

Key Points:

Research driven, market and sector neutral, "pairs" trading strategy investing primarily in large cap stocks from the ASX/S&P100 Index, with over 14-year track record and annualised net returns of 16.41%.

Portfolio Manager Richard Fish has over 30 years' experience, while Bennelong Funds Management provide infrastructure, operational and compliance functions across a number of underlying funds.

The Fund's Investment history commenced in February 2002 and has a performance history that includes 11.95% return in 2008 and 20.6% in 2011, both of which were negative years for the ASX200.

The Fund's returns across its investment history indicates the Manager's ability to provide positive returns in volatile and negative markets and significantly outperform the broader market.

Management Company Overview:

The Bennelong Long Short Equity Fund (the "Fund") is an Australian Absolute Return fund established in 2002 by Richard Fish. BLSEM staff control 60% of the investment manager with the remainder owned by Bennelong Funds Management (BFM).

Fish has over 30 years' experience in Australian equity markets including 10 years with the Australian equities team at National Australia Asset Management, a division of the National Australia Bank. In May 2012 Sam Shepherd joined the firm from Credit Suisse, where he ran the Melbourne institutional equities desk. Shepherd's 22-year experience also covers JP Morgan and Norwich Investment Management. They are supported by experienced investment analyst, Sam Taylor. Steve Lambeth joined BLSEM as Senior Investment Analyst in August 2014. He has 12 years' experience in the funds management industry. Most recently, Lambeth worked with JCP Investment Partners where he was Senior Investment Analyst, responsible for company research and valuation and was also integrally involved in portfolio decision making across a range of investment portfolios, including the JCP 150/50 long short fund.

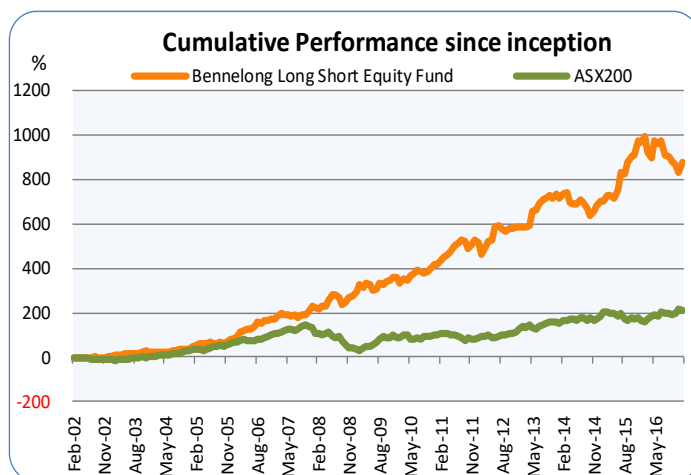
Investment Approach

The Fund only invests in ASX listed stocks, primarily within the top 100 by market capitalisation, using a disciplined "pairs



Key Performance Statistics	Bennelong	Index*
Jan-17	4.95	-0.79
Annualised Return	16.41	7.87
Latest 3 Months	-0.71	6.65
Latest 6 Months	-9.19	3.23
Latest 12 Months	-8.50	17.34
Latest 24 Months p.a.	10.40	4.95
Latest 36 Months p.a.	6.15	7.40
Latest 60 Months p.a.	9.78	10.55
% Positive Months	65.00	62.22
Best Month	10.16	7.98
Worst Month	-8.98	-12.61
Largest Drawdown	-14.83	-47.19
Average +ve Return	3.31	3.09
Average -ve Return	-2.34	-3.23
Annualised Standard Deviation	12.14	12.90
Downside Deviation (Since Inception)	6.85	9.46
Sharpe Ratio (Since Inception)	0.98	0.33
Sortino Ratio	1.63	0.36

*Index is ASX200 Total Return adjusted since Fund's Inception



Performance - Net of Fees (%)		Bennelong Long Short Equity Fund											
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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	37.14%
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	22.46%
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	2.59	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	0.17	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%
2002	-	-3.31	3.12	-1.05	-0.31	-0.92	1.17	2.64	-3.45	-2.61	3.86	4.59	3.36%

Jan-17 **+4.95 %**
Latest 12 Months **-8.50 %**

trading" approach while remaining broadly market neutral on a cost basis.

