



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 30 April 2017

Market Commentary

World share markets reported generally small positive returns during April. Markets traded down over the first three weeks of the month but then recovered with help from a wave of solid earnings results among US corporates (S&P 500 Index +0.9%, Nasdaq Composite +2.3%), while Europe (MSCI Europe Index +1.3%) was buoyed by developments in the French presidential election. Asian markets shook off heightened geopolitical tensions in North Korea to also finish positive (MSCI Asia ex Japan Index +2.1%), and Japan too was up (Nikkei Index +1.5%) with help from Yen weakness and an upbeat statement on economic conditions by the Bank of Japan.

The Australian share market also managed an increase with the S&P/ASX 200 Index up +1.0% and is now up +5.9% year to date (including dividends). Most sectors delivered steady increases of 2-3% over the month, the exceptions being Telcos and Consumer Staples which saw declines owing to heightened competition issues and weak trading updates. The energy sector also took a hit following the Federal Government's announcement late in the month to impose restrictions on east coast gas exports.

Portfolio Performance

April fund performance was strong at +5.84%. Performance was broad-based with a high ratio of profit vs loss making pairs (19 out of 30). We continue to observe performance as being driven by stock fundamentals, meaning stocks are rising and falling based on their earnings delivery. This compares to a prior period where stocks were more captive to thematic factors. The UBS Equity Strategy team recently put this observation in context with two charts comparing returns for various stock classifications in the Australian market over the 2H of last year vs calendar year to date. As shown in their charts below, 2H 2016 (the left chart) saw large divergences in returns for stock categories – that is, low multiple stocks performed strongly while stocks classified otherwise performed poorly (e.g. high quality). This year, however, returns for various stock classifications have shown little divergence, meaning the market is not being swayed significantly by themes or styles.

Figure 5: Factor Performance 2H CY16

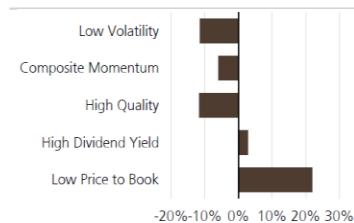
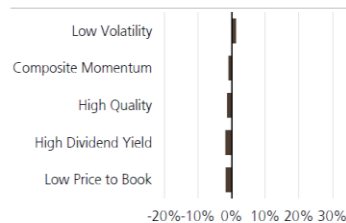


Figure 6: Factor Performance YTD



Source: UBS

Fund statistics

Fund NAV A\$M	Month End	\$430.9
Gross exposure A\$M	Month End	\$1,898.5
Fund leverage (x NAV)	Month End*	4.4
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	10.1%
Fund volatility (annualised)	Rolling 12 months	13.8%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	66%
Sharpe Ratio (basis RBA Cash)	Month	6.7
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	0.3
Long exposure	Month End	51.3%
Short exposure	Month End	-48.7%
Fund performance (composite)	Since inception	\$10.59
	\$1.00	

*Gearing calculated subject to variations in accruals

Top three spreads for the month

Long	Harvey Norman (HVN)	Short	Myer (MYR) / Metcash (MTS)
Long	Aristocrat (ALL)	Short	Tabcorp (TAH)
Long	Ramsay Health (RHC)	Short	Primary (PRY) / Healthscope (HSO)

Bottom three spreads for the month

Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	QBE (QBE)	Short	Suncorp (SUN)
Long	TPG Telecom (TPM)	Short	Telstra (TLS)

Performance

1 month	5.84%
3 months	8.35%
Fiscal YTD	-0.18%
12 months	6.27%
Since inception (compound p.a.)	16.74%



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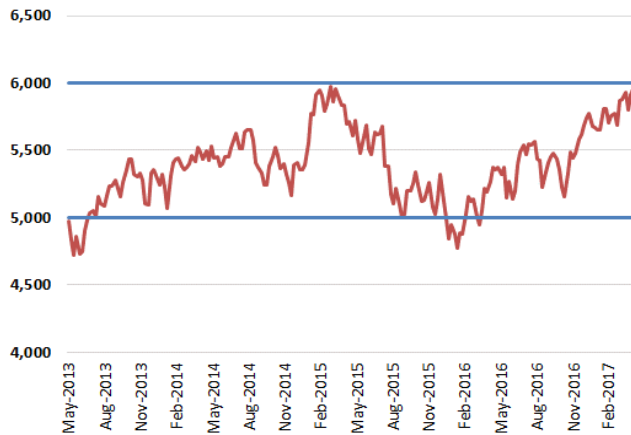
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Outlook

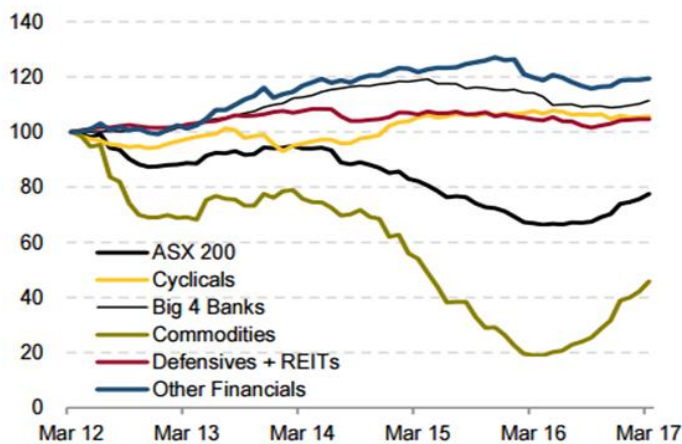
As shown in the below chart, the ASX 200 has staged a strong recovery over the last 12m to now be trading toward the top-end of its trading range of the last several years. We make no call as to the potential for a sustained move above its current level, but naturally question the logic given the lack of earnings progress outside the resources / commodities sector (see second chart below).

S&P ASX 200 Index



Source: Bloomberg

12 month forward EPS for Australian sectors



Source: Company data, Credit Suisse estimates

May is a generally eventful month for the local market with many companies updating the market on conditions at the Macquarie Australia conference in Sydney, as well as a number of AGMs.





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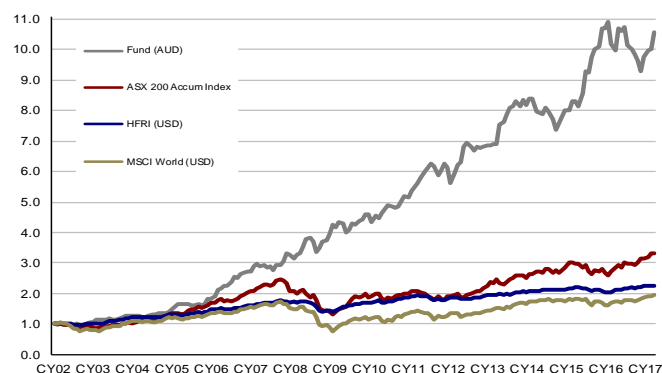
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2017	4.95%	2.07%	0.29%	5.84%									13.71%
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



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\$713.6m
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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