



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 July 2019

Portfolio Performance

Fund performance was 6.92% in July. During the month the fund experienced a favourable balance of fundamental news. In addition, appetite for higher yield stocks moderated, which was a tailwind for returns. The elimination of the dividend in two ASX 100 companies experiencing operating headwinds is a reminder that yield is no certainty in the equity market.

At the sector level Financials was our strongest and Consumer Discretionary the weakest. The number of positive pairs exceeded the negative. The contribution of our negative pairs was modest.

During July we paid the FY19 distribution to our investors. The fund consistently distributes franked dividends. This year the franking credit was close to 1.9% of starting fund value. We note the benefit of franking to investors is not reflected in the returns we report.

Market Observations

The major share markets were subdued during July. US markets rose modestly (S&P 500 +1.3%, Nasdaq Composite +2.1%) as did the UK (FTSE 100 +2.2%) and Japan (Nikkei +1.2%). Elsewhere we saw modest declines in Germany (DAX -1.7%) and France (CAC -0.4%) and some heavier falls across Asia (Hang Seng -2.7%, Shanghai Composite -1.6%, South Korea -5.0%) related to geopolitical and trade tensions.

Australia again delivered a strong performance (S&P/ASX 200 +2.9%) and achieved a milestone on 30 July when its closing level of 6,845 surpassed its pre GFC peak. It took the Australian market 6 years longer than the US market to recover the GFC decline. All sectors made a positive contribution to the market's rise, with particular strength in Consumer Staples (+9.7%) and Healthcare (+5.9%) while Banks (+1.0%) and Materials (1.0%) were laggards.



Source: Bloomberg

Fund statistics

Fund NAV A\$M	Month End	\$386.2
Gross exposure A\$M	Month End	\$1,681.3
Fund leverage (x NAV)	Month End*	4.3
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	12.2%
Fund volatility (annualised)	Rolling 12 months	17.1%
Positive months %	Rolling 6 months	50%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	6.7
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.1)
Long exposure	Month End	50.8%
Short exposure	Month End	-49.2%
Fund performance (composite)	Since inception	\$11.84
	\$1.00	

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	Magellan (MFG)	Short	Perpetual (PPT)
Long	Transurban (TCL)	Short	Spark Infrastructure (SKI) / Ausnet (AST)

Bottom spread for the month

Long	Crown Resorts (CWN)	Short	SkyCity Entertainment (SKC)
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Performance

1 month	6.92%
3 months	7.35%
Fiscal YTD	6.92%
12 months	0.19%
Since inception (compound p.a.)	15.17%



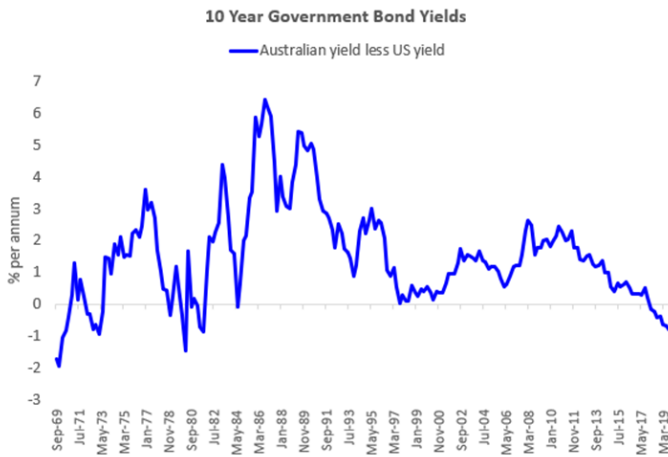


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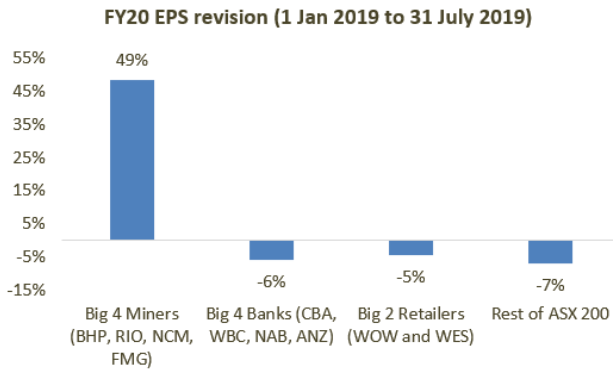
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The price of 10-year Australian government bonds also advanced to record levels. While Australian government bonds are not unique in this regard with yields down globally, the Australian 10-year yield now sits notably below the equivalent yield in the United States. The chart below highlights how unusual this is as Australian government bonds have almost always offered a higher yield than the US, reflecting higher risk, i.e. no reserve currency status, dependence on foreign borrowings and a large and variable mining sector.



Source: Bloomberg

The ASX has had a strong performance year to date, up 21% in price terms. While the rally has largely been driven by re-rating (from 14x PE to now 16.5x), earnings revisions are also positive. But a closer look at the composition of ASX earnings revisions gives pause for concern. As per the chart below, revisions to FY20 earnings forecasts have come entirely from the big 4 miners (BHP, RIO, FMG, NCM) due to strong iron ore and gold prices. The rest of the market (including the four major banks and two large retailers) has seen earnings downgrades.



Source: Bloomberg





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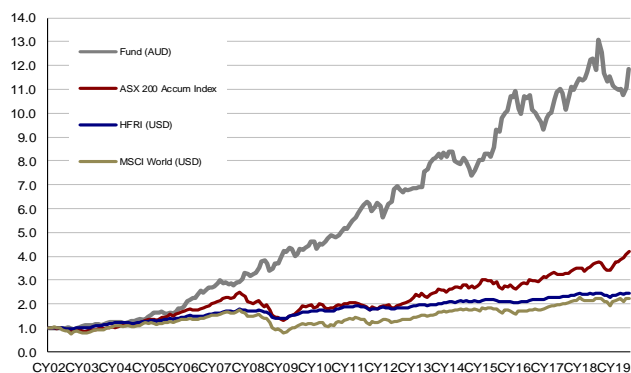
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2019	-3.49%	-0.82%	-0.84%	0.54%	-2.52%	3.00%	6.92%						2.44%
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



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\$717.5m
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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