



# Bennelong Long Short Equity Fund

## Monthly Performance Update

As at 30 September 2018

### Portfolio Performance

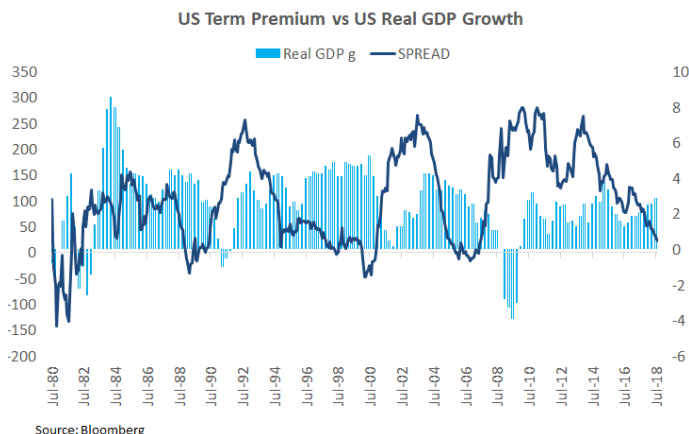
The fund produced a disappointingly weak, -3.85%, return for the month. A lack of profitable pairs was the most notable feature. Our short portfolio produced a small positive return in the month whilst our long portfolio fell with the market. At the pair level around one third of pairs were positive - a more typical outcome is that between a half and two third of pairs tend to be profitable. In addition, the top three pairs contribution was modest. The bottom three pairs contribution was typical. Some of the bigger moves during August sparked some profit taking in September.

Post reporting season there was limited fundamental news during the month. Noteworthy for the fund was a strong TPG Telecom FY18 result. The fund is long TPG (TPM) / short Telstra (TLS). We gained a greater understanding of the benefits of the proposed merger with Vodafone and are very optimistic about it. Surprising the market, Sims Metal downgraded their guidance only four weeks after delivering their result and guidance. The fund is long BlueScope Steel (BSL) / short Sims Metal (SGM).

### Market Observations

Share markets worldwide delivered mixed performances. The Australian market was a notable laggard (S&P/ASX 200 Index -1.8%) with weakness across many sectors including Healthcare (-8%), Consumer (-4%), Banks (-2%) and the interest rate sensitives (Utilities -4%, REITs -2%) on the back of a rise in bond yields. Offshore markets fared better but gains were limited (US S&P 500 Index +0.4%, MSCI Europe +0.4%) except Japan's Nikkei Index which rallied +5.5% thanks to weakness in the Yen.

As mentioned, bond yields were notable for their move in September with 10-year government bond yields rising across all the major developed economies. The US in particular has seen its 10-year government bond yield climb to over 3%, its highest level in 5 years. However, yields aren't just rising at the long end of the curve. Short term bond yields (e.g. 2-year government bonds) are also rising in sympathy with rises in the official cash rate set by the US Federal Reserve. Of interest here is the narrowing spread between the long and short ends of the curve (called the term premium), typically measured as the difference between 10-year and 2-year bond yields. As shown in the below chart this spread has declined to a very low level. Also shown in the chart is real GDP growth and you will note that periods of a decline in the term spread have been associated with declines in real GDP growth.



### Fund statistics

Fund NAV A\$M	Month End	\$440.0
Gross exposure A\$M	Month End	\$2,037.3
Fund leverage (x NAV)	Month End*	4.6
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	11.1%
Fund volatility (annualised)	Rolling 12 months	14.0%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	66%
Sharpe Ratio (basis RBA Cash)	Month	(5.3)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	1.3
Long exposure	Month End	50.6%
Short exposure	Month End	-49.4%
Fund performance (composite)	Since inception \$1.00	\$12.57

\*Gearing calculated subject to variations in accruals

### Significant Pairs

#### Top spread for the month

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

#### Bottom spreads for the month

Long	Aristocrat Leisure (ALL)	Short	Tabcorp (TAH)
Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	Carsales (CAR)	Short	Computershare (CPU)

### Performance

1 month	-3.85%
3 months	2.46%
Fiscal YTD	2.46%
12 months	19.37%
Since inception (compound p.a.)	16.40%



# Bennelong Long Short Equity Fund

## Monthly Performance Update

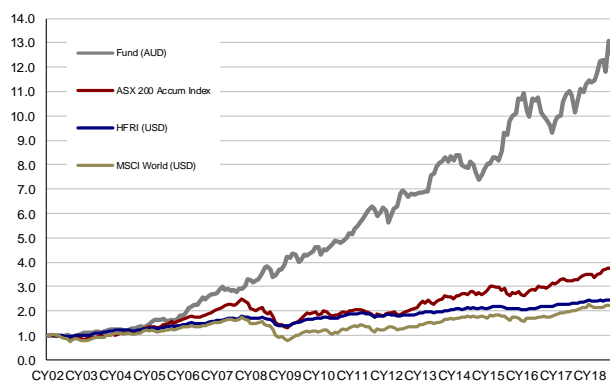
As at 30 September 2018

### Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
<b>2018</b>	1.51%	-0.58%	0.83%	1.96%	4.75%	0.08%	-3.64%	10.59%	-3.85%				11.45%
<b>2017</b>	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%
<b>2016</b>	-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%
<b>2015</b>	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%
<b>2014</b>	-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%
<b>2013</b>	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%
<b>2012</b>	-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%
<b>2011</b>	-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%
<b>2010</b>	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%
<b>2009</b>	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%
<b>2008</b>	-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%
<b>2007</b>	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%
<b>2006</b>	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%
<b>2005</b>	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%
<b>2004</b>	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%
<b>2003</b>	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



**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

<b>Strategy</b>	Market Neutral, Pairs	<b>Domicile</b>	Australia
<b>Manager</b>	Bennelong Long Short Equity Management Pty Ltd	<b>AUM</b>	A\$829.7m
<b>Status</b>	Soft-close	<b>Currency</b>	AUD
<b>Inception Date</b>	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 2018. 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.