



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 January 2020

Portfolio Performance

The fund returned 6.52% in January in a month with little fundamental news. Two thirds of pairs were positive and there were no material negative pairs. In a strong market, the long portfolio performed satisfactorily, and the short portfolio performed very well for us. In terms of sectors, Consumer, Health Care, and Financials were the larger contributors with no sector making a negative contribution.

Of our top three pairs, the only news was a downgrade from Super Retail due to softer trading conditions (Long JB Hi-Fi (JBH) / short Super Retail (SUL)).

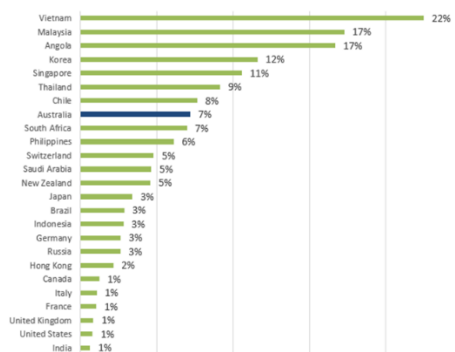
Market Observations

World share markets made a solid start to the new year (and decade) but the momentum faded over the final week of January on growing concerns of the spreading coronavirus. Also casting a shadow was commentary from the US Federal Reserve regarding asset valuations currently being elevated. The only major offshore index to post a gain was the tech-laden Nasdaq index (+2.0%) which held up late in the month following the release of strong quarterly results from Amazon, Microsoft and Netflix.

Australia also bucked the weakness with a rise of 5%. While the rally was broad-based given all sectors gained for the month, there was a wide range of outcomes. Laggards included resources and energy stocks due to weakness in commodities and crude oil. Consumer stocks also showed volatility with several retailers revising down sales and earnings due to the bushfires. On the other side were strong gains healthcare with help from the 5% fall in A\$ / US\$, while consumer staples and technology stocks also rose strongly.

There's a saying: when the US catches a cold, Australia gets pneumonia. Can we then ask: what happens to Australia when China gets coronavirus? We don't want to make light of a WHO global health emergency, but it is a good segue into the serious topic regarding how much China matters to the Australian economy. Being the second biggest economy in the world, it is no surprise that China is our single biggest trading partner (about 30% of all exports, Japan next at 10%). But a fact perhaps less appreciated is the relative importance of China to Australia compared with other countries. Using World Bank data, the below table shows the dollar value of goods exported to China as a % of the exporting country's GDP. As shown, while emerging Asian countries have the highest exposure (e.g. Vietnam 22%), Australia at 7% ranks high when compared to its developed peers.

Exports to China as a % of GDP



Source: World Bank, Bloomberg

Fund statistics

Fund NAV A\$M	Month End	\$406.8
Gross exposure A\$M	Month End	\$1,865.6
Fund leverage (x NAV)	Month End*	4.4
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	10.4%
Fund volatility (annualised)	Rolling 12 months	13.0%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	9.2
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	2.0
Long exposure	Month End	51.0%
Short exposure	Month End	-49.0%
Fund performance (composite)	Since inception \$1.00	\$14.19

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	James Hardie (JHX)	Short	CSR (CSR)
Long	Woolworths (WOW)	Short	Metcash (MTS)
Long	JB Hi-Fi (JBH)	Short	Super Retail (SUL)

Performance

1 month	6.52%
3 months	12.13%
Fiscal YTD	28.05%
12 months	27.13%
Since inception (compound p.a.)	15.88%



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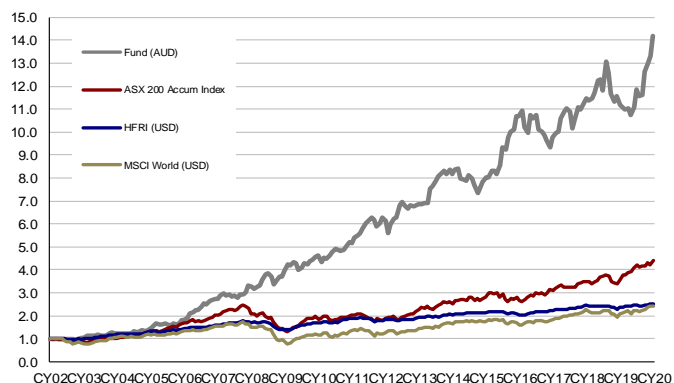
As at 31 January 2020

Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2020	6.52%												6.52%
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\$752.6m
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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