



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

As at 28 February 2022

### NTA Per Share and Share Price

|                |         |
|----------------|---------|
| NTA before tax | \$0.971 |
| NTA after tax  | \$1.014 |
| Share price    | \$0.80  |

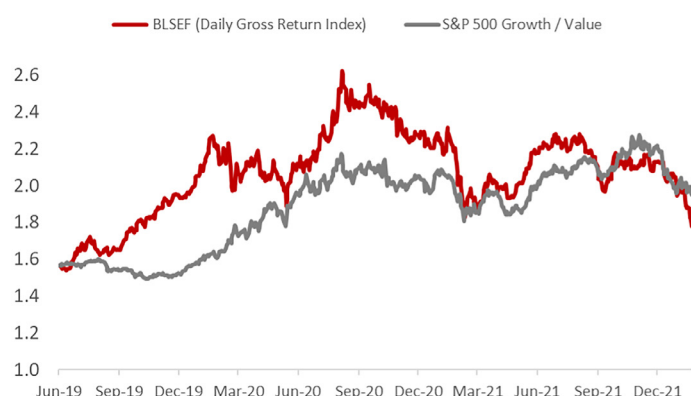
\$ currency notation refers to Australian Dollars.

### Manager Performance Commentary

The Portfolio had another disappointing month with a return of -10.55%. Most of this outcome manifested in the first two weeks of the month – that is, before the majority of companies in the portfolio reported either interim or full-year profit results. Reporting season thus does not explain our performance for February.

Instead, like January, return was dominated by the external environment. Liquidity and sentiment drive the short-term, but fundamentals drive the long-term. The evidence of this is shown in the following two charts. The first chart plots our recent performance against the relative performance of the S&P 500 growth and value indices (comprised of higher P/E and lower P/E stocks respectively). There is a correlation in the short term. Also note the latest decline of both, which, in part, reflects the large rotation out of 'growth' and into 'value' as markets fear aggressive future monetary policy tightening to tackle elevated inflation.

### BLSEF (Wholesale Strategy) vs S&P 500 Growth / S&P 500 Value



The next chart shows the longer-term picture. There is no correlation, which demonstrates that short term P/E ratios do not determine stock performance over the long term. The Fund's long-term returns are driven by companies delivering long term outcomes well beyond what is forecast in the next year, and that remains our focus.

### NTA\* Performance

|                              |         |
|------------------------------|---------|
| 1 month                      | -10.55% |
| 3 months                     | -15.07% |
| 12 months                    | -11.27% |
| Since inception (annualised) | 1.85%   |

\*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>            | 6.50%            |
| Grossed up dividend yield <sup>†</sup> | 9.29%            |
| Shares on issue                        | 90,264,949       |
| NTA*                                   | \$98,086,713     |

\* 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 | JB Hi-Fi (JBH) | Short | Super Retail (SUL) |
| Long | Worley (WOR)   | Short | Downer EDI (DOW)   |
| Long | ResMed (RMD)   | Short | Ansell (ANN)       |

### Least Profitable Pairs for the Month

|      |                         |       |                                    |
|------|-------------------------|-------|------------------------------------|
| Long | Mineral Resources (MIN) | Short | BHP (BHP) / Fortescue Metals (FMG) |
| Long | PointsBet (PBH)         | Short | SkyCity Entertainment (SKC)        |
| Long | Macquarie (MQG)         | Short | Bendigo Bank (BEN) / AMP (AMP)     |

### 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       | \$353,901,804 |
| Leverage factor (x NTA)         | Month End       | 4.0           |
| Average leverage factor (x NTA) | Since Inception | 4.5           |

