



# Bennelong Long Short Equity Fund

## Monthly Performance Update

As at 30 September 2019

### Portfolio Performance

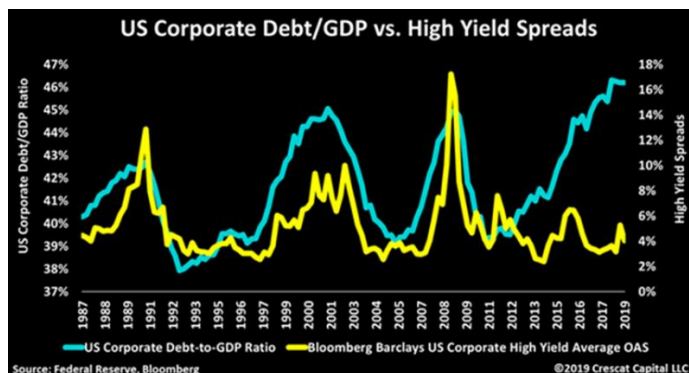
Fund performance was 0.65% in September. By number of pairs, we had a majority contribute positively (17 of 29). The one negative pair of note during the month was long Challenger (CGF) / short AMP & IOOF (IFL), with IFL experiencing a rally after news that the Federal Court ruled in favour of IFL in a case brought by the Australian Prudential Regulation Authority. On the positive side we had a solid contribution from a telco pair, as well as two energy pairs. Long Oil Search (OSH) / short Woodside (WPL) was positive after the PNG Government made a supportive announcement regarding the future development of Papua LNG (an important expansion project involving Oil Search, Total and Exxon).

### Market Observations

Share markets recovered in September with dovish stimulus measures from both the US Federal Reserve and European Central Bank, as well as trade optimism, overshadowing weakness in lead economic indicators. All the major share market regions posted gains, with Japan and South Korea the strongest (+5% and 4% respectively), the UK +3% and Europe +4%, and the United States +2%. Markets also breathed a sigh of relief from a fading in oil prices after spiking 20% mid-month following attacks on key Saudi Arabian oil processing facilities.

Australia was a similar story to offshore, albeit more muted, with a gain of +1.3% (S&P/ASX 200 Index). Of interest during September was a swing in performance toward recent laggard sectors such as Banks (+4.9%) and Energy (+3.9%), and on the other side profit taking in those sectors that have performed strongly year to date (e.g. Healthcare -3.2% and Information Technology -0.9%). A sell-off in bond markets (i.e. yields higher) also triggered profit taking in the REITS sector (-2.8%).

The chart below caught our attention in September. It shows the continued increase in debt levels of US corporates, which (measured as a share of GDP) now sits above prior peak levels. The rise of corporate debt over the past decade has been understandable in what has been a prolonged period of economic expansion and rising corporate profits. Further, the backdrop of low interest rate policies and QE suppressing government bond yields, has meant that debt service costs have remained low (and thus a reason why the yellow line, the corporate bond spread, a measure of risk premium for credit markets, remains subdued). We wonder what the end game is for cheap debt, and how much further indebtedness can rise before risk appetite changes.



### Fund statistics

Fund NAV A\$M	Month End	\$355.2
Gross exposure A\$M	Month End	\$1,665.9
Fund leverage (x NAV)	Month End*	4.7
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	8.4%
Fund volatility (annualised)	Rolling 12 months	12.5%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	0.8
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.7)
Long exposure	Month End	50.5%
Short exposure	Month End	-49.5%
Fund performance (composite)	Since inception	\$11.62
	\$1.00	

\*Gearing calculated subject to variations in accruals

### Significant Pairs

#### Top spreads for the month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	Oil Search (OSH)	Short	Woodside Petroleum (WPL)

#### Bottom spread for the month

Long	Challenger (CGF)	Short	IOOF (IFL) / AMP (AMP)
------	------------------	-------	------------------------

### Performance

1 month	0.65%
3 months	4.92%
Fiscal YTD	4.92%
12 months	-7.53%
Since inception (compound p.a.)	14.90%



