Absolute Equity Performance Fund Limited
Monthly NTA and Performance Update

As at 30 September 2016

Net Tangible Assets (NTA)

NTA before tax	$1.016
NTA after tax	$1.049

Since the outstanding Loyalty Options have a $1.10 strike, conversions when the NTA is less than $1.10 will not result in NTA dilution. $ currency notation refers to Australian Dollars.

NTA* Performance

1 month	-1.06%
Since inception	-4.57%

*Before tax

Performance

The Portfolio returned -1.06% for September. Initially, performance was rebounding after last month's disappointing result, including a reversal of some pair positions that weighed on last month's return. However, mid-month the Portfolio was hit by our telco pair of Long TPG Telecom / Short Telstra following the release of TPG's 2016 earnings result. While the reported result was in-line with expectations, the 2017 profit guidance from the company disappointed investors, falling approximately 7% short of market estimates. In addition, the market reassessed the industry competitive landscape as the rollout of the National Broadband Network (NBN) accelerates, and the stock ended the month down 29.3%. Having met with the management, we believe that our thesis continues to be valid and have maintained our exposure to the pair. Much of the disappointment in TPG's earnings guidance reflects transitory issues regarding the integration of TPG's recent acquisition of fellow broadband services provider, iiNet, and not a deterioration in the underlying business. We remain of the view that Telstra, as a high cost telecommunications operator, has more to lose in a post-NBN world than low cost providers such as TPG.

Market Commentary

Stock volatility was high during the month with approximately one third of the S&P/ASX 100 Index recording moves in excess of 5%. Despite the increased volatility, share market returns again were quite lacklustre during September (S&P 500 Index -0.1%, MSCI Europe Index -0.1%, MSCI Asia ex Japan +1.4% and Japan Nikkei -2.6%). For the major global indices, there was a notable sell-off early in the month following a short upward spike in bond yields, particularly in Europe after the European Central Bank's decision to not implement further stimulus measures, as widely expected. Share markets then recovered as bond yields fell following the US Federal Reserve's decision at its September meeting not to raise rates and to await further evidence of economic progress. We acknowledge short-term data is hard to draw conclusions from, but we can't help but observe that a month like September is evidence of how captive share markets have become to central bank policy and commentary.

The Australian share market too had a flat month with the S&P/ASX 200 Index up +0.1%. Taking its lead from offshore, movements in long-term bond yields weighed on the interest rate sensitive sectors of Utilities (-3.6%) and REITs (-4.4%). The other notable sector to under-perform was Telecommunications (-4.1%), however this was driven by stock specific issues. On the positive side, the Mining sector again out-performed thanks to further gains in commodity prices. For example, hard coking coal spiked over 50% in September (and has more than doubled this calendar year) owing to a tightening in the seaborne traded market following production cuts in China alongside resilient steel production. All other sectors of the market posted returns within a range of +/-1%.

Company Details

ASX codes	Shares: AEG , Options: AEGO
Listing date	16 December 2015
Share price	$1.100
NTA* per share	$1.016
Market capitalisation	$101,510,538
Shares on issue	92,282,307
Options on issue	70,641,628
Option expiry date	17 November 2017

*Before tax

Portfolio Snapshot

Long exposure	Month End	50.3%
Short exposure	Month End	-49.6%
Net market exposure	Month End	0.7%

Most Profitable Pairs for the Month

Long	Oil Search (OSH)	Short	Santos (STO)
Long	Crown Resorts (CWN)	Short	SkyCity (SKC)
Long	Challenger (CGF)	Short	ANZ (ANZ)

Least Profitable Pairs for the Month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	Bluescope Steel (BSL)	Short	Sims Metal (SGM)
Long	James Hardie (JHX)	Short	CSR Limited (CSR)

Contact Details

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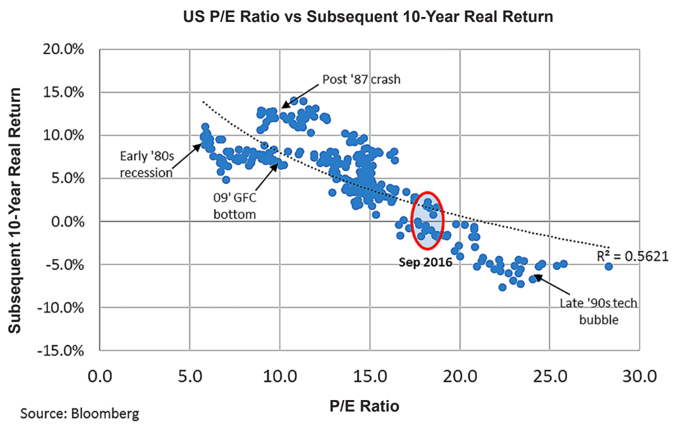
Outlook

As described in our prior monthly update, we maintain the view that markets do not seem to us to be sufficiently accommodating reduced monetary stimulus in the periods ahead, nor is there an adequate allowance for a pick-up of inflationary expectations. Indeed, we regard the events of September, in which markets wobbled at the mere sniff of less accommodative policy in Europe and Japan, illustrative that investor sentiment is complacent. Of course, we do not have a strong view on what interest rate normalisation looks like in a post Global Financial Crisis (GFC) world. As mentioned last month, the idea of the US Federal Reserve anchoring to a zero policy interest rate that was originally set to cope with the GFC seems increasingly inappropriate given substantive evidence that the US economy has both healed itself and significantly de-leveraged.

As an observation, an investor's return experience is heavily anchored to the price paid. This begs the question: is the US S&P 500 Index a good investment today trading on a forward 12-month price/earnings multiple of 17 times? The below chart shows the historical link (since 1960) between the S&P 500 Index price/earnings multiple and subsequent 10-year real return. The downward sloping data-points show how higher and higher earnings multiples correspond to lower and lower subsequent returns. At the extreme, those buying equities in the late 1990s on multiples above 30 times (due to the technology boom) set themselves up for a negative return over the subsequent decade. When we look at today's price/earnings of 17 times, if history is a guide then investors can expect a real return over the next 10 years of around zero.



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

Richard Fish	Senior Portfolio Manager
Sam Shepherd	Senior Portfolio Manager
Sam Taylor	Senior Analyst
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.

Directors

Marc Fisher (Chairman)

Graham Hand

Andrew Reeve-Parker

Company Secretaries

Jeff Phillips

Tai Phan

Monthly Table of NTA* Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-0.23%	2.28%	-7.20%	-2.89%	8.53%	-0.92%	1.38%	-5.90%	-1.06%				**-6.66%**
2015	-	-	-	-	-	-	-	-	-	-	-	2.25%	**2.25%**

*Before tax. Past performance is not a reliable indicator of future performance.

Absolute Equity Performance

Bennelong Long Short Equity