



ASX Release

INVESTOR PRESENTATION

Friday, 4 November 2016

Absolute Equity Performance Fund Limited ACN 608 552 496 (ASX:**AEG**) advises that the attached presentation is to be delivered to the shareholders at the Company's Annual General Meeting.

ENCL.

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Absolute Equity Performance Fund Limited

Annual General Meeting – Investment Manager’s Update



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Agenda

- About the Company
- Investment Performance
- Investment Philosophy
- Pair Trade 1
- Pair Trade 2
- Pair Trade 3
- Portfolio Snapshot
- Market Observations
- Summary

About the Company

- The Objective is to achieve absolute returns over the medium to long term, through capital growth and income, regardless of market cycles
- The Company will seek to achieve this by investing in Pair Trades and constructing a portfolio predominantly comprised of large capitalisation Australian equities, and managed using a market neutral style that seeks to minimise equity market risk
- The Investment Strategy is the same as the strategy launched in February 2002
- The Company aims to provide shareholders with a source of return that is uncorrelated to all traditional asset classes

Investment Strategy Performance

Investment Strategy

Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year
2016-17	1.38%	-5.90%	-1.06%										-5.61%
2015-16	8.85%	-0.69%	5.71%	2.54%	0.65%	2.25%	-0.23%	2.28%	-7.20%	-2.89%	8.53%	-0.92%	19.22%
2014-15	3.04%	-1.56%	-3.59%	-4.33%	3.12%	2.83%	2.66%	0.05%	3.59%	0.03%	-1.91%	4.86%	8.60%
2013-14	3.52%	2.27%	0.83%	1.88%	-1.80%	2.68%	-2.32%	2.50%	0.16%	-4.97%	-0.80%	-0.44%	3.23%
2012-13	1.57%	-1.61%	-2.00%	1.69%	-0.41%	0.89%	0.46%	-0.28%	0.69%	0.01%	9.49%	1.10%	11.75%
2011-12	2.12%	1.91%	-1.25%	-5.06%	3.09%	3.27%	-2.04%	-8.43%	6.35%	4.22%	1.19%	8.47%	13.35%
2010-11	2.90%	-0.96%	-0.98%	1.23%	2.87%	3.65%	-0.59%	4.39%	1.85%	2.34%	3.09%	4.12%	26.46%
2009-10	2.24%	5.61%	-1.14%	2.65%	1.71%	3.57%	-6.16%	0.25%	4.77%	-1.10%	3.24%	2.84%	19.44%
2008-09	1.16%	-3.57%	-8.98%	3.78%	5.78%	0.49%	5.69%	7.88%	-1.72%	4.26%	-1.24%	-7.16%	4.94%
2007-08	1.70%	-3.72%	5.63%	-0.22%	4.41%	9.04%	-2.10%	-2.82%	3.40%	1.06%	7.07%	7.36%	34.27%
2006-05	5.57%	7.67%	-2.62%	5.22%	2.01%	1.35%	0.55%	5.42%	3.62%	-3.12%	0.92%	-2.90%	25.55%
2005-06	-2.87%	-1.51%	4.10%	-2.33%	2.88%	8.73%	1.24%	4.76%	10.16%	2.90%	2.58%	0.95%	35.45%
2004-05	4.36%	-0.80%	3.22%	1.42%	-0.29%	1.61%	6.29%	7.29%	5.01%	-0.49%	-0.27%	1.81%	32.87%
2003-04	-1.93%	-0.99%	2.01%	4.85%	3.78%	-1.27%	0.19%	0.16%	0.49%	-3.41%	0.78%	2.60%	7.18%
2002-03	1.17%	2.64%	-3.45%	-2.61%	3.86%	4.59%	2.34%	6.21%	-0.44%	0.61%	0.82%	3.00%	19.91%
2001-02								-3.31%	3.12%	-1.05%	-0.31%	-0.92%	-2.54%