# Bennelong Long Short Equity Fund

## Monthly Performance Update

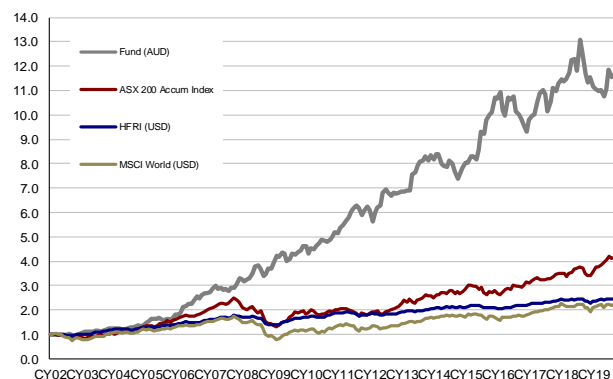
As at 30 September 2019

### Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
<b>2019</b>	<b>-3.49%</b>	<b>-0.82%</b>	<b>-0.84%</b>	<b>0.54%</b>	<b>-2.52%</b>	<b>3.00%</b>	<b>6.92%</b>	<b>-2.51%</b>	<b>0.65%</b>				<b>0.52%</b>
<b>2018</b>	<b>1.51%</b>	<b>-0.58%</b>	<b>0.83%</b>	<b>1.96%</b>	<b>4.75%</b>	<b>0.08%</b>	<b>-3.64%</b>	<b>10.59%</b>	<b>-3.85%</b>	<b>-7.05%</b>	<b>-3.07%</b>	<b>2.09%</b>	<b>2.51%</b>
<b>2017</b>	<b>4.95%</b>	<b>2.07%</b>	<b>0.29%</b>	<b>5.84%</b>	<b>2.86%</b>	<b>1.20%</b>	<b>-1.42%</b>	<b>-6.70%</b>	<b>3.88%</b>	<b>5.29%</b>	<b>-1.14%</b>	<b>2.90%</b>	<b>21.12%</b>
<b>2016</b>	<b>-0.29%</b>	<b>2.37%</b>	<b>-6.73%</b>	<b>-2.30%</b>	<b>7.58%</b>	<b>-1.04%</b>	<b>1.46%</b>	<b>-5.90%</b>	<b>-1.06%</b>	<b>-1.76%</b>	<b>-2.24%</b>	<b>-3.23%</b>	<b>-13.07%</b>
<b>2015</b>	<b>2.66%</b>	<b>0.05%</b>	<b>3.59%</b>	<b>0.03%</b>	<b>-1.91%</b>	<b>4.86%</b>	<b>8.85%</b>	<b>-0.69%</b>	<b>5.71%</b>	<b>2.54%</b>	<b>0.65%</b>	<b>6.22%</b>	<b>37.11%</b>
<b>2014</b>	<b>-2.32%</b>	<b>2.50%</b>	<b>0.16%</b>	<b>-4.97%</b>	<b>-0.80%</b>	<b>-0.44%</b>	<b>3.04%</b>	<b>-1.56%</b>	<b>-3.59%</b>	<b>-4.33%</b>	<b>3.12%</b>	<b>2.83%</b>	<b>-6.63%</b>
<b>2013</b>	<b>0.46%</b>	<b>-0.28%</b>	<b>0.69%</b>	<b>0.01%</b>	<b>9.49%</b>	<b>1.10%</b>	<b>3.52%</b>	<b>2.27%</b>	<b>0.83%</b>	<b>1.88%</b>	<b>-1.80%</b>	<b>2.68%</b>	<b>22.48%</b>
<b>2012</b>	<b>-2.04%</b>	<b>-8.43%</b>	<b>6.35%</b>	<b>4.22%</b>	<b>1.19%</b>	<b>8.47%</b>	<b>1.57%</b>	<b>-1.61%</b>	<b>-2.00%</b>	<b>1.69%</b>	<b>-0.41%</b>	<b>0.89%</b>	<b>9.20%</b>
<b>2011</b>	<b>-0.59%</b>	<b>4.39%</b>	<b>1.85%</b>	<b>2.34%</b>	<b>3.09%</b>	<b>4.12%</b>	<b>2.12%</b>	<b>1.91%</b>	<b>-1.25%</b>	<b>-5.06%</b>	<b>3.09%</b>	<b>3.27%</b>	<b>20.60%</b>
<b>2010</b>	<b>0.25%</b>	<b>-6.16%</b>	<b>4.77%</b>	<b>-1.10%</b>	<b>3.24%</b>	<b>2.84%</b>	<b>2.90%</b>	<b>-0.96%</b>	<b>-0.98%</b>	<b>1.23%</b>	<b>2.87%</b>	<b>3.65%</b>	<b>12.71%</b>
<b>2009</b>	<b>5.69%</b>	<b>7.88%</b>	<b>-1.72%</b>	<b>4.26%</b>	<b>-1.24%</b>	<b>-7.16%</b>	<b>2.24%</b>	<b>5.61%</b>	<b>-1.14%</b>	<b>2.65%</b>	<b>1.71%</b>	<b>3.57%</b>	<b>23.64%</b>
<b>2008</b>	<b>-2.10%</b>	<b>-2.82%</b>	<b>3.40%</b>	<b>1.06%</b>	<b>7.07%</b>	<b>7.36%</b>	<b>1.16%</b>	<b>-3.57%</b>	<b>-8.98%</b>	<b>3.78%</b>	<b>5.78%</b>	<b>0.49%</b>	<b>11.95%</b>
<b>2007</b>	<b>0.55%</b>	<b>5.42%</b>	<b>3.62%</b>	<b>-3.12%</b>	<b>0.92%</b>	<b>-2.90%</b>	<b>1.70%</b>	<b>-3.72%</b>	<b>5.63%</b>	<b>-0.22%</b>	<b>4.41%</b>	<b>9.04%</b>	<b>22.51%</b>
<b>2006</b>	<b>1.24%</b>	<b>4.76%</b>	<b>10.16%</b>	<b>2.90%</b>	<b>2.58%</b>	<b>0.95%</b>	<b>5.57%</b>	<b>7.67%</b>	<b>-2.62%</b>	<b>5.22%</b>	<b>2.01%</b>	<b>1.35%</b>	<b>49.91%</b>
<b>2005</b>	<b>6.29%</b>	<b>7.29%</b>	<b>5.01%</b>	<b>-0.49%</b>	<b>-0.27%</b>	<b>1.81%</b>	<b>-2.87%</b>	<b>-1.51%</b>	<b>4.10%</b>	<b>-2.33%</b>	<b>2.88%</b>	<b>8.73%</b>	<b>31.64%</b>
<b>2004</b>	<b>0.19%</b>	<b>0.16%</b>	<b>0.49%</b>	<b>-3.41%</b>	<b>0.78%</b>	<b>2.60%</b>	<b>4.36%</b>	<b>-0.80%</b>	<b>3.22%</b>	<b>1.42%</b>	<b>-0.29%</b>	<b>1.61%</b>	<b>10.59%</b>
<b>2003</b>	<b>2.34%</b>	<b>6.21%</b>	<b>-0.44%</b>	<b>0.61%</b>	<b>0.82%</b>	<b>3.00%</b>	<b>-1.93%</b>	<b>-0.99%</b>	<b>2.01%</b>	<b>4.85%</b>	<b>3.78%</b>	<b>-1.27%</b>	<b>20.33%</b>

**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\$671.6m
<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 2019. 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.