



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 28 February 2017

Market Commentary

US share markets rallied again in February (S&P 500 Index +3.7%) following a positive January month. Alongside the obvious "Trump bump" sentiment, US markets continued to firm thanks to supportive corporate and economic data without concern such data is hastening the timing of further interest rate hikes by the Federal Reserve. Elsewhere, European shares posted solid gains (MSCI Europe +2.5%) despite some political jitters in the UK and France, while Asia posted gains across the major exchanges of between 0.5% and 2.5%.

The Australian share market also gained in February with the S&P/ASX 200 Index +1.6%. Other than understandable profit-taking in the Materials and Energy sectors as commodity prices paused (except iron ore, up 10%), the only other sector to decline for the month was Telecommunications on the back of a poor interim earnings result from heavy-weight, Telstra. Otherwise it was a solid month for local shares, and in part this reflected a generally benign profit reporting season where earnings forecasts, overall, lived up to expectations.

Portfolio Performance

Fund performance was solid over the month with a net return of +2.07%. Similar to last month, we observed company fundamentals having more influence over performance than broader market events. Indeed, the outcomes of the February profit reporting season dominated the performance of most stocks, and it was encouraging to see the Fund on the right side of the results delivered across a majority of our pairs. In terms of the top and bottom contributors (see table for details), please note that, as is often the case, these positions when netted together only accounted for a small portion of overall return (i.e. they are 6 pairs in a portfolio total of 31).

Outlook

The US S&P 500 Index has rallied almost 15% since Trump's election victory in early November. Accordingly, the forward P/E multiple of the S&P 500 is now over 18x (its highest level since the unwind of the early 2000s tech bubble) and the Relative Strength Index (a momentum indicator) has moved into the mid-70s (historically a sign the market is overbought). It's as though the issues plaguing markets 12m ago, such as China's growth challenges, US policy rate normalisation, European fiscal reform, no longer exist. Yet such issues have far from disappeared. Instead, where markets tend to focus on one thing at a time, the only conversation in town right now is the pro-stimulus potential of the Trump administration. We offer no intelligence on what may eventuate, but find the strength of market reaction curious given policy initiatives thus far are well short on details.

Fund statistics

Fund NAV A\$M	Month End	\$403.8
Gross exposure A\$M	Month End	\$1,804.1
Fund leverage (x NAV)	Month End*	4.5
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	14.9%
Fund volatility (annualised)	Rolling 12 months	14.4%
Positive months %	Rolling 6 months	33%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	1.6
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.7)
Long exposure	Month End	51.2%
Short exposure	Month End	-48.8%
Fund performance (composite)	Since inception	\$9.98

*Gearing calculated subject to variations in accruals

Top three spreads for the month

Long	Aristocrat (ALL)	Short	Tabcorp (TAH)
Long	Resmed (RMD)	Short	Ansell (ANN)
Long	Qantas (QAN)	Short	Flight Centre (FLT)

Bottom three spreads for the month

Long	Iluka (ILU)	Short	Orica (ORI) / Downer (DOW)
Long	Brambles (BxB)	Short	Arcor (AMC)
Long	Magellan (MFG)	Short	Perpetual (PPT)

Performance

1 month	2.07%
3 months	3.67%
Fiscal YTD	-5.96%
12 months	-8.77%
Since inception (compound p.a.)	16.47%





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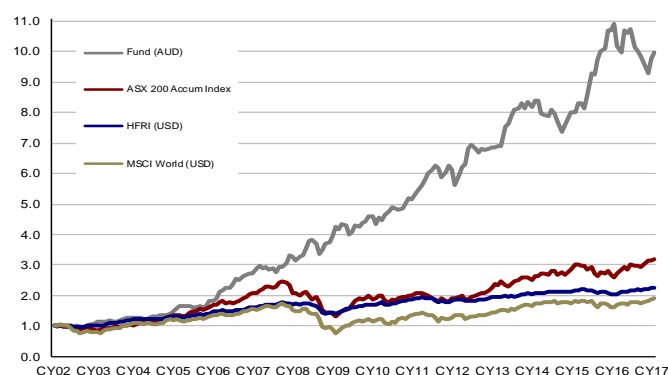
As at 28 February 2017

Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2017	4.95%	2.07%											7.12%
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\$724.3m
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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