



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 August 2018

Portfolio Performance

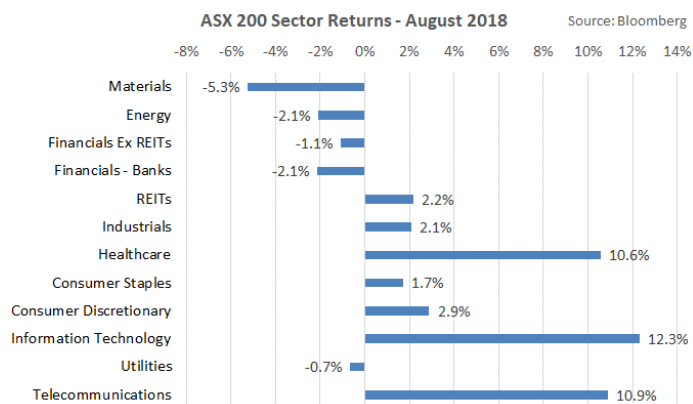
The fund produced an unusual return in August. We always emphasise the variability which comes from a focus on short term returns and suggest investors think of 1 to 2 years as a more useful time frame to judge performance. To illustrate this, on page 2 we demonstrate the very different return profile the fund produces, which is more evident the longer the time frame.

This month we have highlighted the best three pairs, however we note that the return was equally driven by another half a dozen pairs and that there was only one notable negative pair. We also note that both the long and short books made a positive contribution, which reflected our experience during company reporting season in which we enjoyed a strong hit rate in terms of hits and misses vs market expectations.

Market Observations

Consistent with recent trends, August was another month in which US share markets contrasted with their offshore counterparts. Where the S&P 500 Index and Nasdaq Composite Index posted solid gains to close at record levels (S&P 500 +3.0%, Nasdaq Composite +5.7%), share markets in Europe gave back their July bounce with falls of -2% to -4% driven by continued concerns regarding the outlook for trade between the US and other major economies. Asian markets too were subdued with Japan +1.4% (Nikkei Index) but the rest of Asia down -1.4% (MSCI Asia ex Japan Index).

Locally, the Australian share market managed a small gain of +0.6% (S&P ASX 200 Index). Across the market there were strong sector performances from Healthcare, Information Technology and Telecommunications (see chart below). However, the overall return of the market was held back by falls across Materials, Energy and Banks.



Fund statistics

Fund NAV A\$M	Month End	\$466.2
Gross exposure A\$M	Month End	\$2,070.9
Fund leverage (x NAV)	Month End*	4.4
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	18.6%
Fund volatility (annualised)	Rolling 12 months	12.8%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	66%
Sharpe Ratio (basis RBA Cash)	Month	7.9
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	2.2
Long exposure	Month End	51.5%
Short exposure	Month End	-48.5%
Fund performance (composite)	Since inception \$1.00	\$13.07

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	ALS Limited (ALQ)	Short	Aurizon (AZJ)
Long	Bluescope Steel (BSL)	Short	Sims Metal (SGM)

Bottom spread for the month

Long	Origin Energy (ORG)	Short	AGL Energy (AGL)
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Performance

1 month	10.59%
3 months	6.65%
Fiscal YTD	6.56%
12 months	28.96%
Since inception (compound p.a.)	16.77%



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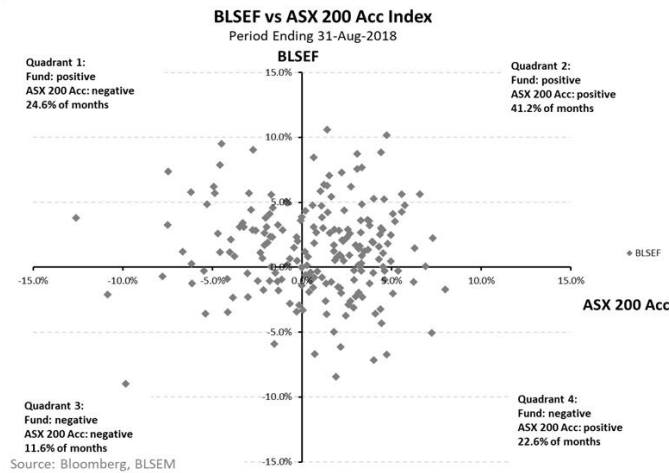
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Returns and Correlations against the Share Market

