Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 March 2020

Portfolio Performance

Performance for the month was -4.5%. The influence of volatility and liquidity over market moves has dominated in the last two months.

You will note our gearing has declined to 3.9X, down from 4.3X at the end of February. We normally target gearing of 4.5X. Gearing is calculated by summing the exposure of our long and short portfolio and dividing by NAV (Net Asset Value). Gearing declined because the collapse in the share market naturally shrinks our gross exposure, however our NAV has not fallen by nearly as much. We have deliberately allowed gearing to decline to somewhat counter market volatility which has spiked to levels we have not seen before.

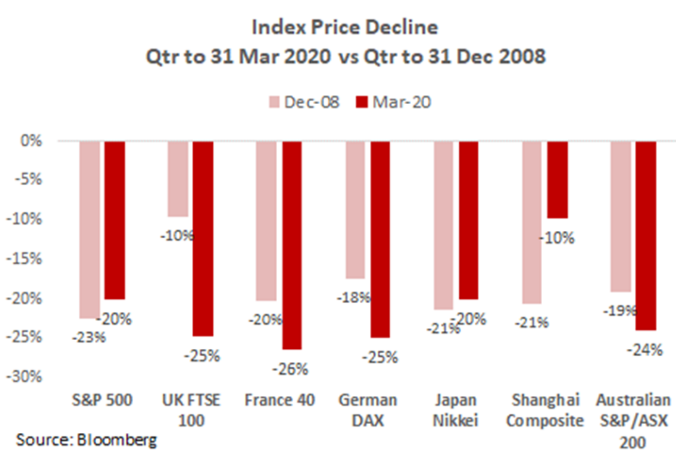
Our long portfolio has a bias to companies with higher returns, more dependable revenue and earnings, and stronger balance sheets. Our short portfolio has lesser of those attributes. The speed and impact of the shutdown of large sections of the economy is testing many balance sheets already. Our response in this market has been to keep doing what we normally do, and that is to try to enhance those attributes we are looking for in both the long and short portfolios. Our trading activity was elevated as a result of volatility and opportunity.

Our strategy dictates that our portfolio is predominantly invested in the ASX100 stocks. Liquidity has always been a priority for us and is a reason we have a diversified portfolio with little exposure to smaller companies.

We have decided not to disclose pairs this month. In this environment we think it is in our investors best interest that we do not highlight our short positions.

Market Observations

The sell-off in markets in late February continued into March as it became evident that actions to deal with the current global health crisis are cascading into a global economic crisis. All the major share markets finished the month down around 10%, capping off a quarterly performance of similar magnitude to the worst of the 2008-09 GFC.



Fund statistics		
Fund NAV A$M	Month End	$388.7
Gross exposure A$M	Month End	$1,537.8
Fund leverage (x NAV)	Month End*	3.9
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	37.9%
Fund volatility (annualised)	Rolling 12 months	14.1%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	(1.7)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	1.7
Long exposure	Month End	49.9%
Short exposure	Month End	-50.1%
Fund performance (composite)	Since inception $1.00	$13.68

*Gearing calculated subject to variations in accruals

Performance	
1 month	-4.50%
3 months	2.71%
Fiscal YTD	23.47%
12 months	24.64%
Since inception (compound p.a.)	15.49%

