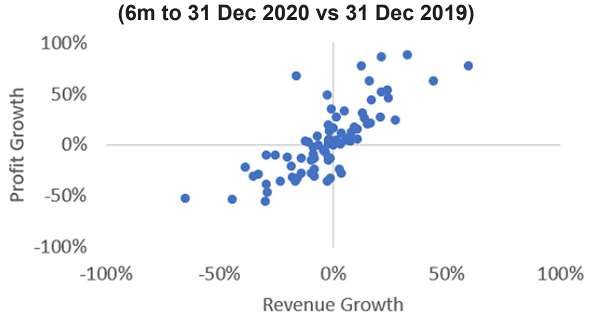
ASX 100 - Profit Growth vs Share Price Change
(6m to 31 Dec 2020 vs 31 Dec 2019)

Source: Bloomberg

A better fit is sales growth vs earnings growth. This does show a connection and so it should given profit doesn't happen without sales. But again there was more disconnect than usual with some companies able to report significant profit growth despite an absence of sales growth. In no small part does this reflect extreme cost management that in hindsight wasn't necessary. Cost management, particularly in light of brewing risks of higher inflation from extreme policy settings, will be an important watchpoint for investors over the next 12 months.

ASX 100 - Revenue Growth vs Profit Growth
(6m to 31 Dec 2020 vs 31 Dec 2019)



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

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.

Company Secretary

Lisa Dadswell

Directors

Marc Fisher (Chair)

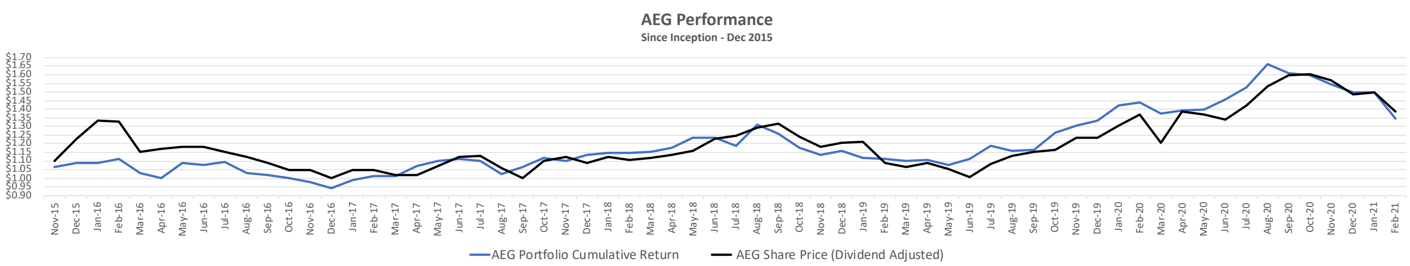
Andrew Reeve-Parker

Raymond Da Silva Rosa

Peter Lanham

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-0.22%	-10.12%											**-10.31%**
2020	6.68%	1.23%	-4.44%	1.21%	0.34%	4.31%	4.80%	8.83%	-3.32%	-0.67%	-3.05%	-3.01%	**12.60%**
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.

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Bennelong Long Short Equity