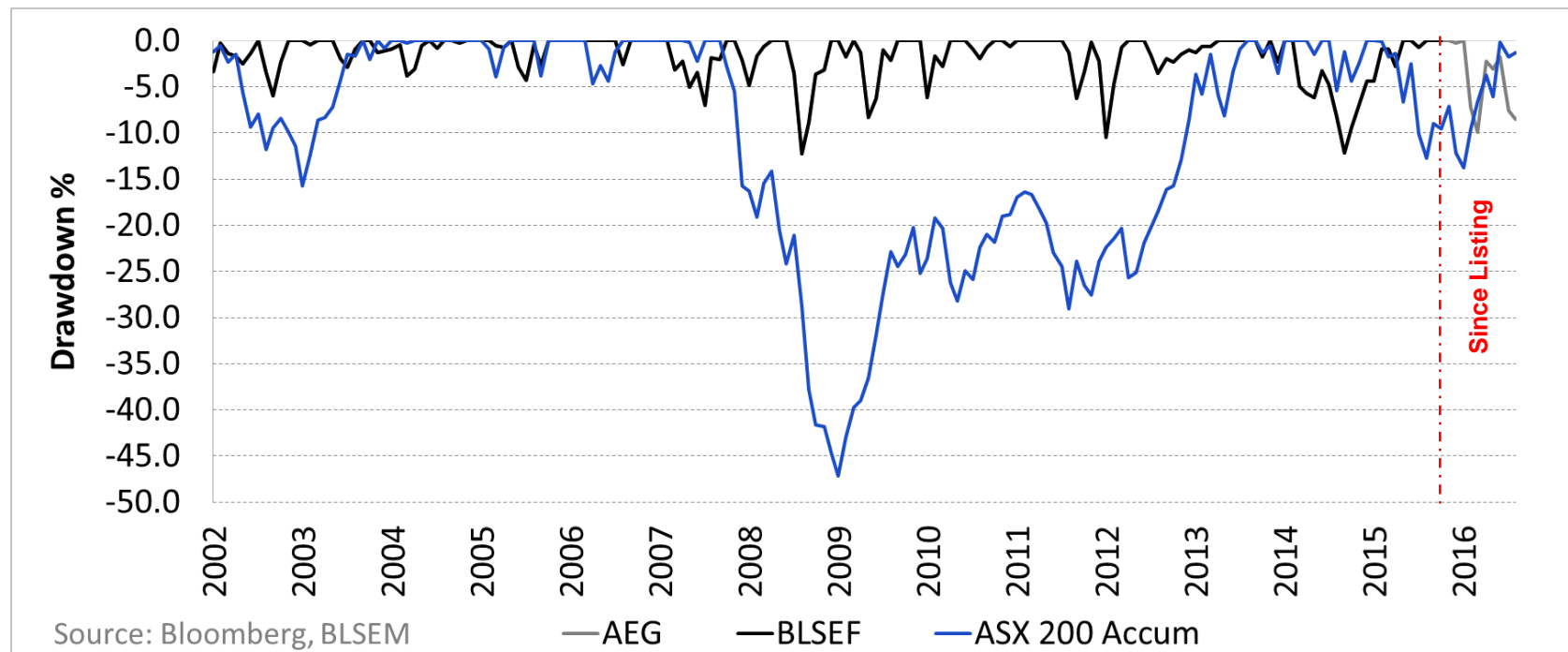
S&P/ASX200 Accumulation Index

Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year
2016-17	6.29%	-2.33%	0.05%										3.87
2015-16	4.40%	-7.79%	-2.96%	4.37%	-0.68%	2.73%	-5.48%	-1.76%	4.14%	3.33%	2.41%	-2.70	-4.13%
2014-15	4.40%	0.62%	-5.38%	4.43%	-3.25%	2.06%	3.28%	6.89%	-0.06%	-1.70%	0.40%	-5.30%	5.68%
2013-14	5.20%	2.50%	2.19%	3.97%	-1.31%	0.79%	-3.03%	4.97%	0.29%	1.77%	0.68%	-1.50%	17.43%
2012-13	4.28%	2.14%	2.18%	2.98%	0.47%	3.35%	4.95%	5.37%	-2.21%	4.54%	-4.50%	-2.32%	22.75%
2011-12	-3.97%	-1.91%	-6.13%	7.25%	-3.48%	-1.35%	5.08%	1.91%	1.22%	1.43%	-6.64%	0.66%	-6.71%
2010-11	4.47%	-1.15%	4.62%	1.78%	-1.07%	3.66%	0.18%	2.35%	0.67%	-0.29%	-1.97%	-1.80%	17.73%
2009-10	7.31%	6.57%	6.24%	-2.08%	1.78%	3.74%	-6.18%	2.16%	5.75%	-1.38%	-7.51%	-2.59%	13.15%
2008-09	-4.56%	4.09%	-9.85%	-12.61%	-6.20%	-0.28%	-4.88%	-4.57%	7.98%	5.57%	1.36%	4.00%	-20.14%
2007-08	-2.08%	2.44%	5.56%	2.90%	-2.83%	-2.72%	-10.85%	-0.69%	-3.31%	4.53%	1.53%	-7.46%	-13.40%
2006-05	-1.72%	3.33%	1.33%	4.57%	2.31%	3.69%	1.83%	1.63%	3.29%	2.89%	2.64%	-0.17%	28.66%
2005-06	2.60%	2.01%	5.08%	-3.85%	4.49%	3.08%	3.49%	0.58%	4.74%	2.56%	-4.70%	2.11%	23.93%
2004-05	0.19%	1.13%	3.79%	3.17%	4.61%	3.24%	1.40%	2.22%	-0.88%	-3.03%	3.30%	4.79%	26.35%
2003-04	3.18%	2.92%	-0.23%	3.34%	-2.02%	3.78%	-0.83%	3.15%	2.32%	-0.30%	1.95%	2.68%	21.61%
