

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

As at 31 December 2021

### NTA Per Share and Share Price

NTA before tax	\$1.157
NTA after tax	\$1.144
Share price	\$1.025

\$ currency notation refers to Australian Dollars.

### Performance Commentary

Portfolio performance was 1.25% for December. Top pairs were long MIN short BHP and FMG, and long ILU short RIO. MIN significantly outperformed BHP and FMG. MIN's key commodities are lithium and iron ore which were both strong in December. Lithium has boomed throughout 2021 as the market responds to tight supply and growing demand for EVs and battery storage. Supply of Iluka's mineral sands products remain tight and prices are strong. Iluka is also well progressed assessing further development of its rare earth assets, which will be critical in the EV industry and the renewable energy transition.

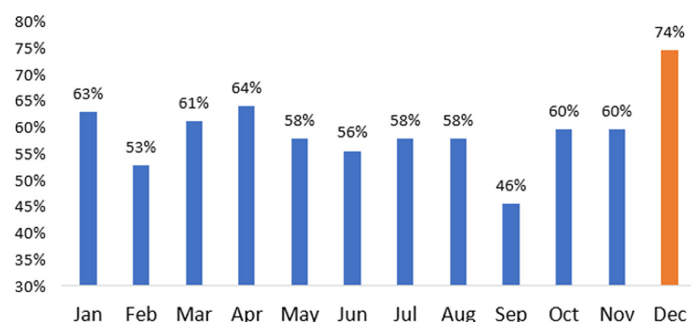
Bottom pairs were long CSL short SHL and long TPG and TUA short TLS. CSL was soft after announcing the acquisition of Vifor (a Swiss pharmaceutical company) and an associated equity raise. Sonic had further near-term earnings upgrades as COVID testing volumes continue to grow. TPG was weak following the sale of a portion of founder, David Teoh's, shareholding.

Returns were evenly spread across sectors, other than mining which stood out positively due to the performance of MIN and ILU.

### Market Observations

Share markets finished the year on a positive note with all the major indices across the US, Europe and Asia posting gains in the low to mid-single digits (the one exception was the Hang Seng index, which fell -1%). For markets to have rallied in December is not surprising given history has shown they have a better chance of going up than for any other calendar month (see first chart below). With this said, the gains seen this December were notable given news flow over the month was generally against market sentiment including: continued high inflation data; a change in US Federal Reserve commentary to a more hawkish stance; and fresh waves of COVID-19 threatening economic growth. Overall, 2021 was a strong year for equity markets (see second chart below).

Percentage of times S&P500 has risen for a given calendar month  
(period from 1928 to 2021)



Source: Bloomberg

### NTA\* Performance

1 month	1.25%
3 months	2.70%
12 months	-5.12%
Since inception (annualised)	4.89%

\*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>	5.07%
Grossed up dividend yield <sup>†</sup>	7.25%
Shares on issue	90,379,949
NTA*	\$104,602,057

\* 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	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

### Least Profitable Pairs for the Month

Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	TPG Telecom (TPG) / Tuas (TUA)	Short	Telstra (TLS)

### Portfolio Snapshot

Long exposure	Month End	50.9%
Short exposure	Month End	-49.1%
Net market exposure	Month End	+1.8%
Gross market exposure*	Month End	\$436,325,474
Leverage factor (x NTA)	Month End	4.2
Average leverage factor (x NTA)	Since Inception	4.5

\* Sum of long and short positions in the Portfolio

### Contact Details

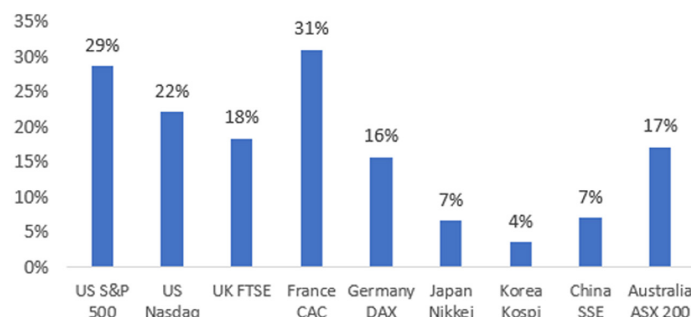
Company	Absolute Equity Performance Fund Limited (ACN 608 552 496)
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Phone Number	02 8016 2819
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Website	<a href="http://www.aepfund.com.au">www.aepfund.com.au</a>

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Share Market Total Return Indices Calendar 2021



Source: Bloomberg

The strong gains for 2021 added to the already strong gains achieved in the prior two calendar years (2020 and 2019). As a result, share markets (seen globally) over the last 3 calendar years (i.e. 2019 through 2021) have risen over 70%, an outcome not seen since the late 1990s.

