

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

As at 31 August 2022

### NTA Per Share and Share Price

NTA before tax	\$0.988
NTA after tax	\$1.026
Share price	\$0.960

\$ currency notation refers to Australian Dollars.

### Manager Performance Commentary

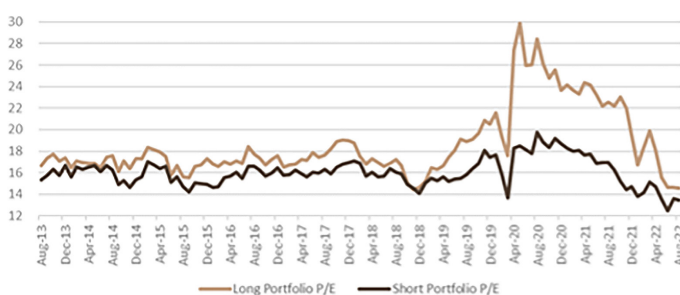
The portfolio's performance for August was +4.17% with reporting season the dominant driver of returns. The portfolio enjoyed a good reporting season with a skew to favourable results in both the long and the short portfolios. Many of our longs have unique opportunities to develop their businesses and a number are making significant progress at the moment, which ought to help counter a difficult macro outlook. The ebbing tide of monetary and fiscal stimulus was evident in the results of a number of our shorts which failed to meet expectations.

Amongst our top pairs, MIN was a highlight with the company announcing the decision to proceed with a major expansion of its iron ore division with development of its Onslow project. MIN also announced a positive rejig of the lithium JV with Albermarle, which is set for very significant growth. Whilst WOR highlighted the very favourable outlook for capex in both hydrocarbons and sustainability, DOW was the bigger contributor to the pair with a poor quality result featuring a long list of adjustments to get from statutory profit to "underlying" profit.

Amongst our bottom pairs, TPG had a soft result with both recovery from Covid impact and extraction of value from the Vodafone merger to be slower than had been anticipated. RMD/ANN was a losing pair due to ANN after a result that was better than feared thanks to strong cost management.

We have included a chart below of the P/E of the long and short portfolios. We are more confident about portfolio positioning and prospects for near term returns. This chart demonstrates the wild swings in markets and earnings driven by Covid and the aftermath. Our long portfolio positively rerated when Covid struck and that was a major factor in our strong returns in 2020. The subsequent negative derating of our long portfolio was a major factor in our weak returns in 2021 and early 2022. Fundamental financial attributes of our long portfolio are superior to the shorts which has been evident this reporting season. As average near-term multiples for the portfolios are now similar, we think it is more likely that superior financial results will be the driver of portfolio returns, rather than being overwhelmed by influence of rating and macro factors.

Forward P/E



Source: UBS

### NTA\* Performance

1 month	4.17%
3 months	3.75%
12 months	-19.04%
Since inception (annualised)	1.98%

\*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>	5.42%
Grossed up dividend yield <sup>†</sup>	7.74%
Shares on issue	90,264,949
NTA*	\$89,224,463

\* 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	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)
Long	Qantas (QAN)	Short	Flight Centre (FLT)
Long	Worley (WOR)	Short	Downer (DOW)

### Least Profitable Pairs for the Month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	Resmed (RMD)	Short	Ansell (ANN)

### Portfolio Snapshot

Long exposure	Month End	51.2%
Short exposure	Month End	-48.8%
Net market exposure	Month End	2.4%
Gross market exposure*	Month End	\$367,772,781
Leverage factor (x NTA)	Month End	4.1
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)		
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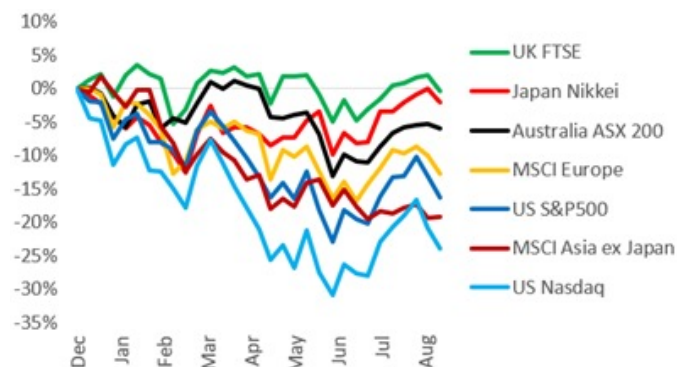
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### Market Observations