2002-03	-4.03%	1.56%	-4.15%	2.70%	1.13%	-1.63%	-1.66%	-4.91%	3.96%	4.31%	0.35%	1.19%	-1.71%
2001-02								-1.17%	0.65%	-1.79%	0.85%	-4.18%	-5.60%

Note: The monthly returns highlighted in orange are the returns of the company from 14 December 2015 to 31 March 2016. These returns are post realised tax but before unrealised tax. The monthly returns highlighted in blue are net returns of the Bennelong Long Short Equity Fund (pre tax) from July 2008 to November 2015. The monthly returns not highlighted in green are "pro forma" net returns of the Bennelong Securities Management Account (pre tax) July 2002 to June 2008, that have been recalculated to reflect the identical terms as BLSEF.



Investment Performance – Drawdown History



Notes:

1. The data prior to the red line is the performance of the Investment Strategy based on the unaudited returns of BLSEF (from July 2008 to 31 March 2016) and the unaudited pro forma returns Bennelong Securities Managed Account (from February 2002 to June 2008). The data after the red line is the performance of the Company since listing in December 2015.
2. S&P/ASX200 Accumulation Index has been chosen for comparison purposes only. The performance data for the S&P/ASX200 Accumulation Index was sourced from Bloomberg.
3. The graph is not intended to be an indication of the future performance of any asset class, index, the Investment Strategy or the Company.