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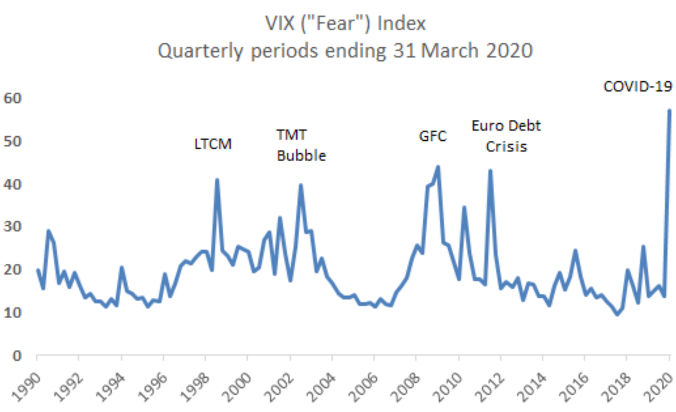
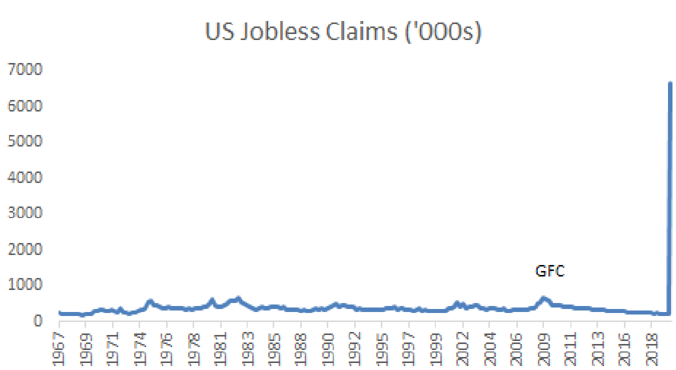
Share market volatility was extreme, as evidenced by the US VIX Index (also called the Fear Index) which surpassed the levels observed in prior crises.



Source: Bloomberg

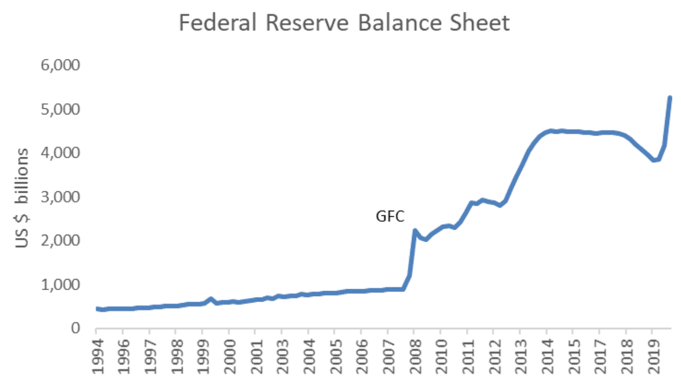
The weakness and volatility of share markets also featured in other markets and asset classes. Crude oil collapsed 55% over the month; an outcome of the eruption of a market share war between Saudi Arabia and Russia, combined with a collapse in demand resulting from cessation of aviation and collapse in economic activity. US investment grade bonds fell 7% and high yield bonds fell 10%. Currency markets were volatile, and the Australia dollar fared poorly with a decline of 6% vs the US dollar, Euro, and Yen. The only asset classes showing any resilience were gold and government bonds, however both still experienced massive volatility during the month.

The containment measures being enforced by governments, alongside the anxieties plaguing households and business, is causing a collapse in economic activity. Leading indicators such as PMI surveys and jobless claims make clear global GDP is in retreat with the magnitude and duration unknown.



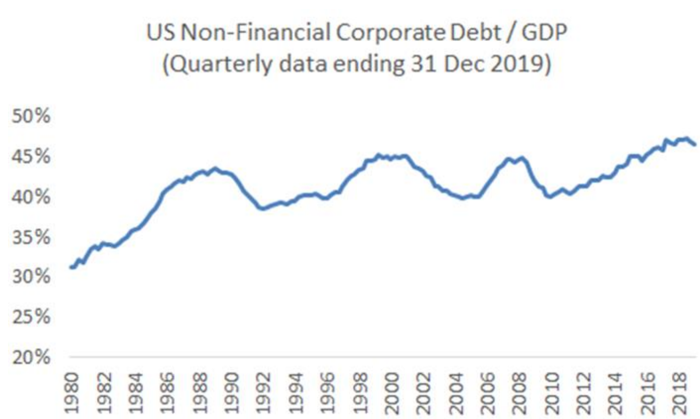
Source: Bloomberg

Central banks and governments worldwide have responded to the crisis with emergency rate cuts as well as open-ended fiscal stimulus and unlimited QE programs. The expansion is the result of "conventional" QE programs, namely the purchase of Treasuries and mortgage backed securities, plus new initiatives such as purchases of asset-backed securities on a non-recourse basis and bridging finance to investment grade corporates.