After some respite in July, share markets faltered in August to resume their bear market trend. Falls in share prices arrived late in the month following a central bankers conference in Jackson Hole that reiterated commitments to keep tightening monetary policy to deal with current excessive inflation. The hawkish commentary quashed hopes that central banks might give supply-side drivers of inflation (trade disruption, energy costs, labour constraints) more time to unwind. Instead, bankers from the US, Europe and Asia all talked of monetary policy needing to do more to weigh down demand. In all, share markets retreated between -1% and -4% for the month and remain well down calendar year to date (see chart below). While our local market out-performed over the month (ASX 200 +1%), it too remains down calendar year to date.

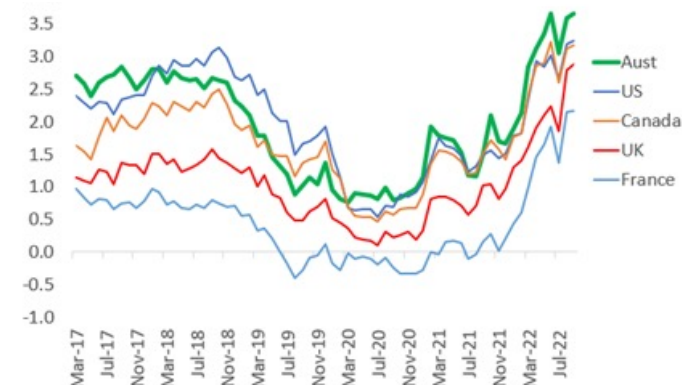
Share Market Indices  
Price Return 2022 CYTD



Source: Bloomberg.

Bonds followed the sell-off in stocks late in the month with 10-year government bond yields now back at recent highs.

10 Year Government Bond Yields



Source: Bloomberg.

The outlook for equities remains challenged. Much as current activity levels are healthy and employment is full, markets are focused on the future where the prospect of an elongated monetary hiking cycle alongside quantitative tightening and negative revisions to corporate earnings are clear headwinds for investors. On the latter, the below chart from Macquarie Research shows earnings growth estimates for FY23 have reduced from 15% back in June to now zero.

Australian Market EPSg Profile (%)



Source: Macquarie Research

### 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

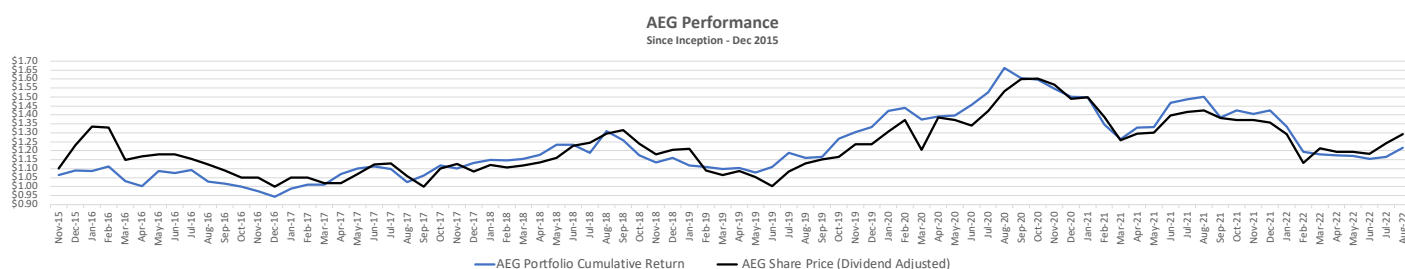
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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-6.23%	-10.55%	-1.23%	-0.45%	-0.19%	-1.54%	1.15%	4.17%					-14.60%
2021	-0.22%	-10.12%	-6.13%	5.33%	0.13%	10.08%	1.30%	1.09%	-7.70%	2.78%	-1.31%	1.25%	-5.12%
2020	6.68%	1.23%	-4.44%	1.21%	0.34%	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.

