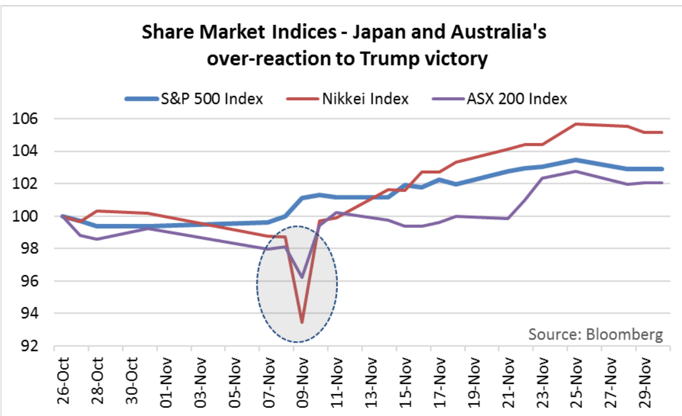
Bennelong Long Short Equity Fund

Monthly Performance Update

As at 30 November 2016

Market Commentary

If November 2016 will be remembered for anything, it will be the stunning US election upset in which Donald Trump has been elected the 45th president of the United States of America. But perhaps equally as surprising were the reactions of financial markets to Trump's victory in which markets initially engaged in panic selling and a flight to safety, only to subsequently rally after witnessing a more measured response when US share markets began trading. And it didn't end there. As shown in the below chart, the S&P 500 Index continued to rally post Trump's win to be up +3.4% for the month overall.



The rally in the US didn't extend to other offshore markets, with European markets flat to down (UK FTSE 100 Index -2.5%, German DAX Index -0.2%), while Asia was mixed with Japan up (Nikkei Index +5.1%) but other markets down (MSCI ex Asian Index -2.9%). Australia fared relatively well with a gain of +2.3% (S&P/ASX 200 Index). Much of our market's rise for the month came from the major banks, which found support from a steepened yield curve and rotation out of other interest rate sensitive sectors. Mining stocks again moved higher, but not in lock-step with the strong rises in commodity prices (iron ore +12%, hard coking coal 20%), perhaps indicating the gains seen in commodities this year are becoming over-extended. To put the rally of the resources sector in context, the chart on the next page shows that the Materials Index (which is dominated by the large cap mining stocks) has risen almost 40% this year while all other major sectors (financials, industrials, healthcare, REITs, consumer) are broadly flat (+/-3%).

Fund statistics		
Fund NAV A$M	Month End	$391.2
Gross exposure A$M	Month End	$1,877.2
Fund leverage (x NAV)	Month End*	4.8
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	16.7%
Fund volatility (annualised)	Rolling 12 months	14.7%
Positive months %	Rolling 6 months	17%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	(1.7)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.4)
Long exposure	Month End	51.2%
Short exposure	Month End	-48.8%
Fund performance (composite)	Since inception $1.00	$9.62

*Gearing calculated subject to variations in accruals

Top three spreads for the month			
Long	Qantas (QAN)	Short	Flight Centre (FLT)
Long	Adelaide Brighton (ABC)	Short	Boral (BLD)
Long	Iluka (ILU)	Short	Downer (DOW)

Bottom three spreads for the month			
Long	Harvey Norman (HVN)	Short	Myer (MYR)
Long	CSL (CSL)	Short	Sonic Health (SHL)
Long	Oil Search (OSH)	Short	Santos (STO)

Performance	
1 month	-2.24%
3 months	-4.99%
Fiscal YTD	-9.29%
12 months	-4.58%
Since inception (compound p.a.)	16.49%

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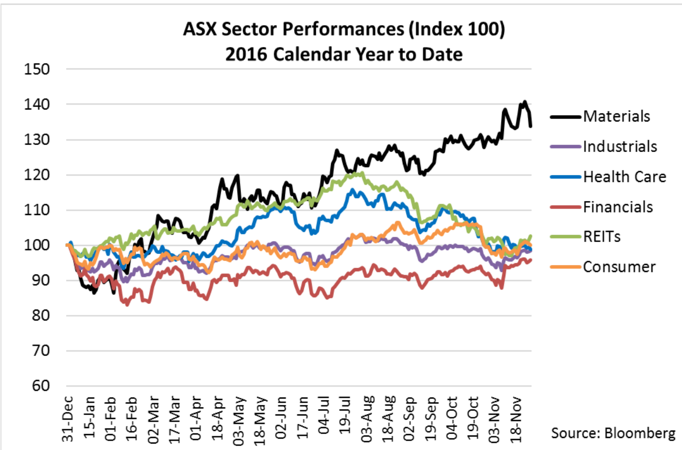

Global bond markets continued to sell-off over November (yields were higher for all major markets) with Trump's election win fuelling speculation of both further rate normalisation and inflationary pressures from possible future fiscal and protectionist measures.

Portfolio Performance

The Fund under-performed during November with a return of -2.24%. Similar to last month, the portfolio featured an even mix of winning and losing pairs with no particular position having a disproportionate impact on return. A trend evident in the portfolio that featured again over the month was the market's rotation out of higher quality and defensive names toward lesser quality names on lower multiples or with cyclical potential. As readers would know, our Fund does not deliberately position itself on these thematics, but we accept that our preference to be long businesses with better growth prospects (relative to the short book) often means our long book trades at a price-premium to the short book, hence exposing us to under-performance if either the premium becomes stretched or sentiment changes. For an investment team with over 80 years of collective investment experience, we have not found success in trying to second guess changes in market sentiment. To this end, we have no plans to adjust our current positions unless justified by changes in our assessment of the fundamental outlook.