In a typical environment, the Fund will hold around 70 stocks comprising 35 pairs. Each pair contains one long and one short position each of which will have been thoroughly researched and are selected from the same market sector. Ideally each stock's position will make a positive return, it is the relative performance of each of the pair that is important

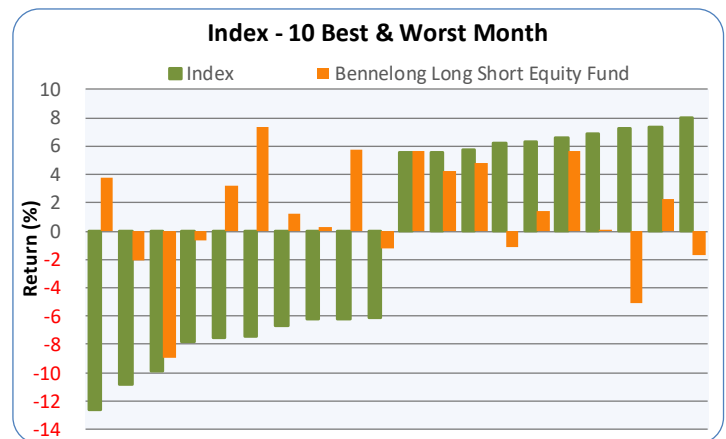
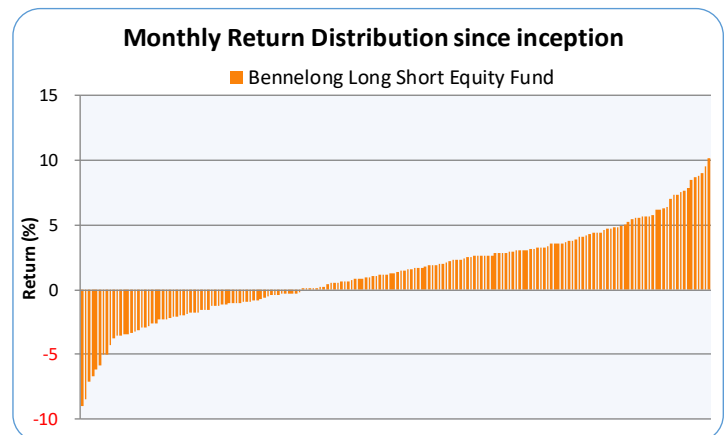
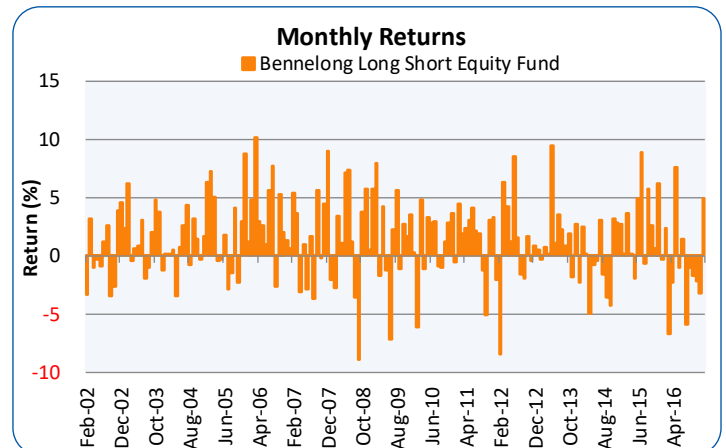
As a result, the Fund can make positive returns when each stock moves in the same direction provided the long position outperforms the short one in relative terms. However, if neither side of the trade is profitable, strict controls are required to ensure losses are limited, it is the relative performance of each of the pair that is important. As a result, the Fund can make positive returns when each stock moves in the same direction provided the long position outperforms the short one in relative terms. However, if neither side of the trade is profitable, strict controls are required to ensure losses are limited.

Fundamental Research & Analysis

The fundamental research and formation of a view on sectors and individual stocks is focused on the top 100 ASX stocks. Information and initial ideas are generated from a range of sources including broker research and ASX notices.

The nucleus of the idea may come as a result of stock specific views, or may be driven from an overall sector view. In addition to Fish and his team's extensive market experience, industry contacts provide the genesis of ideas which help to identify opportunities.

Ideas and potential opportunities are researched in detail using fundamental analysis to determine both the absolute and relative value of stocks which make up the sector in question. An internal matrix and analysis system has been developed to thoroughly test and analyse stocks within the sector prior to selecting the "pair" that will be used to implement the trade.