\* Sum of long and short positions in the Portfolio

### Contact Details

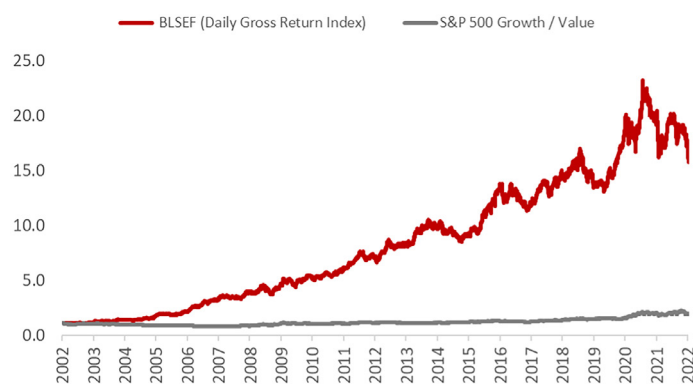
|              |  |
|--------------|--|
| Company      | Absolute Equity Performance Fund Limited (ACN 608 552 496)   |
| Address      | Level 12, Grosvenor Place, 225 George St, Sydney, NSW 2000   |
| Phone Number | 02 8016 2819   |
| Email        | <a href="mailto:info@aepfund.com.au">info@aepfund.com.au</a> |
| Website      | <a href="http://www.aepfund.com.au">www.aepfund.com.au</a>   |

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### BLSEF (Wholesale Strategy) vs S&P 500 Growth / S&P 500 Value



Since COVID the macro environment has had a greater influence on volatility and returns than we have experienced previously. It presented a tailwind in 2020 and a headwind in 2021 and early 2022. There is always a mix of outside factors and stock specifics influencing return and ordinarily stock specifics dominate for us. The difference is we have not experienced a pandemic before. The radical economic gyrations and scale of stimulus turned the fortunes of several pairs in the portfolio upside down. We anticipate that as COVID recedes these pairs will deliver performance recovery and reduce volatility.

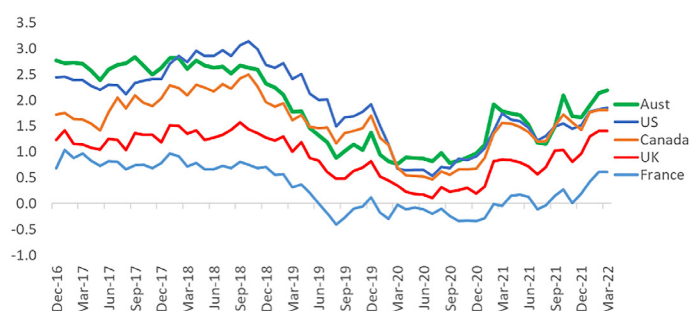
In terms of pair attribution for the month, two thirds of pairs were negative and reflected the broad swing against our portfolio as discussed above. Reporting season produced many results significantly affected by COVID restrictions and supply chain disruption. Given this, our 55/45 split of favourable/unfavourable results was acceptable and spread broadly across sectors and the long and short books. Among our top pairs, JBH/ SUL featured JBH having an excellent result that was above forecasts while SUL was poor with significant inventory build painting an ominous outlook. WOR/DOW and RMD/ANN also made the top 3 with profit driven by missed forecasts in the short book.

Our worst pair was MIN/BHP-FMG driven entirely from MIN which had a weak result from its iron ore division. We see the issue as now in the rear-view mirror and remain attracted to MIN's tier one lithium assets and numerous growth projects. Our second bottom pair was PBH/SKC with most of the contribution from PBH where aggressive competition in the nascent US sports betting industry has focussed market attention on the sustainability of all operators including PBH. For PBH to have halved since the start of the calendar year means there is now negligible value being recognised for the significant progress made in the North American sports betting market. MQG/BEN was our third weakest pair despite MQG announcing a material earnings upgrade and BEN reporting an in-line result.

