



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 December 2018

Portfolio Performance

Performance of 2.09% featured an even number of positive and negative pairs. Our strongest pair was long Challenger (CGF) / short IOOF Holdings (IFL) and ANZ. Following an extended period of difficult relations between IFL and the regulator, and Kelaher's unconvincing appearance before the Royal Commission, APRA announced an intention to impose license conditions and to disqualify the Chairman, Managing Director (Chris Kelaher), Chief Financial Officer, Company Secretary and General Counsel. The announcement forced the Chairman and Managing Director to step aside immediately, pending proceedings.

Also making a solid contribution was long Woolworths (WOW) / short Metcash (MTS) with MTS reporting a poor quality first half result, as well as presenting a subdued outlook statement.

Market Observations

Despite history showing a tendency for markets to rally during the festive season, the tone of share markets this December was firmly negative. Across almost all major share markets we saw continued selling with the frequency and magnitude of down days well beyond the up days. At their low on Christmas Eve, most major offshore markets were down between 5% and 10% with the exception of US markets which were down 15%. The US did bounce strongly immediately after Christmas Day to recover some losses and align with offshore markets, but overall it was a very weak month. The below table shows the monthly returns across the major share market regions for calendar 2018.

Calendar 2018	S&P 500	MSCI Europe	MSCI Asia ex Japan	Nikkei	Shanghai Composite	S&P/ASX 200
January	5.6%	1.6%	7.5%	1.5%	5.3%	-0.5%
February	-3.9%	-4.1%	-5.0%	-4.5%	-6.4%	-0.4%
March	-2.7%	-2.4%	-1.6%	-2.8%	-2.8%	-4.3%
April	0.3%	4.0%	0.6%	4.7%	-2.7%	3.9%
May	2.2%	-0.6%	-1.6%	-1.2%	0.4%	0.5%
June	0.5%	-0.9%	-5.2%	0.5%	-8.0%	3.0%
July	3.6%	3.1%	0.3%	1.1%	1.0%	1.4%
August	3.0%	-2.5%	-1.2%	1.4%	-5.3%	0.6%
September	0.4%	0.4%	-1.6%	5.5%	3.5%	-1.8%
October	-6.9%	-5.4%	-10.9%	-9.1%	-7.7%	-6.1%
November	1.8%	-1.0%	5.2%	2.0%	-0.6%	-2.8%
December	-9.2%	-5.6%	-2.9%	-10.5%	-3.6%	-0.4%
12m to 31 Dec 2018	-6.2%	-13.1%	-16.4%	-12.1%	-24.6%	-6.9%

Source: Bloomberg

As shown in the table, the Australian share market (S&P/ASX 200 Index) didn't escape the weakness seen in offshore markets over the year, falling 6.9%. Even allowing for dividends the local market still declined in 2018. The chart on the following page shows that only five times (1994, 2002, 2008, 2011, 2018) in the last 25 years has the Australian share market fallen over the calendar year, inclusive of dividends.

Fund statistics

Fund NAV A\$M	Month End	\$398.8
Gross exposure A\$M	Month End	\$1,749.0
Fund leverage (x NAV)	Month End*	4.4
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	21.5%
Fund volatility (annualised)	Rolling 12 months	15.9%
Positive months %	Rolling 6 months	33%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	1.1
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	0.1
Long exposure	Month End	50.2%
Short exposure	Month End	-49.8%
Fund performance (composite)	Since inception	\$11.56
	\$1.00	

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	Challenger (CGF)	Short	IOOF Holdings (IFL) / ANZ Bank (ANZ)
Long	Ramsay Health Care (RHC)	Short	Healius (HLS)
Long	Woolworths (WOW)	Short	Metcash (MTS)

Bottom spread for the month

Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)
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Performance

1 month	2.09%
3 months	-8.02%
Fiscal YTD	-5.76%
12 months	2.51%
Since inception (compound p.a.)	15.57%