Source: Bloomberg, BLSEM, the Company

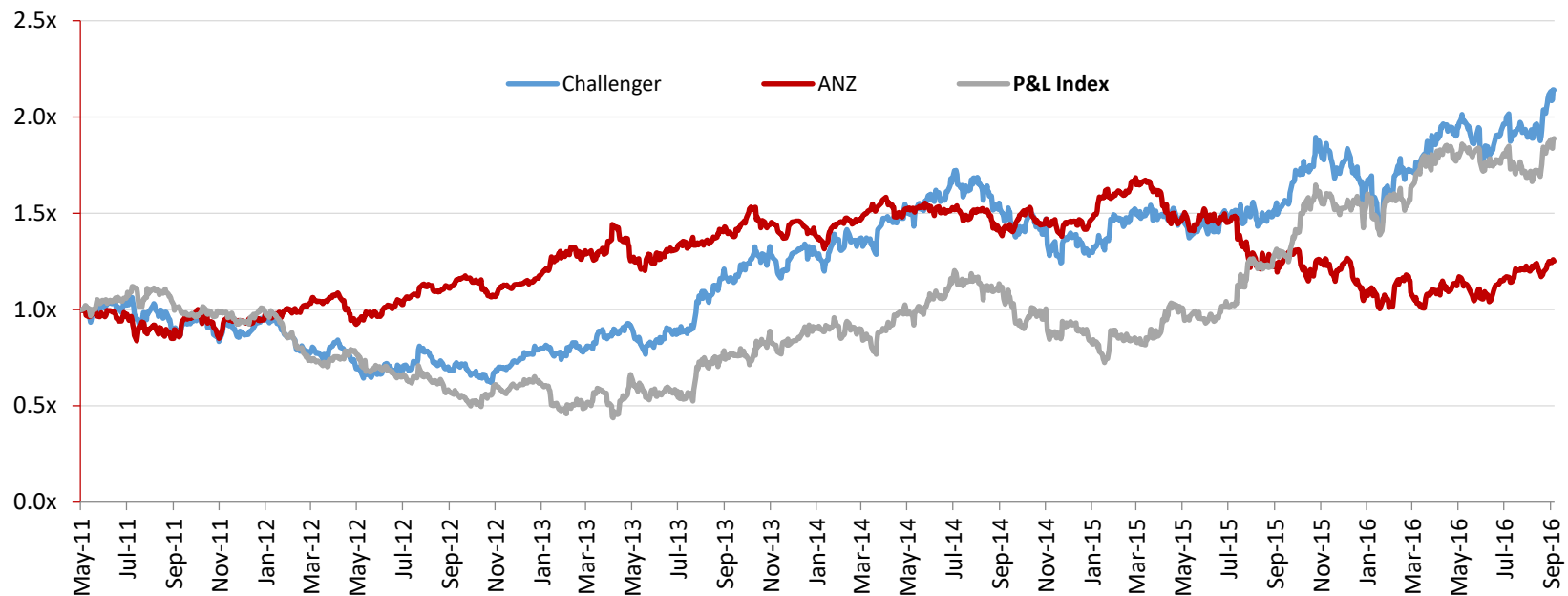
Investment Philosophy

We believe it is possible to consistently identify instances where stock prices are not reflecting fundamental value. We invest on the premise that companies return to fundamental value over time.

- The Investment Strategy is designed to minimise market risk by seeking to construct a portfolio that offers exposure to company risk within controlled pairs
- The Investment Manager uses fundamental analysis to identify relative value opportunities primarily amongst the S&P/ASX200 Index, and seeks to unlock this value using on average 30 to 35 Pair Trades (average position size of 1.5%)
- The Investment Strategy seeks to generate returns through fundamental analysis, diversification (an average of 60 to 70 securities) and leverage (up to 2.5x short, up to 2.5x long)