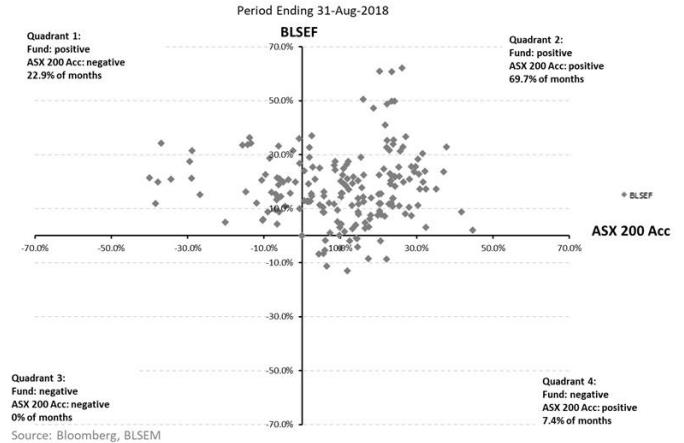
Since its inception the monthly returns of the Investment Strategy against the Australian share market (not our benchmark but used for comparison) are shown in the chart below. Each point on the chart plots the monthly return of the Investment Strategy against the return of the share market for the same month.

The chart demonstrates the lack of correlation of returns, highlighted by the points in quadrants 1 and 4, when the direction of the Investment Strategy's return is opposite to the market. We regard this lack of correlation as a key attraction of the investment strategy. Points above the horizontal axis are positive returns and 66% of monthly Investment Strategy returns have been positive. Points to the right of the vertical axis are positive share market returns.



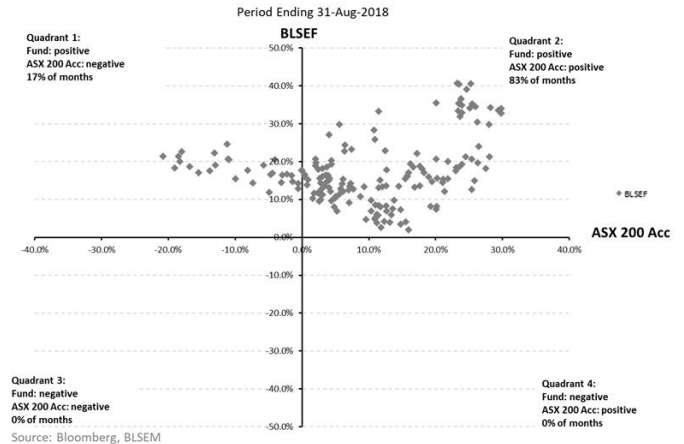
The next chart below shows returns for rolling 12-month periods. There have been 188 12-month periods over the 16-year history of the Investment Strategy. The clear distinction with the prior chart is that over a more appropriate 12-month period for measuring returns, the number and depth of negative periods for the Investment Strategy dramatically shrinks. There have been no 12-month periods in the history of the Investment Strategy with a negative return when the share market has been negative, in quadrant 3. It is the absence of "directional" bets due to the market neutral/sector neutral technique which has helped to limit the duration and depth of negative periods.

BLSEF vs ASX 200 Acc Index - Rolling 12 Month Returns



Furthermore, using rolling 2-year periods to assess returns shows there have been no negative returns for the Investment Strategy. The share market has delivered a negative return in 17% of the 176 periods, with the largest over a 24-month period for the share market of -21%.

BLSEF vs ASX 200 Acc Index - Rolling 24 Month Returns





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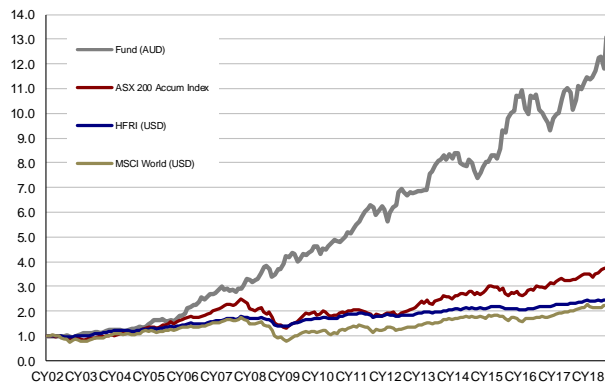
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2018	1.51%	-0.58%	0.83%	1.96%	4.75%	0.08%	-3.64%	10.59%					15.91%
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\$859.4m
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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