### Market Observations

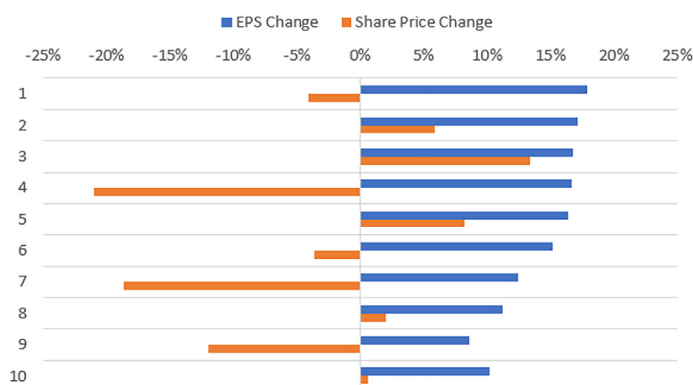
Weakness in global share markets continued in February with high inflation data sending bond yields higher, then late in the month markets were rattled by Russia's invasion of Ukraine. The Australian market was more resilient than offshore markets with a modest gain of +1.1% (ASX 200 Index) thanks mainly to rallying commodity prices boosting the energy and mining sectors. Banks and consumer staples also helped. The resilience of the local market was noteworthy given the headwinds of a strong A\$ (up 3% vs all major currencies) and the Aussie 10-year spiking more sharply than seen in other markets (see following chart).

### 10 Year Government Bond Yields

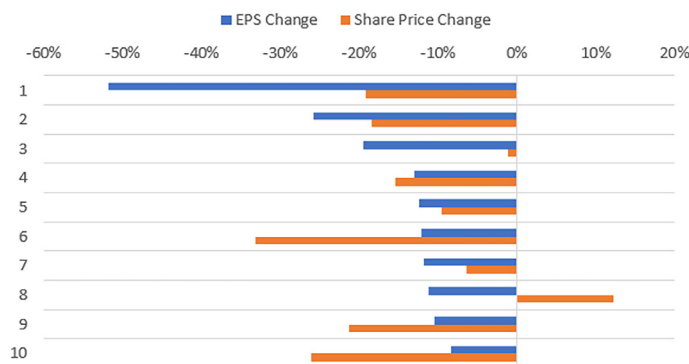


Share markets have had a difficult start to the year with all the major equity indices down between -5% and -10%. When fear takes hold, not even good news events do much for share prices. This was evident in our market during the February reporting season. As per the first chart below, of the top 10 stocks in the ASX 200 to beat earnings estimates, only half saw their share price increase (the other half were marked down). Meanwhile for those stocks that missed earnings expectations, the large majority (i.e. 9 of 10) were hit. In summary, reporting season was one of good news not always being good enough while bad news added insult to injury.

### Earnings Surprise vs Share Price - Top 10 Beats\*



### Earnings Surprise vs Share Price - Top 10 Misses\*



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### 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

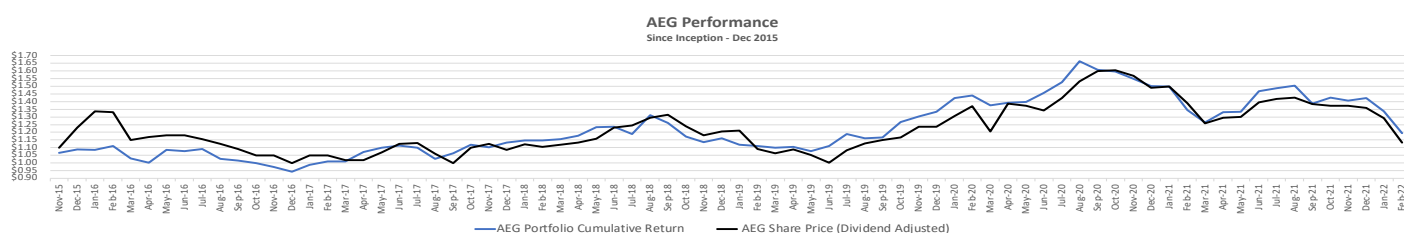
Marc Fisher (Chair)

Will Harrison

Daniel Liptak

|      | Jan    | Feb     | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD     |
|------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 2022 | -6.23% | -10.55% |        |        |        |        |        |        |        |        |        |        | -16.12% |
| 2021 | -0.22% | -10.12% | -6.13% | 5.33%  | 0.13%  | 10.08% | 1.30%  | 1.09%  | -7.70% | 2.78%  | -1.31% | 1.25%  | -5.12%  |
| 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.



### 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.

