

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

As at 31 July 2021

### NTA Per Share and Share Price

NTA before tax	\$1.236
NTA after tax	\$1.206
Share price	\$1.120

\$ currency notation refers to Australian Dollars.

### Performance Commentary

The Portfolio returned 1.30% for the month, driven primarily by fundamental factors, early earning releases, industry factors and commodity price moves which favoured many of the fund's stock positions. M&A activity, on the other hand, provided a headwind to performance. Positive pairs outnumbered negative pairs during the month.

Our top pair for the month was RMD/ANN. As we wrote about last month, RMD continues to benefit from their major competitor Philips being subject to a product recall. This is leading to acute supply issues in the industry as new patients continue to be diagnosed and require treatment.

Our second top pair was BSL/SGM. BlueScope pre-released its profit results for FY21, which was well ahead of expectations. All of BlueScope's divisions have delivered significant earnings improvement during the year, helped by macro conditions and steel manufacturing spreads, to record the best profit since 2002.

Our third best pair was MIN/BHP. Whilst both companies are enjoying the higher iron ore prices, Mineral Resources other main commodity exposure is lithium. In recent months the lithium price, both the battery grade chemical and the lithium-bearing hard-rock mineral spodumene, has begun to increase dramatically due to growing demand for electric vehicles.

Our worst pair for the month was TCL/SKI & AST. Spark Infrastructure was subject to a takeover bid from a consortium led by a private equity firm. Despite constrained financial performance from the business over a long period of time, an abundance of cheap capital can lead to assets being taken private from time to time.

### Market Observations

It was a mixed July for share markets with US and European markets solid (S&P +2%, US Nasdaq +1%, MSCI Europe +2%) but Asian markets down (Hong Kong -10%, China -5%, Japan -5%, South Korea -3%) following China's directive to limit profitability in various sectors and further intervention of technology companies that threaten China's anti-monopoly and national security agendas. The following chart shows the contrast in recent performance of China's biggest technology names (Tencent, Alibaba, Meituan, JD.com) vs US equivalents (Apple, Microsoft, Google, Amazon).

### NTA\* Performance

1 month	1.30%
3 months	11.66%
12 months	-2.69%
Since inception (annualised)	6.05%

\*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 <sup>†</sup>	4.64%
Grossed up dividend yield <sup>†</sup>	6.63%
Shares on issue	92,095,812
NTA*	\$113,818,432

\* Before tax. <sup>†</sup>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	ResMed (RMD)	Short	Ansell (ANN)
Long	BlueScope Steel (BSL)	Short	Sims (SGM)
Long	Mineral Resources (MIN)	Short	BHP (BHP)

### Least Profitable Pairs for the Month

Long	Transurban (TCL)	Short	Spark Infrastructure (SKI) / Ausnet (AST)
Long	Orica (ORI)	Short	Incitec Pivot (IPL)

### Portfolio Snapshot

Long exposure	Month End	51.4%
Short exposure	Month End	-48.6%
Net market exposure	Month End	+2.8%
Gross market exposure*	Month End	\$469,996,638
Leverage factor (x NTA)	Month End	4.1
Average leverage factor (x NTA)	Since Inception	4.6

\* Sum of long and short positions in the Portfolio

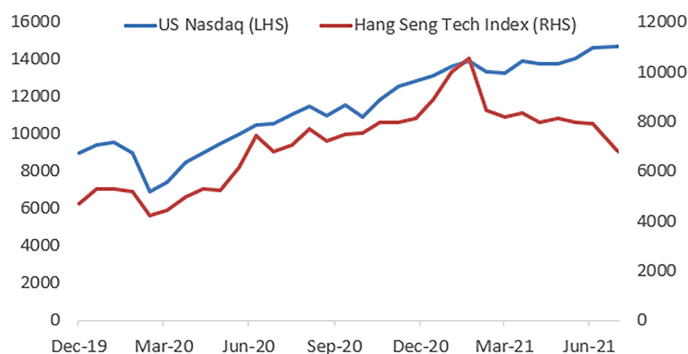
### Contact Details

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Phone Number	02 8016 2819
Email	<a href="mailto:info@aepfund.com.au">info@aepfund.com.au</a>
Website	<a href="http://www.aepfund.com.au">www.aepfund.com.au</a>

