

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

As at 31 October 2016

### Net Tangible Assets (NTA)

NTA before tax	\$0.998
NTA after tax	\$1.037

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.

### Performance

The Portfolio returned -1.73% for October 2016 marking the third consecutive monthly negative return. This has occurred only once before in the 168 months of the strategy's history during what we regard as very similar market conditions in late 2014. In that instance, subsequent returns were strong as the unusual market conditions subsided. Performance this month featured a broadly even number of winning versus losing pairs but on balance, gains from the short book didn't quite compensate for losses in the long book.

Our best pair was in Healthcare due to a short position in Healthscope (a private hospital operator), which fell -28% following a profit downgrade at its Annual General Meeting. Also making strong contributions were two pairs in the Financials sector, particularly our short position in AMP after it announced significant issues in claims management within its dominant life insurance division. Pairs that detracted from performance came in the Consumer sector, notably gaming following the surprise arrest in China of members of Crown staff on speculation of gambling violations. Other pairs that detracted from returns came from the Energy and Resources sectors, driven more by monthly price volatility than fundamental news flow (for example, long Oil Search / short Santos was conversely, our best performing pair last month).

### Market Commentary

Share markets were mixed during October 2016 with news flow dominated by the looming US federal election and further rises in bond yields globally. The US was the weakest major offshore market with the S&P 500 Index down -1.9%. Other offshore markets fared relatively better and in some cases were positive (MSCI Europe -0.9%, UK FTSE +0.8%, MSCI ex Japan -1.5%, Japan Nikkei Index +5.9%), helped in part by weakness in their currencies against the US dollar (Euro -2%, British pound -5%, Japanese Yen -3%). However, weighing on all share markets indices was a further sell-off in long-dated government bonds with yields having previously touched record lows around early July.

In Australia, the local share market was weak with the S&P/ASX 200 Index down -2.2%. Similar to the trends seen over the last two months, the main market laggards were the interest rate sensitive sectors of REITs and Utilities on the back of a move up in bond yields, as well as the Healthcare sector following a large sell-off in Healthscope and a more general unwind in the large premium valuation of the sector versus the broader market. The other notable sector to underperform was the Consumer Discretionary sector (-6.3%) with all stocks within the sector down (particularly the casino gaming stocks) except Tatts Group following a merger proposal from Tabcorp. The only two sectors to manage gains over the month were the Banks (+1.5%) and Materials (+1.3%) with the latter led by the Resources sector with yet again the bulk commodities (iron ore, coking coal and thermal coal) continuing to rally strongly.

### NTA\* Performance

1 month	-1.73%
Since inception	-6.24%

\*Before tax

### Company Details

ASX codes	Shares: AEG , Options: AEGO
Listing date	16 December 2015
Share price	\$1.050
NTA* per share	\$0.998
Market capitalisation	\$96,981,179
Shares on issue	92,363,028
Options on issue	70,560,907
Option expiry date	17 November 2017

\*Before tax

### Portfolio Snapshot

Long exposure	Month End	51.0%
Short exposure	Month End	-49.0%
Net market exposure	Month End	2.0%

### Most Profitable Pairs for the Month

Long	Ramsay (RHC)	Short	Healthscope (HSO) & Primary (PRY)
Long	Henderson (HGG)	Short	AMP (AMP)
Long	Challenger (CGF)	Short	ANZ (ANZ)

### Least Profitable Pairs for the Month

Long	Star Entertainment (SGR)	Short	Metcash (MTS) & Woolworths (WOW)
Long	Iluka (ILU)	Short	Downer (DOW)
Long	Oil Search (OSH)	Short	Santos (STO)

### 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	03 8639 1291
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>

# Absolute Equity Performance Fund Limited

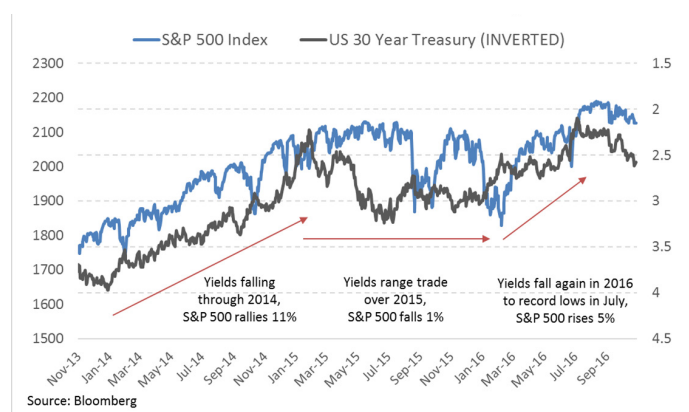
## Monthly NTA and Performance Update

As at 31 October 2016

### Outlook

While markets remain on edge over the US presidential election, the more lasting issue for equity markets is the valuation implications from either reduced monetary stimulus or a pick-up of inflationary expectations. With risk-free interest rates being the building blocks in the valuation of riskier financial assets, the pricing of long duration financial assets such as property and equities is influenced by the level of long term government bond yields. Therefore, the valuation of equity markets may face headwinds over the medium-term, better suiting our market neutral style of investing versus traditional long-only approaches. To provide some context, the chart below plots the S&P 500 Index over recent years against the 30-year US Treasury bond yield. Note the yield (on the right vertical scale) is inverted to reflect the inverse nature of yield to price. Over the last three years, the S&P 500 Index has moved inversely in price to the level of long-term US Treasury yields, with approximately 60% correlation.

S&P 500 Index vs US 30 Year Treasury



### 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%	-1.73%			-8.30%
2015	-	-	-	-	-	-	-	-	-	-	-	2.25%	2.25%

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



### 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.