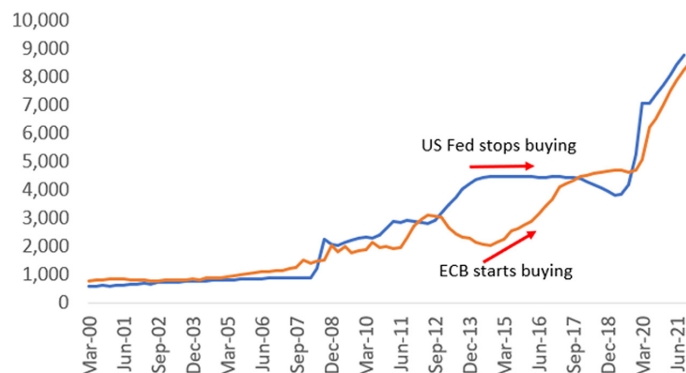
MSCI World Price Index Return (US\$)  
3 Year Gain (Loss) by Calendar Year



Source: Bloomberg

Looking ahead to 2022, perhaps the greatest challenge facing equity markets is a shift in policy. Whilst rising corporate earnings have justified rising equities, liquidity and stimulus measures by central banks and governments have also played a meaningful role. Such influence can be seen in the extraordinary performances of those investments without earnings such as crypto currencies, profitless meme and tech stocks, NFTs, fine art, etc. With inflation higher and more entrenched than previously thought, the risk of more aggressive policy tightening has risen. Of course, equity markets already expect an amount of normalisation in interest rates and tapering of asset purchases. The question is what happens to markets under the scenario of further revisions to tightening agendas. During the 2013-14 "taper tantrum" the US and European central banks actions counterbalanced one another, and markets were turbulent. In 2022 the expectation is for both to withdraw liquidity concurrently, at a time when both balance sheets are at peak levels. After exceptional gains in the last three years, markets do not appear to be anticipating risk of disruption.

Central Banks - Total Balance Sheet Assets



Source: Bloomberg

### 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)  
Raymond Da Silva Rosa  
Will Harrison

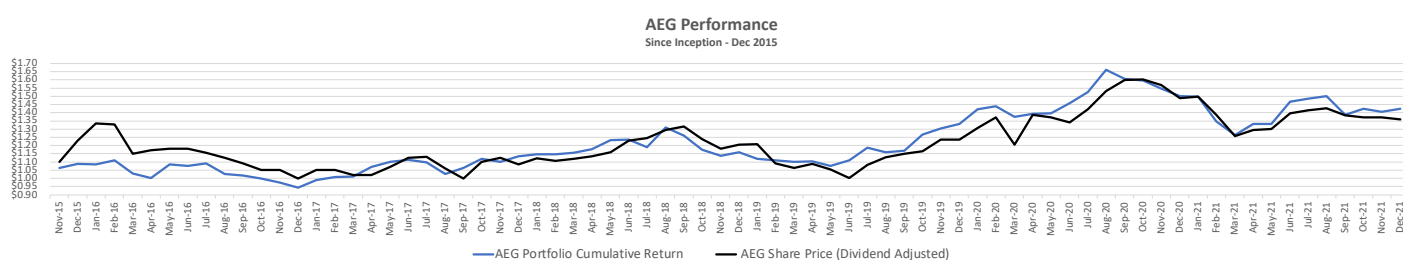
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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-0.22%	-10.12%	-6.13%	5.33%	0.13%	10.08%	1.30%	1.09%	-7.70%	2.78%	-1.31%	1.25%	-5.12%
2020	6.68%	1.23%	-4.44%	1.21%	0.34%	4.31%	4.80%	8.83%	-3.32%	-0.67%	-3.05%	-3.01%	12.60%
2019	-3.51%	-0.84%	-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.

