



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 October 2019

Portfolio Performance

Fund performance was 8.84% for October. There was quite a bit of news flow during the month with many companies providing a trading update with their AGMs. Overall, both long and short portfolios were on the right side of company news. As we noted in our August monthly the portfolio had a good reporting season, despite that month's negative return. August reporting season will have influenced this month's return.

Positive returns were spread across a wide range of pairs from all sectors. Negative pairs made a modest contribution. The long portfolio made the larger contribution, however the short portfolio contribution was also material.

Of the top three pairs long BlueScope (BSL) / short Sims Metal (SGM) was marginally the largest contributor. Sims announced its second large profit warning since the full-year result, which was reported only two months ago. Sims is now guiding to a loss in the December-half. Our number two pair, long Qantas (QAN) / short Flight Centre (FLT) also featured downgrades with Flight Centre announcing one ahead of their AGM in November. Tough trading conditions and structural issues are evident for FLT. Qantas also announced a small downgrade with their Q1 trading update. Long Iluka (ILU) / short RIO was our number three pair. Iluka bounced following the company announcing it is reviewing the structure for its iron ore royalty (over BHP's Mining Area C). This royalty is very attractive and we agree with the company; it appears the market does not appreciate that. For our top pairs, and a number of others, both sides of the pair made a positive contribution.

Market Observations

After declining early in the month on weak economic data, global equities staged a strong rebound after news broke that the US and China had reached an in-principle trade deal. Despite little detail on the agreement, markets embraced the so called first-phase deal, as a potential turning point in trade friction.

Adding to the positive trade sentiment was the Federal Reserve cutting rates for a third time this year (as insurance against the US-China trade war). The Fed did however indicate a change in stance going forward, with a pause in direction now likely. US third-quarter earnings season was also not as bad as feared. The yield curve is no longer negative. Global growth indicators are stabilising after falling for some time.

As a result, higher beta stocks and emerging markets generally outperformed during the month whilst defensives lagged (excluding healthcare). Global government bond yields retraced. The MSCI World developed market index closed up +2.6%, whilst the emerging market index closed up +4.2%.

Back home, Australian equities were mixed with the ASX200 closing down -0.4%. Healthcare +7.6% and Industrials +3.0% were the strongest sectors, whilst IT -3.9% and Financials -2.8% were the weakest. The AUD rose 1.5c to \$0.689.

The domestic economy is mixed with weak conditions being reported (ex mining). In response, the RBA is persisting with aggressive policy, cutting rates again during the month to a record low 0.75%. House prices in Sydney and Melbourne have rebounded and the equity market seems somewhat optimistic that the enthusiasm will flow into the broader economy.

Fund statistics

Fund NAV A\$M	Month End	\$384.2
Gross exposure A\$M	Month End	\$1,686.2
Fund leverage (x NAV)	Month End*	4.3
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	10.3%
Fund volatility (annualised)	Rolling 12 months	13.6%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	11.2
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	0.5
Long exposure	Month End	50.7%
Short exposure	Month End	-49.3%
Fund performance (composite)	Since inception \$1.00	\$12.65

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	BlueScope Steel (BSL)	Short	Sims Metal (SGM)
Long	Qantas Airways (QAN)	Short	Flight Centre (FLT)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

Performance

1 month	8.84%
3 months	6.81%
Fiscal YTD	14.20%
12 months	8.27%
Since inception (compound p.a.)	15.37%





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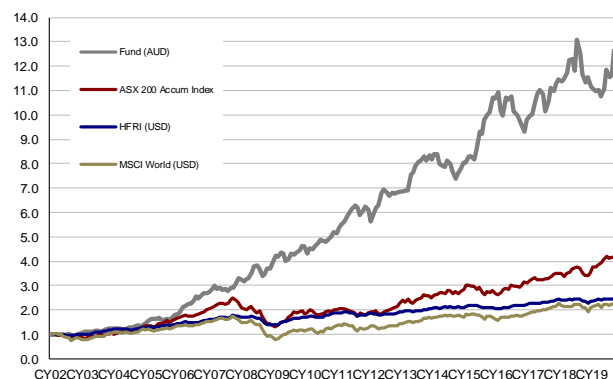
As at 31 October 2019

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%	-2.51%	0.65%	8.84%			9.41%
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\$706.1m
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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