



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 January 2017

Market Commentary

January represented a mixed performance across share markets. US markets finally enjoyed their first January rise in 5 years with the S&P 500 Index up +1.8%, Dow Jones Index up +9.4%, and Nasdaq Composite Index up +4.3%. European share markets paused (MSCI Europe Index -0.4%) after rallying strongly in December. Asian markets were also a mixed bag with Japan flat (Nikkei Index -0.4%) but the rest of Asia strong (MSCI Asia ex Japan Index +6.2%) driven by Singapore and Hong Kong. For Australia, the local market declined slightly (S&P/ASX 200 Index -0.8%) with market spirits upbeat in the first week of trading but then faltered. Most sectors declined over the month with the largest falls seen in Consumer Discretionary (-4.0%) and REITs (-4.9%). On the other side was continued momentum in the Materials sector with resource stocks buoyed by gains of 5-10% in gold and base metals. Another notable sector to rally was healthcare (+5%) driven by the ASX's largest healthcare company, CSL, announcing a profit upgrade in late January.

Portfolio Performance

Fund performance in January was a welcomed turnaround with the standout driver being our long BlueScope / short Sims Metal Group pair following a large profit upgrade from BlueScope ahead of their interim financial result. Also helping performance were our pairs in the healthcare sector, most notably long CSL Limited / short Sonic Healthcare on the back of a profit upgrade from CSL. The only pair of disappointment for the month was long Brambles / short Amcor following an unexpected profit warning from Brambles in late January, referencing a material slowdown in sales growth over the past few months. Overall, we were pleased with the attribution of fund return on the basis of it seemingly reflecting a return to being driven by fundamentals (i.e. company specific factors) more so than macro factors.

We made a few changes to the portfolio over the month. First we introduced a new pair in the energy sector. We also reduced a short position in one of our mining related pairs, replacing it with a new short position in another business with exposure to the resources sector. We also decided to close one of our building materials pairs in response to a significant change in relative earnings prospects.

Fund statistics		
Fund NAV A\$M	Month End	\$397.1
Gross exposure A\$M	Month End	\$1,762.6
Fund leverage (x NAV)	Month End*	4.4
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	14.1%
Fund volatility (annualised)	Rolling 12 months	14.4%
Positive months %	Rolling 6 months	17%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	4.1
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.7)
Long exposure	Month End	51.3%
Short exposure	Month End	-48.7%
Fund performance (composite)	Since inception \$1.00	\$9.77

*Gearing calculated subject to variations in accruals

Top three spreads for the month			
Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	CSL (CSL)	Short	Sonic Health (SHL)
Long	Ramsay Health (RHC)	Short	Primary (PRY) / Healthscope (HSO)

Bottom three spreads for the month			
Long	Brambles (BxB)	Short	Amcor (AMC)
Long	ALS (ALQ)	Short	Orica (ORI)
Long	Adelaide Brighton (ABC)	Short	Boral (BLD)

Performance	
1 month	4.95%
3 months	-0.71%
Fiscal YTD	-7.87%
12 months	-8.50%
Since inception (compound p.a.)	16.41%





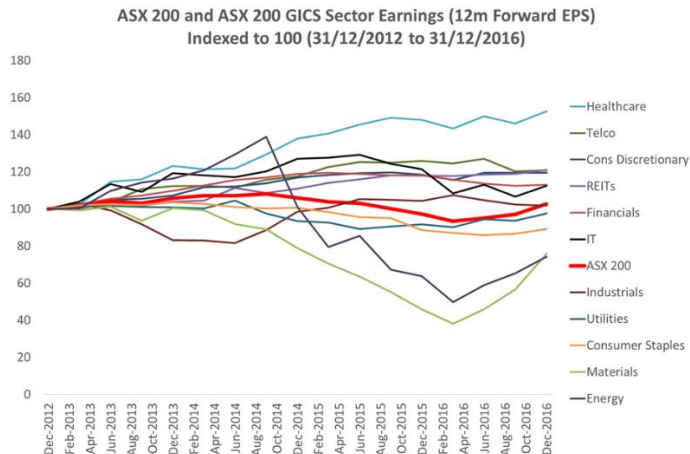
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Outlook

As we noted in our December report, there is currently renewed optimism of an uptick in global economic growth which in turn should support a recovery in earnings momentum – something that has been lacking for many markets over the years (the USA being the exception). However, it is important to note that such commentary is thus far a prediction rather than observation. As shown in the below chart, a break-down of the ASX 200 across its 11 sector classifications shows that the only earnings recovery seen in recent times has come from the resources and energy sectors. With these sectors representing approximately 20% of the overall market, it would seem logical to think that further earnings progress for the ASX 200 needs to come from the remaining 80% of the market (in particular, financials which are 35% of the overall index). The coming February reporting season will provide some guidance as to potential for this over calendar 2017.



Source: Bloomberg



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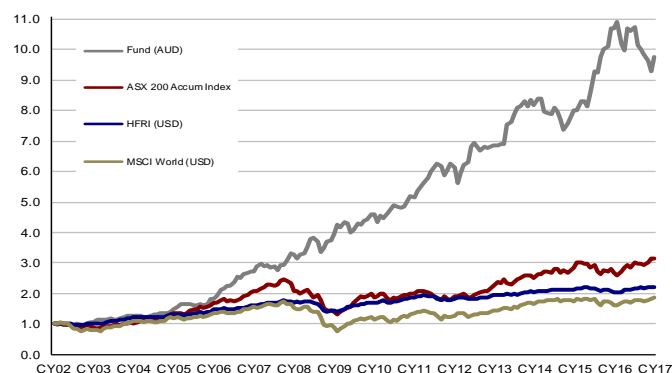
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2017	4.95%												4.95%
2016	-0.29%	2.37%	-6.73%	-2.30%	7.58%	-1.04%	1.46%	-5.90%	-1.06%	-1.76%	-2.24%	-3.23%	-13.07%
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



Fund Summary			
Strategy	Market Neutral, Pairs	Domicile	Australia
Manager	Bennelong Long Short Equity Management Pty Ltd	AUM	A\$713.3m
Status	Soft-close	Currency	AUD
Inception Date	February 2002		

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

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

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