



Bennelong Long Short Equity Fund

Monthly Performance Update

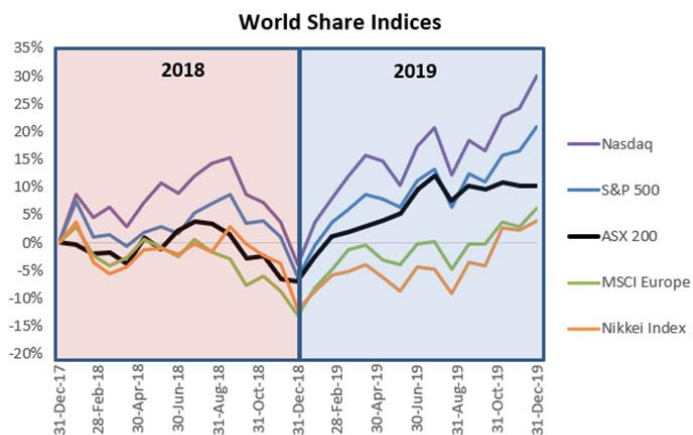
As at 31 December 2019

Portfolio Performance

Portfolio performance for the month was +2.36%. 20 of 30 pairs were profitable, with no disproportionate individual pair contributions. Almost all positive pairs derived profit from the short side and vice versa loss-making pairs were driven by the long side. This outcome reflected the broad-based sell-off of the Australian share market, with two-thirds of stocks in the market posting a decline over the month. Portfolio activity included the introduction of a new pair in the materials sector.

Market Observations

The Australian share market ended 2019 on a soft note with a -2.4% fall in December. The fall was notable given its breadth and in the way it contrasted with solid gains from offshore markets to cap off what has been a very strong calendar year for equities. As shown in the following chart, the rally over 2019 was in part catch-up from a weak 2018 when markets were heavily sold down fearing rate hikes. The US Federal Reserve subsequently abandoned its rate hike agenda and delivered three 0.25% rate cuts over 2019.



Source: Bloomberg

While the US Fed cutting rates in 2019 seemed appropriate from a short term perspective (i.e. share markets were in retreat, trade tensions were rising, lead economic indicators softening), harder to understand is why the starting point of cutting was so low in the first place – just 2.5%, which is half the level prevailing before the GFC a decade ago. Yet observe the economic progress over the last decade: US GDP up 50% from \$14.6 trillion to \$21.5 trillion; US unemployment rate down from 9.5% to 3.5%; household debt to income from 127% to 97%; housing starts from 0.6m to 1.3m; new car sales from 11m to 17m; and the Case-Shiller Home Price Index up 44%. Moreover, US consumer confidence today is at its highest level in almost 20 years. Despite this progress, monetary policy stayed looser for longer than any other period in recent history.

Fund statistics		
Fund NAV A\$M	Month End	\$390.6
Gross exposure A\$M	Month End	\$1,777.7
Fund leverage (x NAV)	Month End*	4.5
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	9.8%
Fund volatility (annualised)	Rolling 12 months	13.1%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	3.5
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	1.1
Long exposure	Month End	51.0%
Short exposure	Month End	-49.0%
Fund performance (composite)	Since inception	\$13.32

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spread for the month			
Long	ALS (ALQ)	Short	Aurizon (AZJ)

Bottom spread for the month			
Long	Brambles (BXB)	Short	Amcors (AMC)

Performance	
1 month	2.36%
3 months	14.57%
Fiscal YTD	20.21%
12 months	15.17%
Since inception (compound p.a.)	15.55%

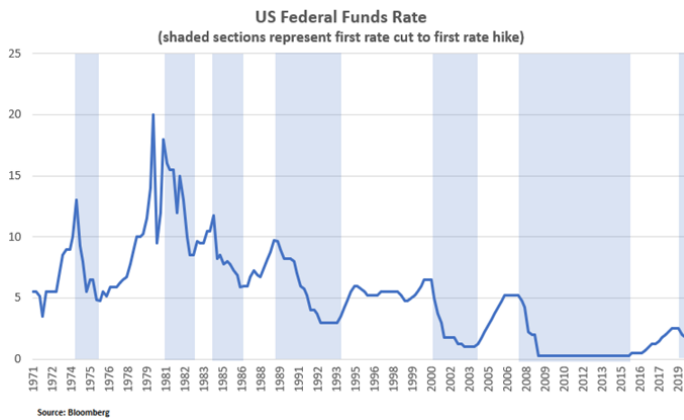




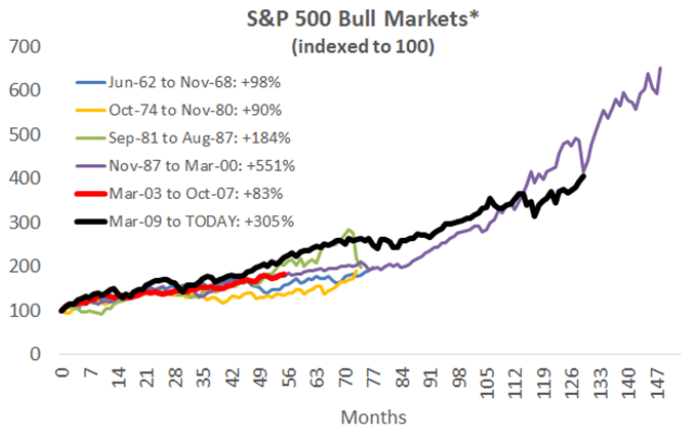
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The persistence of loose monetary policy has been very supportive for equities. The S&P 500 Price Index last decade rose 190%. Will this goldilocks environment of loose policy, justified by a lack of inflationary pressures, be sustained? Even if it can, does it necessarily mean healthy returns to equities? The last decade started with valuations low, fundamentals weak, and sentiment poor. Today, while fundamentals look supportive for earnings, valuations are higher, and sentiment is bullish. We note that the current US bull market is mature when measured against prior bull markets.



* 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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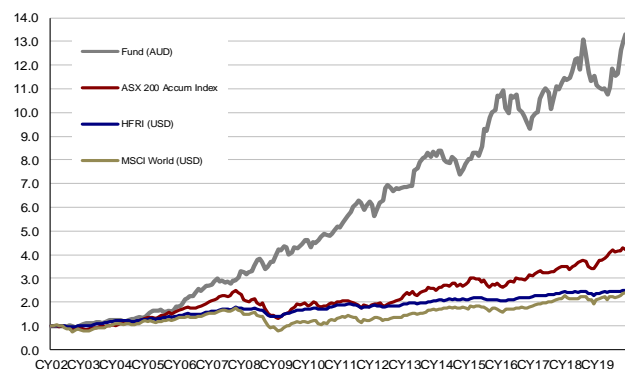
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2019	-3.49%	-0.82%	-0.84%	0.54%	-2.52%	3.00%	6.92%	-2.51%	0.65%	8.84%	2.84%	2.36%	15.17%
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\$721.0m
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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