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US Tech vs China Tech

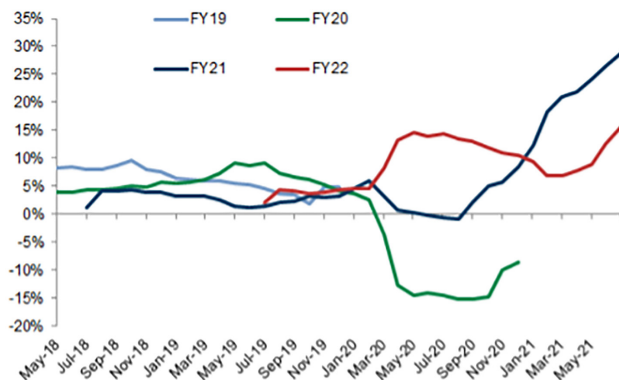


Source: Bloomberg

In Australia, the ASX 200 Index had a quiet month with a rise of +1%. Mining stocks led the overall rise with help from firmer metal prices and a softer A\$. By contrast the weakest sector for the month was Information Technology (-7%) largely driven by volatility in tech heavyweight Afterpay. All other sectors posted gains and losses of no more than 3% in a quiet month of news flow.

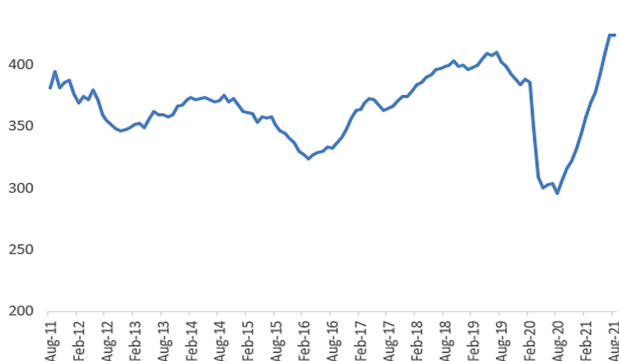
As we head into the profit reporting season for the period ended 30 June, we note that earnings revisions have been very positive and taken 12-month forward earnings forecasts to record highs (see following charts). Given the significance of the recent COVID setback in Sydney, it is likely the results reported for many companies will include little if any commentary and guidance on earnings prospects for fiscal 2022. When combined with other challenges (e.g. cost inflation, reduced fiscal support, and softening forward economic indicators as per final chart), we wonder if earnings momentum might have peaked.

ASX 200 Earnings Growth Revisions



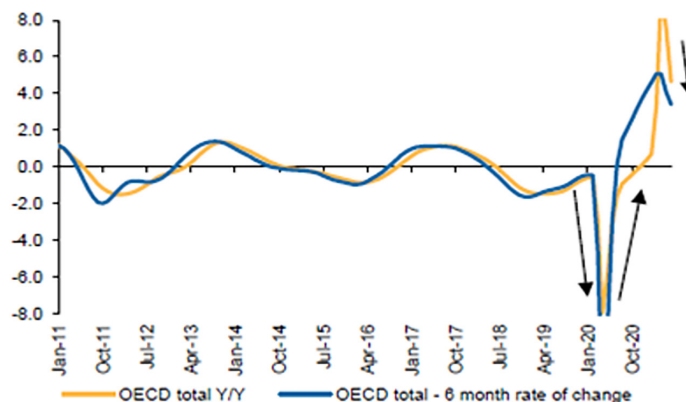
Source: Goldman Sachs Global Investment Research

ASX 200 12m Forward EPS



Source: Bloomberg

OECD Leading Indicators (OLI) - weakening 6 months rate of change



Source: OECD, Macquarie Research, August 2021

## 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

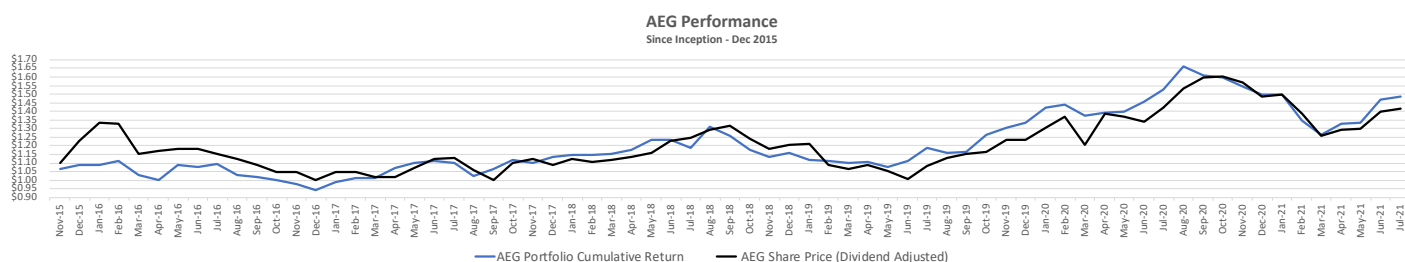
Peter Lanham

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-0.22%	-10.12%	-6.13%	5.33%	0.13%	10.08%	1.30%						-0.99%
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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### 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.