



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 October 2017

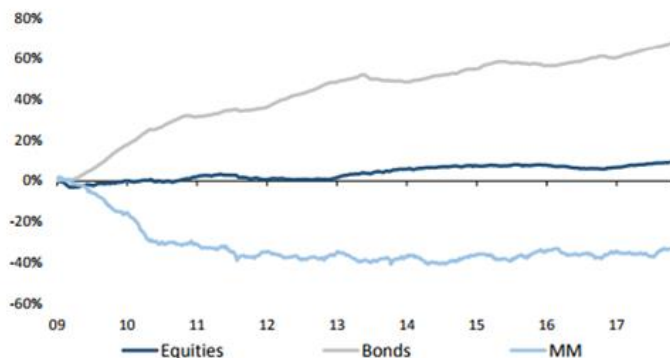
Market Commentary

It was nothing but green on the screens for October. In sympathy with continued evidence of a strengthening economic pulse and absent inflationary pressures, share markets world over posted solid gains for the month. In the US, the S&P 500 Index was up +2.2%, reaching another record high. European equities advanced 1.5% overall (MSCI Europe Index) with the French and German exchanges up +3%. Asian markets posted strong gains with the Japan Nikkei Index +8.1% and the rest of Asia +4.2% (MSCI Asia ex Japan).

The Australian share market delivered a much-needed bounce (S&P/ASX 200 Index +4.0%) after being flat since the start of the year and significantly lagging offshore markets. Gains were broad-based with all the major sectors advancing between 2% and 6%. Also helping the market was a fall in the Australian dollar against the major offshore currencies (US dollar, Euro, Sterling, Yen).

A chart that caught our eye during month was one on fund flows. One would think with stronger fundamentals and improved risk appetite that flows to equities are growing ahead of bonds. However, as per research from Deutsche Bank, allocations to each asset class remain steady. We interpret this to mean there are still large pools of money sitting idle in low (even negative) yielding assets.

Cumulative flows into all asset classes (as % of NAV)
Cumulative flows since 2009



Source: EPFR Global, Deutsche Bank calculations

Portfolio Performance

Performance during the month reflected a broad spread of positive contributions across two thirds of the portfolio. Losing pairs made small contributions with long Ramsay / short Primary and Healthscope the only one of significance. Long BlueScope / short Sims Metal was the biggest contributor driven by a recovery in BlueScope from a depressed level. The steel spread environment in Asia continues to be positive, plus the government passed new anti-dumping legislation to refresh previously ineffective regulation. Steel dumping was one of the components of the downgrade to guidance at the time of the result. Elsewhere AGM trading updates have been broadly positive for the fund.

Fund statistics

Fund NAV A\$M	Month End	\$429.6
Gross exposure A\$M	Month End	\$2,000.5
Fund leverage (x NAV)	Month End*	4.6
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	9.6%
Fund volatility (annualised)	Rolling 12 months	13.4%
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	0.8
Long exposure	Month End	50.5%
Short exposure	Month End	-49.5%
Fund performance (composite)	Since inception	\$11.09

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	James Hardie (JHX)	Short	CSR (CSR)
Long	Macquarie (MQG)	Short	Bendigo Bank (BEN)

Bottom spread for the month

Long	Ramsay Health (RHC)	Short	Primary (PRY) / Healthscope (HSO)
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Performance

1 month	5.29%
3 months	2.04%
Fiscal YTD	0.59%
12 months	12.64%
Since inception (compound p.a.)	16.50%





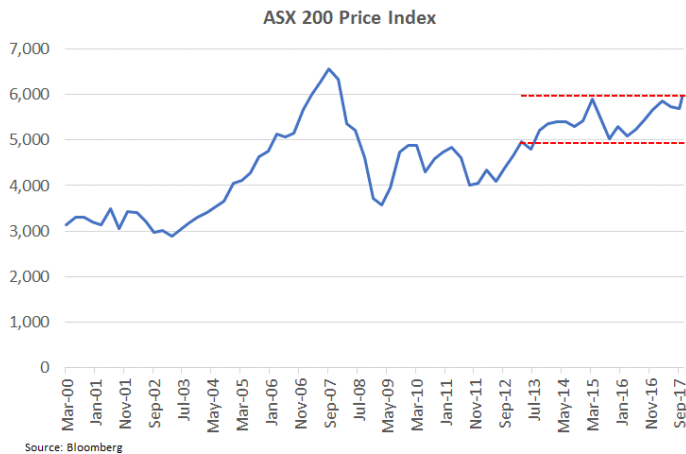
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Outlook

Share markets remain well bid at present with improved earnings and sentiment overcoming any valuation concerns from inevitable policy normalisation. The recent rally in the local market has taken it to the upper bound of its trading range of between 5,000 and 6,000 for the last 4 years. Can the improved world economic backdrop take our market out of this range and toward its pre-GFC peak on a 12m view?





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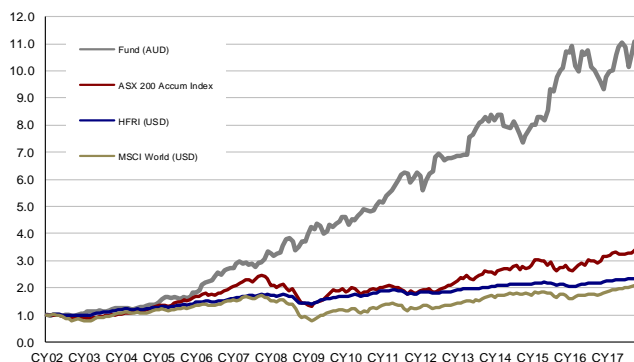
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Calendar year performance

% 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%	-6.70%	3.88%	5.29%			19.07%
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\$704.0m
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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