Outlook

At the time of writing, the ASX 200 Index is up 3% over the calendar year. In recent months, earnings forecasts have recovered to bring the valuation of the market down from a demanding price-to-earnings ratio of 17x in August to now 15.5x. However, it should be noted that much of this recovery in earnings has been driven by the resources sector, the sustainability of which has to be questioned given the extent of price recovery. For example, spot hard coking pricing recently moved above US$300/t, a level not seen since January 2011 when three-quarters of Queensland's coal mines were impacted by flooding. In our view, a broader based recovery in earnings (including the financials and industrials sectors) needs to occur for the ASX 200 to break out of its current range-bound status.

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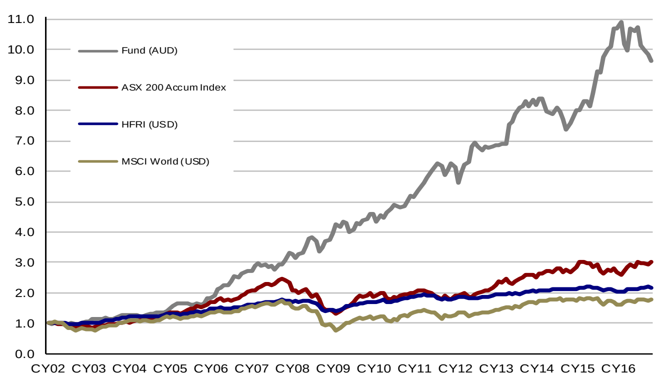
Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2016	**-0.29%**	**2.37%**	**-6.73%**	**-2.30%**	**7.58%**	**-1.04%**	**1.46%**	**-5.90%**	**-1.06%**	**-1.76%**	**-2.24%**		**-10.17%**
2015	**2.66%**	**0.05%**	**3.59%**	**0.03%**	**-1.91%**	**4.86%**	**8.85%**	**-0.69%**	**5.71%**	**2.54%**	**0.65%**	**6.22%**	**37.11%**
2014	**-2.32%**	**2.50%**	**0.16%**	**-4.97%**	**-0.80%**	**-0.44%**	**3.04%**	**-1.56%**	**-3.59%**	**-4.33%**	**3.12%**	**2.83%**	**-6.63%**
2013	**0.46%**	**-0.28%**	**0.69%**	**0.01%**	**9.49%**	**1.10%**	**3.52%**	**2.27%**	**0.83%**	**1.88%**	**-1.80%**	**2.68%**	**22.48%**
2012	**-2.04%**	**-8.43%**	**6.35%**	**4.22%**	**1.19%**	**8.47%**	**1.57%**	**-1.61%**	**-2.00%**	**1.69%**	**-0.41%**	**0.89%**	**9.20%**
2011	**-0.59%**	**4.39%**	**1.85%**	**2.34%**	**3.09%**	**4.12%**	**2.12%**	**1.91%**	**-1.25%**	**-5.06%**	**3.09%**	**3.27%**	**20.60%**
2010	**0.25%**	**-6.16%**	**4.77%**	**-1.10%**	**3.24%**	**2.84%**	**2.90%**	**-0.96%**	**-0.98%**	**1.23%**	**2.87%**	**3.65%**	**12.71%**
2009	**5.69%**	**7.88%**	**-1.72%**	**4.26%**	**-1.24%**	**-7.16%**	**2.24%**	**5.61%**	**-1.14%**	**2.65%**	**1.71%**	**3.57%**	**23.64%**
2008	-2.10%	-2.82%	3.40%	1.06%	7.07%	7.36%	**1.16%**	**-3.57%**	**-8.98%**	**3.78%**	**5.78%**	**0.49%**	**11.95%**
2007	0.55%	5.42%	3.62%	-3.12%	0.92%	-2.90%	1.70%	-3.72%	5.63%	-0.22%	4.41%	9.04%	22.51%
2006	1.24%	4.76%	10.16%	2.90%	2.58%	0.95%	5.57%	7.67%	-2.62%	5.22%	2.01%	1.35%	49.91%
2005	6.29%	7.29%	5.01%	-0.49%	-0.27%	1.81%	-2.87%	-1.51%	4.10%	-2.33%	2.88%	8.73%	31.64%
2004	0.19%	0.16%	0.49%	-3.41%	0.78%	2.60%	4.36%	-0.80%	3.22%	1.42%	-0.29%	1.61%	10.59%
2003	2.34%	6.21%	-0.44%	0.61%	0.82%	3.00%	-1.93%	-0.99%	2.01%	4.85%	3.78%	-1.27%	20.33%

Note: The returns highlighted in bold are net returns of the Bennelong Long Short Equity Fund (pre tax) *Composite pro forma CY08.
The returns not bolded are "pro forma" net returns of the Bennelong Securities Long Short Equity Fund (Managed Account) (pre tax) Jan 03 to Jun 08

Performance Since Inception



Note: Composite Index comprising Bennelong Securities Long Short Equity Fund (Managed Account) Feb 02 to Jun 08 & Bennelong Long Short Equity Fund from Jul 08

Fund Summary			
Strategy	Market Neutral, Pairs	**Domicile**	Australia
Manager	Bennelong Long Short Equity Management Pty Ltd	**AUM**	A$723.8m
Status	Soft-close	**Currency**	AUD
Inception Date	February 2002		

The Fund is managed by Bennelong Long Short Equity Management Pty Limited, a Bennelong Funds Management boutique.

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