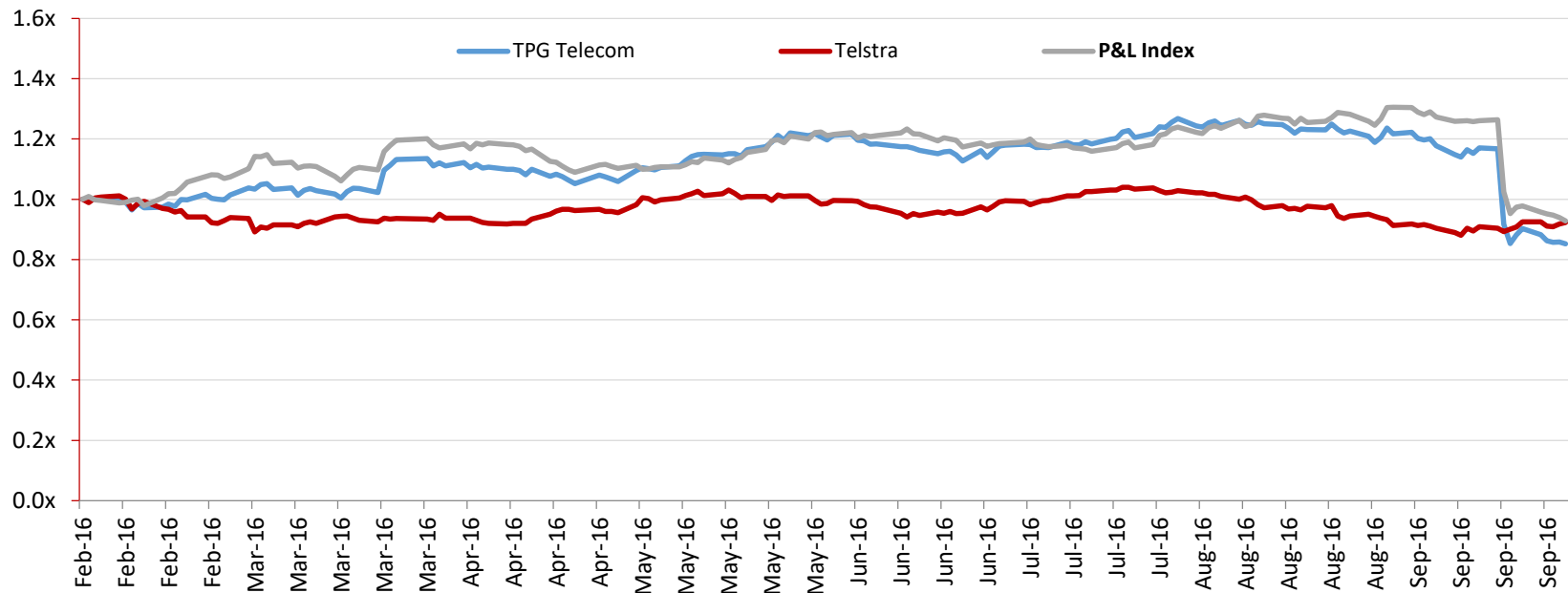
Case Study 1 – Challenger (long) / ANZ (short)

This pair has contributed positively in the last 12 months, largely driven by the rerating of Challenger (blue line). The Fund continues with this pair on a view that Challenger will continue to experience strong demand for its investment products, whereas ANZ (red line) is expected to experience credit risks in its Asian business and is unlikely to rerate substantially.



Case Study 2 – TPG Telecom (long) / Telstra (short)