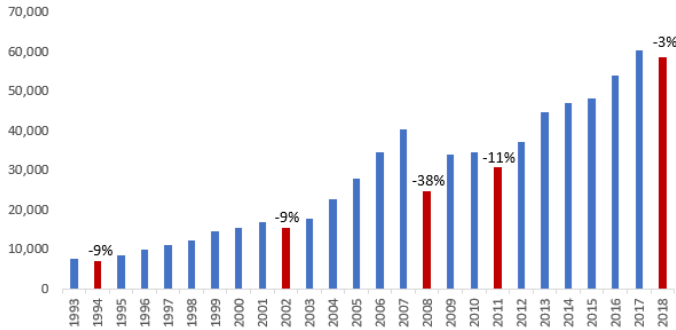


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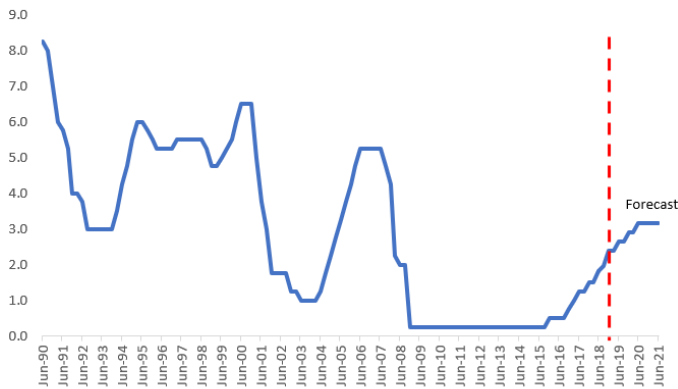
ASX 200 Accumulation Index
(as at 31 December)



Source: Bloomberg

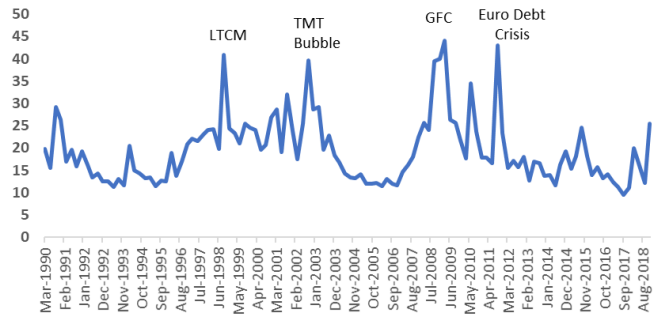
It has been a challenging and increasingly volatile year for equities as markets grapple with the Fed finally starting to withdraw liquidity. A further 7% fall in the S&P 500 Index (giving rise to a 20% decline from its all-time high in September) would technically represent the end of what has been the second longest bull market in history.

US Federal Rate Target Rate



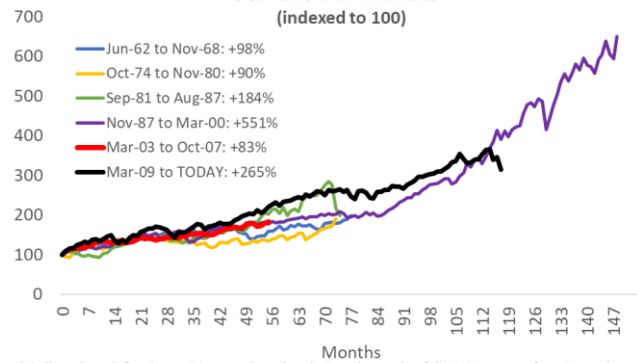
Source: Bloomberg

VIX ("Fear") Index
Period ending 31 December 2018



Source: Bloomberg

S&P 500 Bull Markets*
(indexed to 100)



* Bull markets defined as a rising trend until such time the market falls 20% or more from its peak.
Source: Bloomberg



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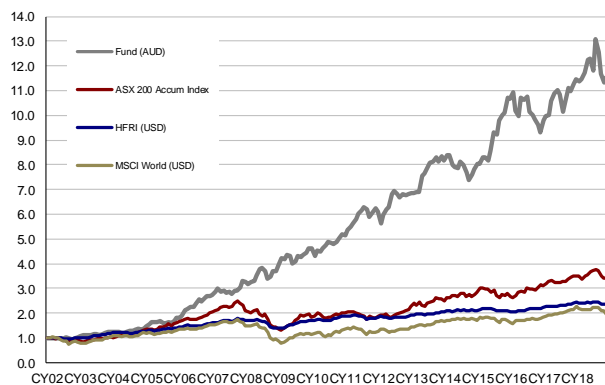
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Calendar year performance

% 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%	-3.85%	-7.05%	-3.07%	2.09%	2.51%
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\$773.2m
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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