



Bennelong Long Short Equity Fund

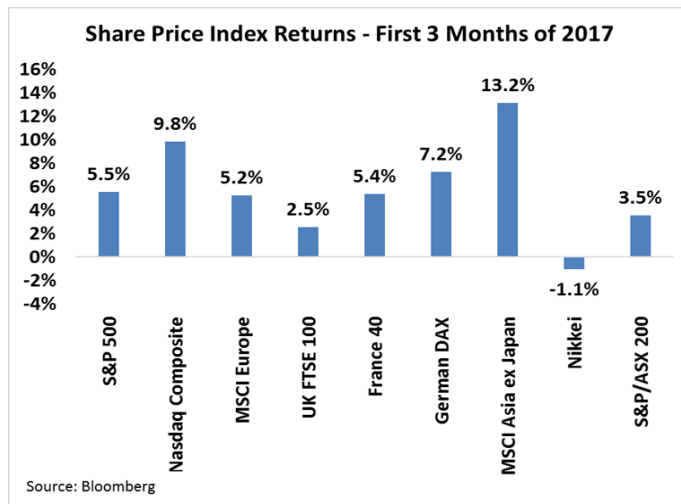
Monthly Performance Update

As at 31 March 2017

Market Commentary

Share markets maintained their generally positive tone with most offshore markets posting gains for the month. European markets were particularly strong with France +5.4% (CAC 40 Index), Germany +4.0% (DAX Index) and Spain +9.5% (IBEX Index) reflecting stronger economic data and reduced concerns around the coming French presidential election. Markets in Asia too were buoyant with most markets higher, although Japan's Nikkei Index edged down 1.1% and is the only major market to be down thus far in 2017. In the US the Nasdaq Composite Index gained (+1.5%) while the S&P 500 Index finished unchanged, with markets digesting recent strong gains alongside another rate increase by the US Federal Reserve and Trump's first policy initiative failing to get sufficient Republican support. Australia achieved a solid rise of +2.7% (S&P/ASX 200 Index). As per last month, the markets' gain was broad-based with all sectors up except for materials (bulk and industrial commodity prices fell) and telecommunications (Telstra remained weak).

As shown in the chart, overall it was a solid first quarter for world share markets.



Fund statistics

Fund NAV A\$M	Month End	\$404.1
Gross exposure A\$M	Month End	\$1,805.8
Fund leverage (x NAV)	Month End*	4.5
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	14.3%
Fund volatility (annualised)	Rolling 12 months	12.8%
Positive months %	Rolling 6 months	50%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	0.1
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.3)
Long exposure	Month End	51.5%
Short exposure	Month End	-48.5%
Fund performance (composite)	Since inception	\$1.00
		\$10.00

*Gearing calculated subject to variations in accruals

Top three spreads for the month

Long	Iluka (ILU)	Short	Downer (DOW)
Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	Challenger (CGF)	Short	AMP (AMP)

Bottom three spreads for the month

Long	Resmed (RMD)	Short	Ansell (ANN)
Long	Harvey Norman (HVN)	Short	Myer (MYR)
Long	Seek (SEK)	Short	Nine Entertainment (NEC) / Fairfax (FXJ)

Performance

1 month	0.29%
3 months	7.43%
Fiscal YTD	-5.69%
12 months	-1.91%
Since inception (compound p.a.)	16.40%



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Portfolio Performance

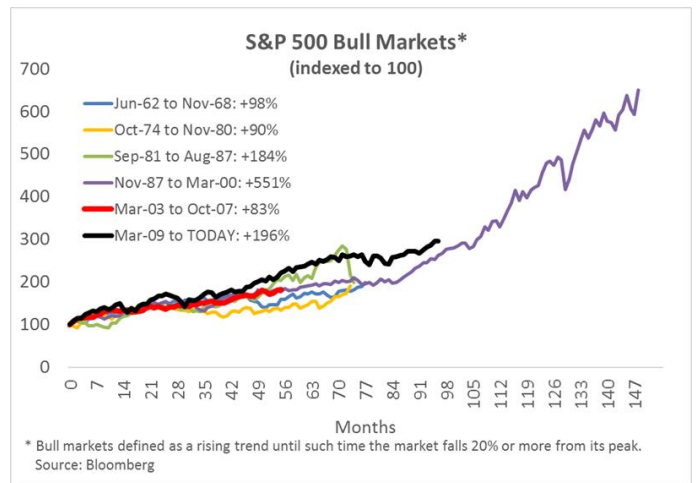
The Fund was up slightly for March, returning +0.29%. The standout pair for the month was ILU/DOW with both positions contributing positively. The mineral sands industry has been in a trough recently and improving feedstock prices are signalling improving conditions for ILU. DOW rerated significantly over the last year with little change to the earnings outlook. During the month the company launched a hostile bid for Spotless, which received a frosty reaction from the market with tepid support for the DOW equity raising. The market is dubious about the strategic merit of acquiring Spotless. We also anticipate a challenging outlook for segments of DOW's business. Elsewhere pair performance was balanced with little change.

Performance for the quarter was +7.43%. Fund performance has been dominated by company fundamental performance in 2017. The portfolio has experienced a heavy skew of positive fundamental news in the reporting season which has defined fund returns. We benefited from both numerous upgrades to the long portfolio and downgrades to the short portfolio, and had few losers. Also noteworthy in the March quarter is that a number of our most negative pairs from last year have been amongst our strongest contributors this quarter.

The experience of 2017 so far is in marked contrast to 2016, during which we had a more even spread of positive and negative fundamental news. Perhaps more importantly though, rerating of P/E multiples was a significant influence on fund returns last year with DOW being a prime example. Our experience, and philosophy, is that in the long run company fundamentals will trump sentiment swings.

Outlook

March 2017 represents eight years since equity markets bottomed in the 2008-09 global financial crisis. Since then markets have strongly recovered with both earnings higher but also valuation multiples higher too. It begs the question: how much longer can this bull market last? While investors know that bull markets don't die of old age, nonetheless it is interesting to compare the duration and magnitude of the current bull market with prior ones. The chart across is our attempt at this. Using historical monthly price data for the S&P 500 Index we observe six bull market periods since 1960, the longest of which (by far) began following the 1987 stock market crash and then ran through to the early 2000s tech bubble. For the remainder, bull markets have typically run for around 70 months (call it 6 years) with around 100% value gain. This compares with the current bull market which has now run 8 years and risen just under 200%. Again, bull markets don't die of old age, but the current bull market is arguably looking a little long in the tooth (unless one thinks we are in for a repeat of the 1990s version).





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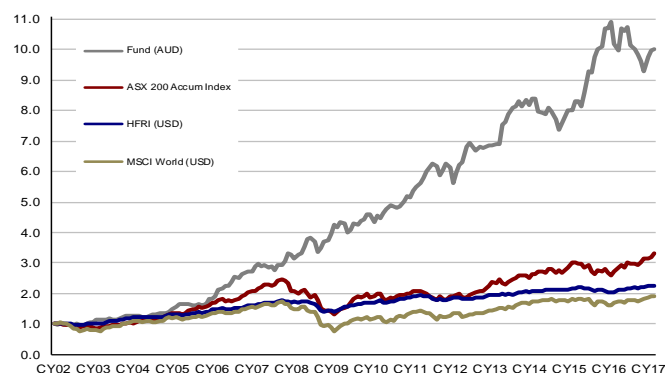
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2017	4.95%	2.07%	0.29%										7.43%
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\$712.7m
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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