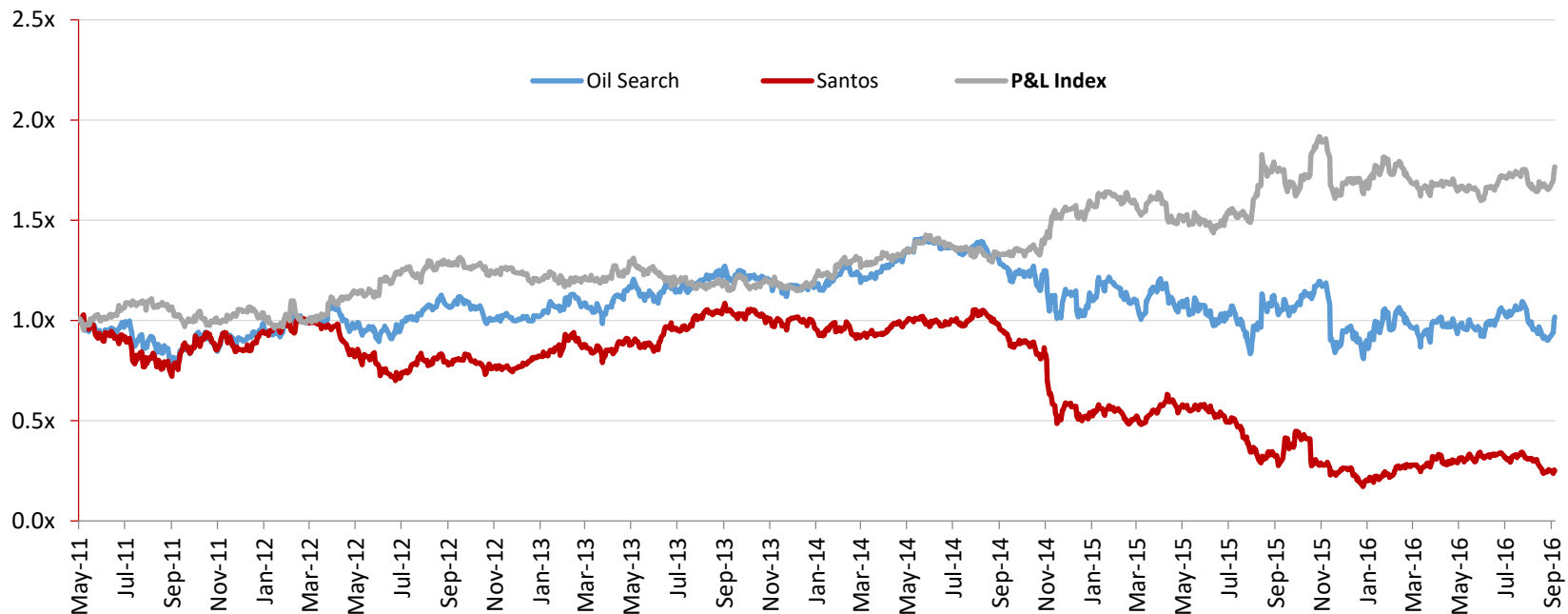
This pair had been a positive contributor, however, the market reacted negatively to TPG's (blue line) earnings outlook. Despite this setback we have persisted with this pair (subject to continued investigation) as we believe Telstra (red line), as a high cost telecommunications operator, has more to lose in a post-NBN world than low cost providers such as TPG.



Source: Bloomberg, BLSEM

Case Study 3 - Oil Search (long) / Santos (short)

This pair has been a strong contributor over the longer term. The investment was initially driven by the re-rating of Oil Search (blue line), and more recently the sharp decline in the Santos (red line). We believe Oil Search's assets are high quality & high ROIC vs. Santos' assets which are low quality and low ROIC. This has left Santos and its shareholders financially exposed during a period of sharp oil price declines.



Portfolio Snapshot

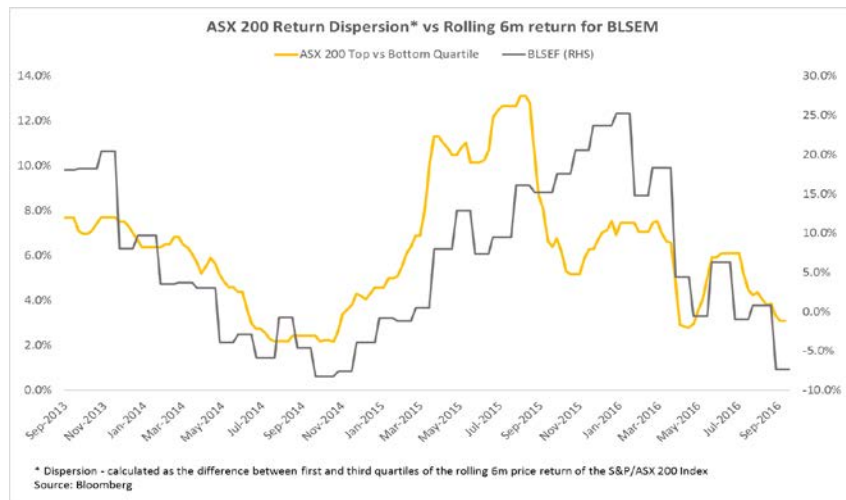
Factor Snapshot	Comparison Index	Longs	Shorts	Net
Number Of Stocks	100	32	35	-3
Initial Portfolio Weight	100.00	50.4	-49.6	0.7
Beta	1.00	0.48	-0.43	0.05
Aggregate Statistics: Value				
P/E	16.1	17.3	16.2	1.1
Yield	4.6	3.1	4.5	-1.4
Price / Book	1.9	2.8	1.6	1.2
EV/ EBITDA	9.1	9.3	8.5	0.8
EV/ Sales	2.0	1.6	1.0	0.6
Growth				
Forecast Earnings Growth	8.9	16.4	6.9	9.5
Forecast Dividend Growth	3.8	12.0	5.2	6.8
Quality				
Return On Equity	11.9	16.0	9.6	6.3
Dividend Cover	1.4	1.9	1.4	0.5
Interest Cover	5.9	7.7	6.3	1.4

