



Bennelong Long Short Equity Fund

Monthly Performance Update

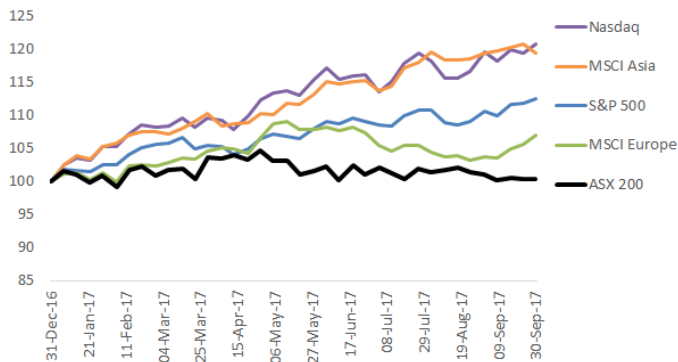
As at 30 September 2017

Market Commentary

Share markets lifted in September with gains across most major markets. The US managed a solid rise of +1.9% (S&P 500 Index) despite heightened political tensions with North Korea. Europe was strong with France +4.8% (CAC 40 Index) and Germany +6.4% (DAX Index), although the UK was down -0.8% (FTSE 100 Index) on Brexit commentary and a higher pound (+3.6% vs US\$ and +4.4% vs Euro). Asian markets were mixed with Japan and South Korea up modestly, but China and Singapore down.

The Australian share market continued to lag offshore markets with a return of -0.6% (ASX/S&P 200 Index) for the month. As shown in the below chart, the ASX 200 has failed to achieve any price appreciation so far in 2017, which stands in contrast to all other major offshore markets where price indices are up in local currency between +7% (Europe, Japan) and +20% (US Nasdaq Index, HK Hang Seng Index). As noted in prior monthly reports, in no small part is the lacklustre performance of the Australian sharemarket a reflection upon its concentrated composition in which oversized sectors and stocks (namely the 4 major banks, Telstra, Wesfarmers and Woolworths) are struggling either to grow or maintain their competitive position. Accordingly, it is up to the rest of the market to drive any meaningful capital appreciation – for example, further strength in the resources sector, continued solid growth from healthcare, a lift in consumer spending, etc.

World Share Indices - Calendar 2017 to Date (Index 100)



Source: Bloomberg

Portfolio Performance

The fund experienced a much better month with two thirds of pairs generating positive returns. Reflecting the volatility of monthly measurement, the three most positive pairs in September had been materially negative in August. Xero had a strong month following the annual Xerocon conference which reinforced the positive outlook for the company leading to the long XRO / short MYO pair being our strongest pair. Long BSL / short SGM generated a strong return due to SGM underperforming as steel scrap prices fell. Amongst our losing pairs only one; long JHX / short CSR was significant, which was largely due to the stronger aluminium price, supportive of CSR's exposure to the Tomago aluminium smelter.

Fund statistics

Fund NAV A\$M	Month End	\$409.6
Gross exposure A\$M	Month End	\$1,899.8
Fund leverage (x NAV)	Month End*	4.6
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	12.3%
Fund volatility (annualised)	Rolling 12 months	12.8%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	3.7
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	0.3
Long exposure	Month End	50.3%
Short exposure	Month End	-49.7%
Fund performance (composite)	Since inception	\$10.53
	\$1.00	

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	Xero (XRO)	Short	MYOB (MYO)
Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	Qantas Airways (QAN)	Short	Flight Centre (FLT)

Bottom spread for the month

Long	James Hardie (JHX)	Short	CSR (CSR)
------	--------------------	-------	-----------

Performance

1 month	3.88%
3 months	-4.46%
Fiscal YTD	-4.46%
12 months	5.10%
Since inception (compound p.a.)	16.22%





Bennelong Long Short Equity Fund

Monthly Performance Update

As at 30 September 2017

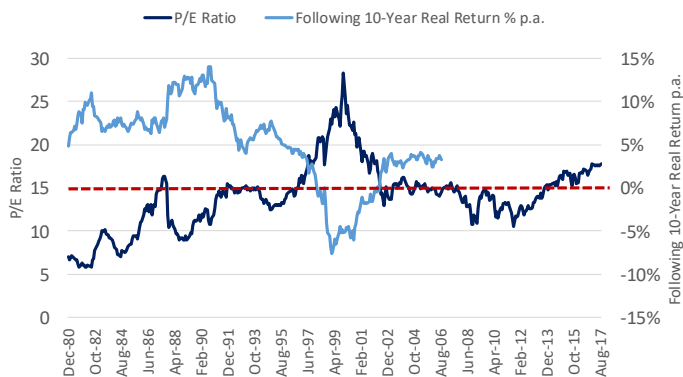
Our long portfolio generated a positive return in a negative month for equities. The short portfolio was the key driver though, contributing three quarters of the fund's return – perhaps reflecting a hangover after the reporting season inspired enthusiasm.

We note the level of variation in performance month by month is consistent with history, although we do currently observe more day-to-day volatility in the market around news and events than historically.

Outlook

There is no change to our outlook in seeing equities as offering less attractive future returns than enjoyed in recent years. Hindsight is a wonderful thing and looking back, it has been somewhat of a goldilocks environment for equities in terms of: a) the unprecedented stimulus provided by central banks; b) low starting valuation multiples; and c) improving earnings fundamentals. While earnings fundamentals may continue to remain sound, the graduated reduction in monetary policy stimulus at a point in which valuations are elevated will surely weigh on future returns to equities. We remind investors that above all measures, the single most important determinant of future returns is the valuation level (i.e. the price you pay for the future earnings being forecast). Using S&P 500 data, historically a P/E ratio of below 15x has supported positive future real returns, while a ratio above this has been resulted in zero or negative future returns. The S&P 500 P/E currently is 18x.

S&P 500 PE Ratio vs Subsequent 10 Year Return



Source: Bloomberg



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 30 September 2017

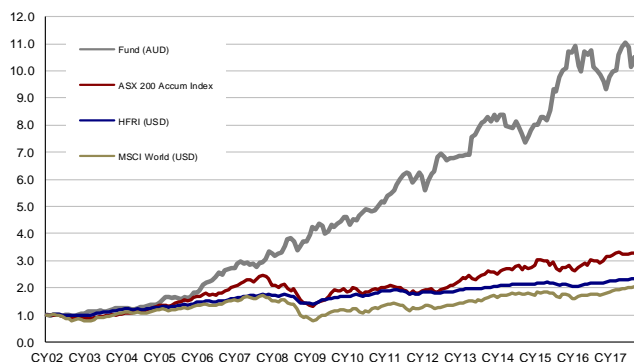
Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2017	4.95%	2.07%	0.29%	5.84%	2.86%	1.20%	-1.42%	-6.70%	3.88%				13.08%
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\$690.2m
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.

Disclaimer: This information is issued by Bennelong Funds Management Limited (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Long Short Equity Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) or Product Disclosure Statement (PDS) which is available by phoning 1800 895 388. BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at 30 September 2017. Bennelong Long Short Equity Management Pty Limited (ABN 63 118 724 173) is a Corporate Authorised Representative of Bennelong Funds Management Limited (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.