



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 28 February 2018

Portfolio Performance

During a month notable for a step up in volatility of the market, the Fund was stable and delivered a return of -0.58% for the month. The long portfolio performed slight better than the market with a return close to zero, while the short portfolio was the drag on returns underperforming the market slightly.

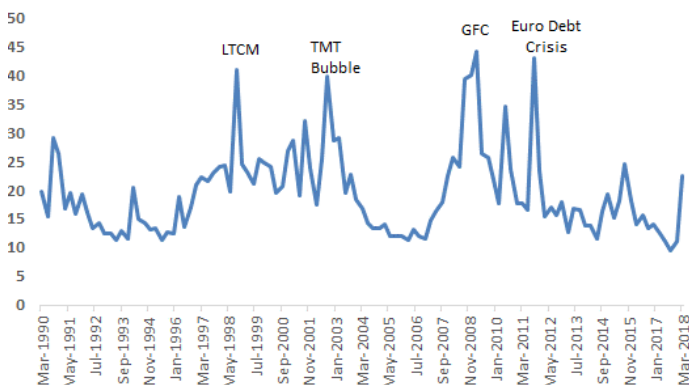
The portfolio experienced a favourable hit rate of company results in February reporting season across both the long and short portfolio, which was not reflected in the return.

Return from our most profitable pair, long Aristocrat / short Tabcorp, was due to a weak result from Tabcorp. Our weakest pair was long Carsales / short Computershare with both stocks down; Carsales due to profit taking after a strong run and Computershare due to a stronger result and associated earnings upgrades.

Market Observations

Markets received a shot across the bow early in the month with higher US wage inflation inflaming fear regarding the path of unwinding accommodative monetary policy settings. Most major indices sold off -5% to -10% over the first week of the month before then recovering and then selling off again toward month end. The US market fell -3.9% (S&P 500 Index), Europe fell -4.1% (MSCI Europe Index), Japan fell -4.5% (Nikkei Index) and the rest of Asia fell -5.0% (MSCI Asia ex Japan). Accompanying the correction in share prices was a significant spike in volatility (as measured by the Chicago Volatility Index, VIX) from record low levels, as well as a further backing up in long term US government bond yields to their highest levels since early 2014.

VIX ("Fear") Index



Source: Bloomberg

The Australian share market fared better than offshore markets although still finished down (S&P/ASX 200 Index -0.4%). Performances varied significantly across the market, for example the energy sector fell -4.6% in sympathy with a fall in price of crude oil, while the healthcare sector rallied +7.0% thanks to a rally in index heavy-weight CSL and other healthcare companies benefiting from the weaker A\$/US\$.

Fund statistics

| | | |
|-------------------------------|------------------------|-----------|
| Fund NAV A\$M | Month End | \$423.4 |
| Gross exposure A\$M | Month End | \$2,027.7 |
| Fund leverage (x NAV) | Month End* | 4.7 |
| Average fund leverage (x NAV) | Since inception | 4.3 |
| Fund volatility (annualised) | Month | 14.9% |
| Fund volatility (annualised) | Rolling 12 months | 11.9% |
| Positive months % | Rolling 6 months | 67% |
| Positive months % | Since inception | 65% |
| Sharpe Ratio (basis RBA Cash) | Month | (0.7) |
| Sharpe Ratio (basis RBA Cash) | Rolling 12 months | 1.1 |
| Long exposure | Month End | 50.9% |
| Short exposure | Month End | -49.1% |
| Fund performance (composite) | Since inception \$1.00 | \$11.38 |

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spread for the month

| | | | |
|------|------------------|-------|---------------|
| Long | Aristocrat (ALL) | Short | Tabcorp (TAH) |
|------|------------------|-------|---------------|

Bottom spread for the month

| | | | |
|------|----------------|-------|---------------------|
| Long | Carsales (CAR) | Short | Computershare (CPU) |
|------|----------------|-------|---------------------|

Performance

| | |
|---------------------------------|--------|
| 1 month | -0.58% |
| 3 months | 3.85% |
| Fiscal YTD | 3.27% |
| 12 months | 14.11% |
| Since inception (compound p.a.) | 16.33% |



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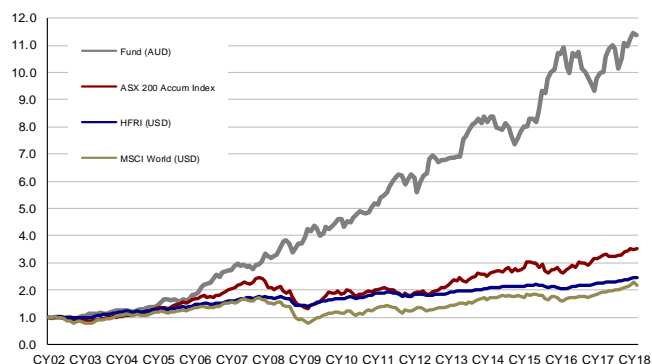
As at 28 February 2018

Calendar year performance

| % change cal yr | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | CYTD |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 2018 | 1.51% | -0.58% | | | | | | | | | | | 0.92% |
| 2017 | 4.95% | 2.07% | 0.29% | 5.84% | 2.86% | 1.20% | -1.42% | -6.70% | 3.88% | 5.29% | -1.14% | 2.90% | 21.12% |
| 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 (pretax) *Composite pro forma CY08. The returns not bolded are "pro forma" net returns of the Bennelong Securities Long Short Equity Fund (Managed Account) (pretax) 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\$727.8m |
| 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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