Source: UBS, BLSEM September 2016

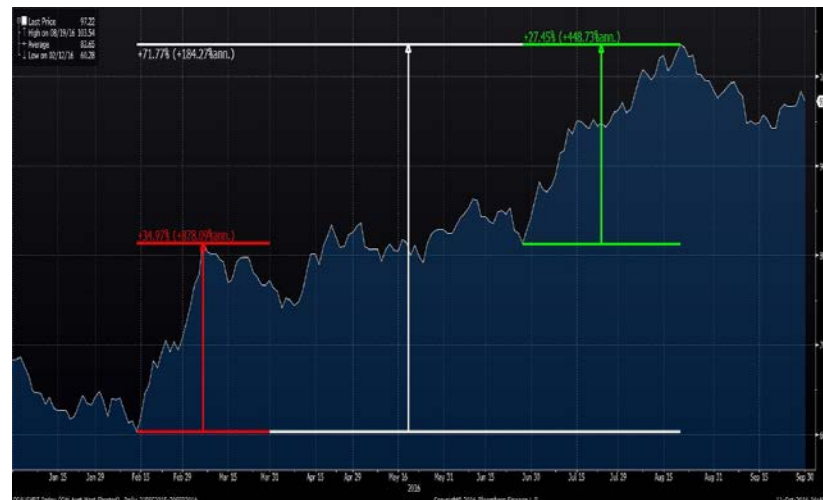


Market Observations

Dispersion has been decreasing
since August 2015



Australia's most shorted stocks
have run hard, low quality stocks
have experienced a bull market
this year