The final portfolio construction is subject to strict risk limits and controls, and the portfolio is subject to continuous review and adjustment. On average, each pair makes up only 3% of the overall portfolio, with a range of between 2 and 5%, and at the time of the initial investment each pair is broadly dollar neutral.

Investment Risk & Processes

The Fund uses no derivatives and has no currency exposure.

The Fund has no hard stop loss limits, instead relying on the small average position size per stock (1.5%) and per pair (3%) to limit exposure. Where practical pairs are always held within the same sector to limit cross sector risk, and positions can be held for months or years.

In addition to the investment team's undoubted skill and knowledge of their market universe, the Fund's performance is

Performance Commentary

□ The Fund's strong historical performance indicates an ability to generate high annualised returns whilst preserving capital across the market cycle. In January 2017, the Fund rose 4.95% compared to the ASX200 Accumulation Index that returned -0.79%. Since inception the Fund has produced an annualised return of 16.41% against the broader ASX200 Accumulation return of 7.87%.

□ These returns have been achieved with slightly lower volatility than the broader market, as shown by the Fund's standard deviation of 12.14% against the ASX200's standard deviation of 12.90%.

□ Although highly risk averse, the Fund has experienced seven negative months of -5.0% or above, however to date investors have never experienced more than three consecutive negative months. The Fund has a low correlation to the ASX200's worst months, frequently providing excellent positive returns when the market falls sharply.

□ During the height of the GFC when the market fell over 47%, the Fund's drawdown was 12.22%. When the market is rising strongly however, performance can be mixed. This was recently observed in 2016, with the Fund's current drawdown at 14.83%.

driven by the ability to make positive returns from both the long and short side of the paired stocks in question. However, this can have the opposite effect when neither side performs as expected.

The Fund can also gear up to 5 times NAV, and is frequently geared to 4 times NAV (2 times long, plus 2 times short), which is high compared to some of the Fund's peers. Gearing can significantly increase returns on profitable trades, but can also amplify losses on losing positions, and should therefore be used judiciously.

The Fund's historical performance has certainly been enhanced by the use of gearing, and while these gearing levels do create some increased risk, Fish's market knowledge and experience has successfully managed the performance over a sufficient length of time and through significant market volatility, particularly during 2008. As such this supports his view that the gearing levels are suitable and appropriate considering the other risk limits and processes in place.

Operational and Business Risk

Operational and business risk is considerably reduced as a result of the umbrella of Bennelong Funds Management, which has interests in a variety of fund management offerings and provides the Fund with back office, operational and compliance functions.

The main operational risk concerns "key man" risk to Richard Fish. However, investment analysts Taylor and Lambeth offer significant support by providing core company research and portfolio analysis. Meanwhile Sam Shepherd adds additional depth to the team given his 20-year industry experience and previous knowledge of the Fund's investment strategy and style. In summary, the size and structure of the portfolio, and in particular the liquidity of the top 100 stocks in which the Fund normally invests, coupled with the expanded investment team, significantly reduces the operation's reliance on Fish.

Structure, Terms & Conditions and Fees

Bennelong Funds Management Ltd (ACN 111 214 085) is an Australian company which was registered with ASIC on 1 October 2004. The company holds AFS Licence number 296806 issued on

8th March, 2006. The minimum investment is \$500,000 with no lock up or exit restrictions with a redemption notice of 30 days.

These is a 1.5% p.a. management fee, payable monthly, with a 20% annual performance fee subject to a high water mark.

The Fund is structured as an Australian Unit Trust, with no offshore version. The Fund is currently soft closed and as such open to existing investors only.

The Bennelong Market Neutral Fund, which has the same strategy and liquidity is available for retail investors.

Service Providers

Custodian and Prime Broker:	UBS
Administrator:	TMF Fund Services
Auditors:	Deloitte Touche Tohmatsu
Legal:	DLA Piper

Bennelong Long Short Equity Fund Key Terms	
Strategy	Equity Market Neutral
Domicile	Australia
Investor Type	Wholesale only
Min. Investment	A\$500,000
Additional Investment	A\$500,000
Management Fee	1.5% p.a
Performance Fee	20% p.a, with high water mark
Hurdle	No
Min. Term	No minimum
Redemption	Monthly
Inception Date	Feb-02
Fund Size	A\$397 million
Manager's Total FUM	+\$7.6 bn (Bennelong Funds Managm't)
Status	Soft Closed

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