Source: Bloomberg

Where to from here? It remains unclear if the flow-on effects of a health crisis becoming an economic crisis extends to a full-blown credit crisis. The risk of financial distress in the economy is material, with the prolonged backdrop of artificially depressed interest rates via central bank intervention continuing to distort creditworthiness and capital allocation. The ECB's purchase of corporate bonds has pushed prices so high that the resultant yield is now negative. This upside-down world now means that with yields negative, corporates have issued debt and receive interest payments on the loan rather than pay them. Louis Vuitton Moet Hennessy did exactly this in early February when it issued new debt at negative yields to part fund the acquisition of Tiffany & Co. Very low interest rates, even if not negative, have funded share buybacks (S&P 500 companies have bought back US$5.3 trillion since the 2009) and aggressive dividend policies. The outcome is some balance sheets are not fit for a rainy day.



Source: Bloomberg, St Louis Fed

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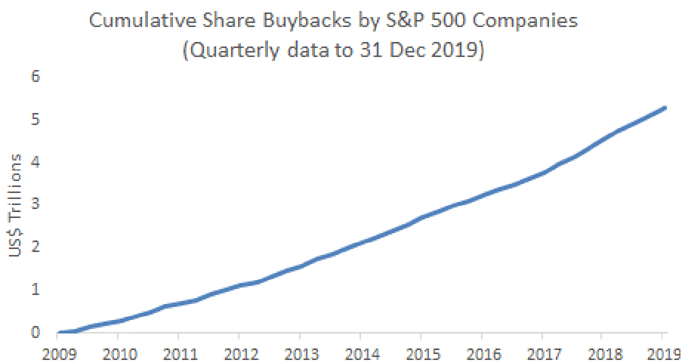
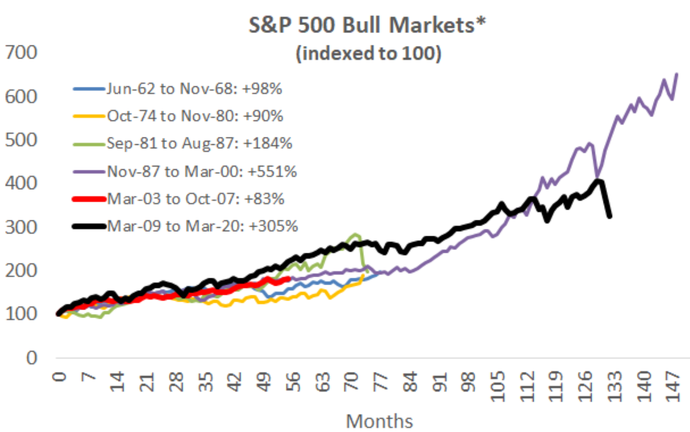


Source: Bloomberg, S&P Dow Jones

In Australia we have already seen a number of equity raisings for balance sheet repair, and no doubt there are a number in the queue, and others contemplating it. Many have updated the market on their liquidity status and capacity to deal with any temporary breaches in debt covenants.

The bull market that began post the GFC was the second longest in history with a cumulative gain of +305%.



* 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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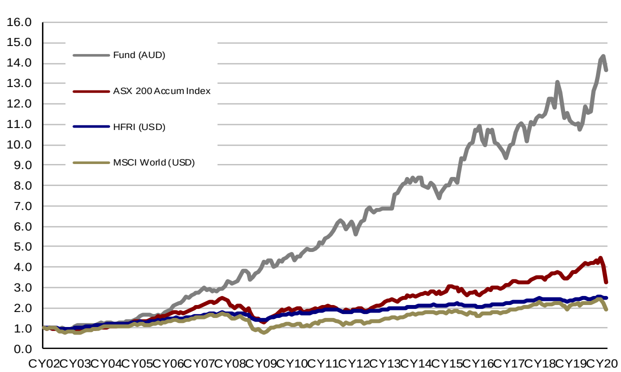
Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2020	**6.52%**	**0.97%**	**-4.50%**										**2.71%**
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$707.8m
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.