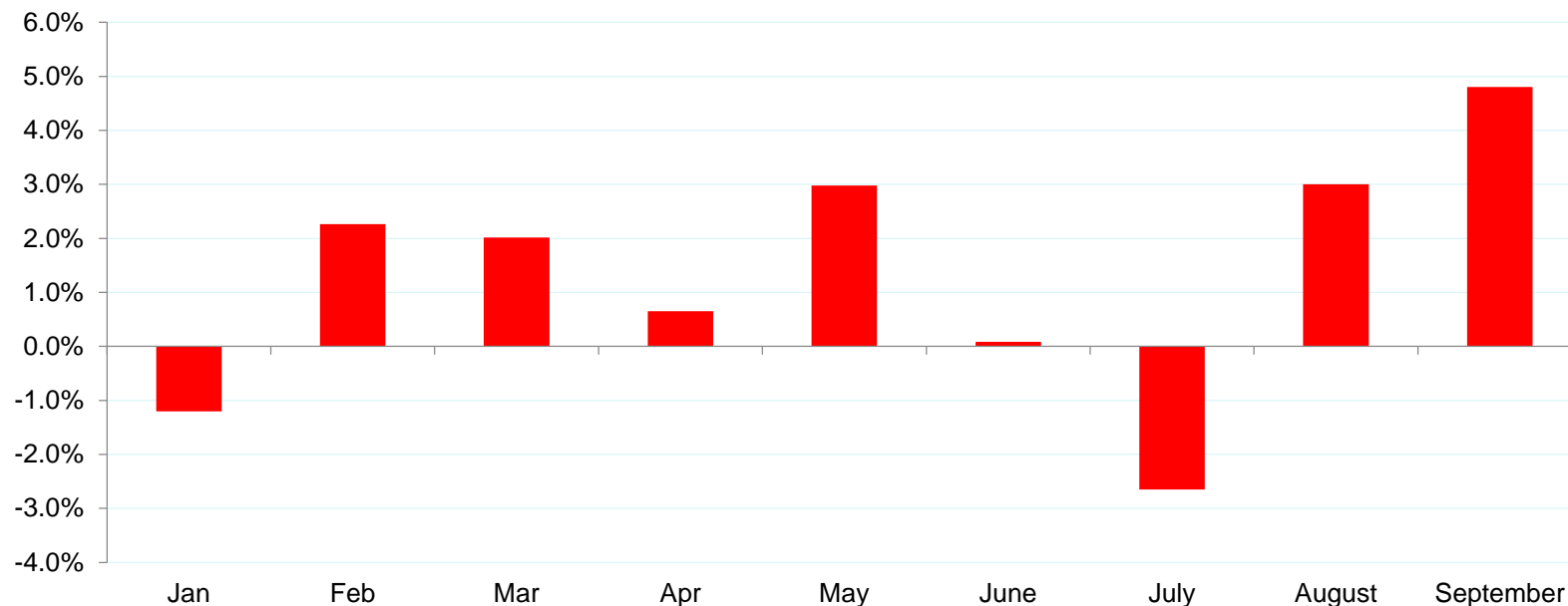




Market Observations

Low P/E Stocks have outperformed high P/E stocks in 2016

Return of Low P/E stocks vs High P/E stocks
(Top Quintile - Bottom Quintile ASX200)



*Above chart measures returns of the top 20% value stocks (represented by low P/E stocks) compared to the bottom 20% value stocks (represented by high P/E stocks) of the ASX 200

Investment Manager

Richard Fish, Senior Portfolio Manager

- 30 years market experience in Australian equities (ANZ McCaughan, Bain Securities, MacNab Clarke & Partners)
- Bachelor of Business Degree and Diploma from Securities Institute of Australia

Sam Shepherd, Senior Portfolio Manager

- 22 years market experience in Australian equities (Credit Suisse, JP Morgan, Norwich Investment Management)
- Bachelor of Commerce Degree and Diploma from Securities Institute of Australia

Sam Taylor, Senior Investment Analyst

- 15 years experience in Australian equities (Ocean Financial Group, Hartleys, Intersuisse)
- Bachelor of Business Degree

Steven Lambeth, Senior Investment Analyst

- 10 years experience in Australia (JCP Investment Partners, Wallara Asset Management, Towers Perrin)
- Bachelor of Commerce with Honours and CFA Institute charterholder (since 2003)

Justin Hay, Senior Investment Analyst

- 18 years experience (Optimal Australia, Goldman Sachs Australia)
- Bachelor of Commerce with Honours and CFA Institute charterholder

Daniel Sanelli, Investment Analyst

- Bachelor of Commerce
- 2 years financial markets experience

Investment Manager / Company Details

- **Style** – Absolute Return Australian Equities
- **Domicile** – Australia
- **Investment Manager** – Bennelong Long Short Equity Management Pty Ltd
- **Company's Market Cap** - \$101.5m*
- **Assets Under Management of Manager** – A\$725m (as at 30th September 2016)
- **Management Fee** – 1.5% ex-GST
- **Performance Fee** – 20.0% ex-GST (high water mark)
- **Prime Broker** - UBS AG, Australia Branch
- **Custodian** – UBS Nominees Pty Ltd
- **Administrator** – Custom House Fund Services (Australia) Pty Ltd

*As at 30th September 2016

Communications



Regular shareholder
emails



Monthly NTA
announcement



Half & full year
financial results



Website www.aepfund.com.au



Media



Independent research

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