



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 29 February 2020

Portfolio Performance

The portfolio returned 0.97% in February. The split of winning and losing pairs was 50/50. The portfolio was well positioned for reporting season with many positive results evenly distributed in both the long and short portfolios. In a portfolio of sixty-four stocks there were four results which missed our expectations but none of the four featured in our bottom three pairs.

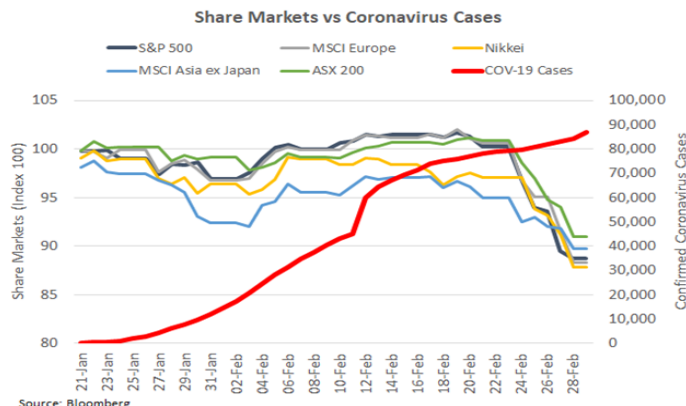
Following what has been a significant waste of time, money and commercial opportunity the ACCC lost the Federal Court case to block the merger of TPG and Vodafone. The ACCC's action has held up the merger for a considerable period with the Statement of Issues released back in December 2018. Post month end the ACCC stated it will not appeal the Federal Court decision. The merger is now expected to complete in July. We retain our long TPM (TPG Telecom) / short TLS (Telstra) pair.

The private equity investor Partners Group announced a non-binding indicative bid for HLS (Healius). Long RHC (Ramsay Health Care) / short HLS (Healius) was our worst pair for the month. HLS made a small negative contribution for the month, given the size of our holding and the move, however RHC was the larger negative contributor.

Regarding portfolio positioning and current market turmoil, we are exposed in both the long and short portfolios. We are net long the US economy and net short the Australian and Asian economies, which is an outcome of the stocks we prefer rather than a strategy.

Market Observations

The Coronavirus took centre stage in the last week of February, as escalating concerns about the economic fallout took its toll on markets. Up until the last week of the month, most major market indices were trading flat to up. However, in the last week equities sold off dramatically with most markets down -10%. Countering the sell-off in equities, bonds rallied with 10-year government bond yields moving to record lows. Interest rate markets also moved to price in near-term rate cuts and post month-end we have seen the US Federal Reserve cut 50bps and Reserve Bank of Australia cut 25bps with other central banks looking at stimulus options. The following chart plots the path of various share market indices against the number of confirmed coronavirus cases.



Fund statistics

Fund NAV A\$M	Month End	\$409.6
Gross exposure A\$M	Month End	\$1,825.4
Fund leverage (x NAV)	Month End*	4.3
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	19.2%
Fund volatility (annualised)	Rolling 12 months	12.6%
Positive months %	Rolling 6 months	100%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	0.7
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	2.2
Long exposure	Month End	49.5%
Short exposure	Month End	-50.5%
Fund performance (composite)	Since inception	\$14.32
	\$1.00	

*Gearing calculated subject to variations in accruals

Significant Pairs

Top spreads for the month

Long	Challenger (CGF)	Short	IOOF (IFL) / AMP (AMP)
Long	Worley (WOR)	Short	Downer EDI (DOW)
Long	TPG Telecom (TPM)	Short	Telstra (TLS)

Bottom spread for the month

Long	Ramsay Health Care (RHC)	Short	Healius (HLS)
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Performance

1 month	0.97%
3 months	10.10%
Fiscal YTD	29.30%
12 months	29.43%
Since inception (compound p.a.)	15.86%



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It is difficult to predict the medium-term impact of Coronavirus on markets. SARS proved to have a transitory impact but there are many differences. Coronavirus death rate is lower at between 1-3% versus SARS at 10%. However, it is spreading wider with 60 countries reporting cases of Coronavirus versus 10 for SARS. But economic differences are stark. Today China is 16% of global GDP versus 5% at the time of SARS and is now more heavily integrated into the global supply chain. The capacity for stimulus is likely different given much of the world's monetary and fiscal policy settings are already very accommodative. China's debt to GDP is 280% vs 150% during SARS, US government debt is 107% vs 57% and European government debt is 86% vs 68%. The ECB's deposit rate is currently -0.5% vs 3% then, while the Fed funds rate is 1.3% (post the early March 50bps cut) vs 1.8% during SARS. The SARS outbreak came at the end of an equities bear market following the bursting of the tech bubble and the 2003 Iraq war. In contrast share markets today have enjoyed a long bull market.





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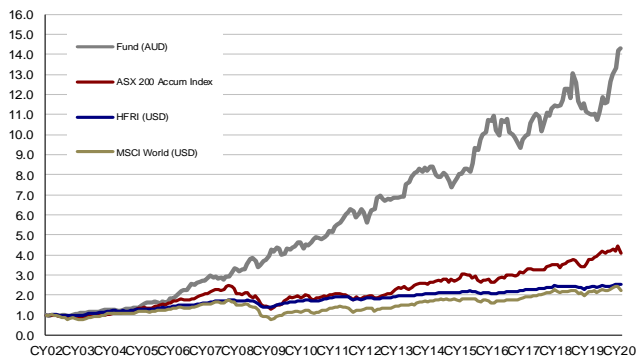
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2020	6.52%	0.97%											7.56%
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\$766.4m
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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