



Bennelong Long Short Equity Fund

Monthly Performance Update

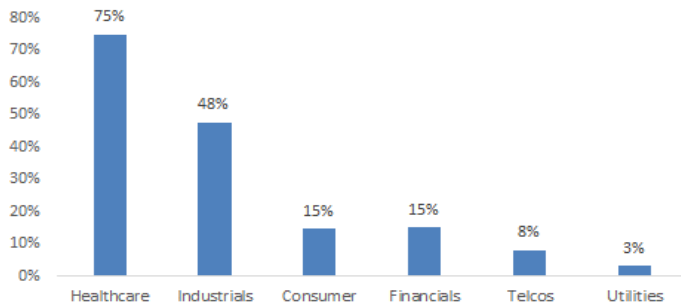
As at 31 July 2017

Market Commentary

World share markets were mixed during July. The US managed its fourth consecutive monthly gain (S&P 500 Index +1.9%), aided by generally solid corporate earnings results and a weaker exchange rate (US Dollar Index -2.9%). Europe meanwhile was lackluster with the UK up modestly (FTSE 100 Index +0.5%) but France and Germany fell (France 40 Index -0.5%, German DAX Index -1.7%). Asian markets featured Japan down (Nikkei Index -0.5%) but the rest of Asia was strong (MSCI ex Japan Index +4.9%).

The Australian share market did a rare thing and closed at exactly its same level as the beginning of the month (S&P ASX 200 Index opened and closed at 5,721 points). Behind this flat performance was notably divergent returns across sectors. The standout laggard sector was Healthcare, down -7.5%, in large part due to the appreciation of the Australian dollar (up 4.1% against the US dollar). As shown in the chart below, the healthcare sector is the largest in terms of exposure to revenues earned offshore. Other sectors posting falls included Utilities, Telecommunications, Consumer Discretionary, and Industrials. Levelling up the market were positive returns from Financials and Materials with the latter helped by a decent rally in commodity prices.

ASX Sectors - % Revenue Earned Offshore



Source: Goldman Sachs

As mentioned, the Australian dollar rallied over the month toward 80c, which compares to its long term average (post the floating of our currency in December 1983) of approximately 76c.

Australian Dollar to US Dollar



Source: Bloomberg

Fund statistics

Fund NAV A\$M	Month End	\$419.1
Gross exposure A\$M	Month End	\$1,983.8
Fund leverage (x NAV)	Month End*	4.7
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	8.4%
Fund volatility (annualised)	Rolling 12 months	11.9%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	66%
Sharpe Ratio (basis RBA Cash)	Month	(2.2)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.0)
Long exposure	Month End	50.7%
Short exposure	Month End	-49.3%
Fund performance (composite)	Since inception	\$10.87
	\$1.00	

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	JB Hi Fi (JBH)	Short	Super Retail Group (SUL)
Long	Carsales (CAR)	Short	Computershare (CPU)

Bottom spreads for the month

Long	Qantas Airways (QAN)	Short	Flight Centre (FLT)
Long	Aristocrat (ALL)	Short	Tabcorp (TAH)

Performance

1 month	-1.42%
3 months	2.61%
Fiscal YTD	-1.42%
12 months	0.96%
Since inception (compound p.a.)	16.64%



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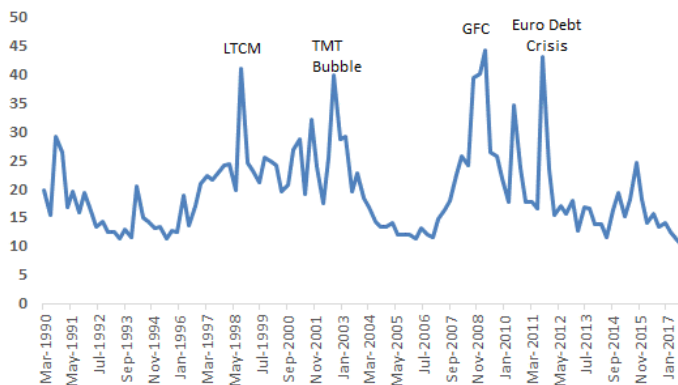
Portfolio Performance

The Fund recorded a negative return of -1.42% for July. The strong \$A is a near term headwind for the fund as the long portfolio is overweight \$US exposed companies relative to the short portfolio. This is an outcome of our fundamental stock picking. In the long term company fundamentals overwhelm currency fluctuation, however it can influence short term share price action. Long Qantas / short Flight Centre was the weakest of our loss making pairs. Flight Centre updated guidance to the top of its most recently downgraded guidance range, which triggered a relief rally. At the same time Qantas had a weak month, following a very strong 6 months. Long JB Hi Fi / short Super Retail has been a profitable pair from prior to the disclosure of Amazon's launch in Australia and was the fund's top pair during the month.

Outlook

Our outlook for markets remains cautious. A statistic that caught our eye during the month was the news that the infamous VIX Index or 'fear index' (formerly, the Chicago Board Options Exchange Volatility Index) reached its lowest ever level in its 27 year history. Is such complacency justified? Not according to Howard Marks at Oaktree Capital, who in his latest memo noted: "The uncertainties are unusual in terms of number, scale and insolubility in areas including secular economic growth; the impact of central banks; interest rates and inflation; political dysfunction; geopolitical trouble spots; and the long-term impact of technology."

VIX ("Fear") Index



Source: Bloomberg





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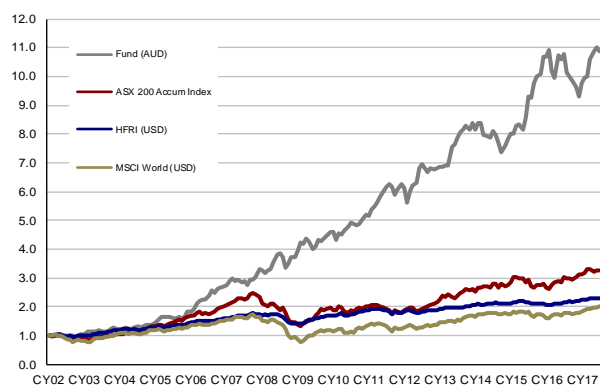
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2017	4.95%	2.07%	0.29%	5.84%	2.86%	1.20%	-1.42%						16.68%
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\$703.3m
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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