



# Bennelong Long Short Equity Fund

## Monthly Performance Update

As at 31 May 2020

### Portfolio Performance

Fund performance was 0.22% for May. Positive returns were broadly spread across sectors whilst negative returns were concentrated in Healthcare and Consumer, specifically in the three bottom pairs we have highlighted.

Enormous bond purchases by central banks has helped stimulate a "risk on" environment in share markets since the lows of March. That can present a headwind for the portfolio. Long JBH / short SUL is one of our pairs where the short is more levered, financially and operationally, than the long. The other two bottom pairs experienced some mean reversion following strong contributions in January, February and March.

On the positive side, long TPM / short TLS was our strongest pair following the release of the Scheme documents for the TPG/Vodafone merger which focussed the market's attention on the prospect for TPM to pay a material special dividend in conjunction with the merger. Long PBH, CWN / short SKC was our second-best pair with the contribution entirely from PBH which reported a strong trading update. Long XRO / short TNE was our third best pair. Both companies reported results and the share price reaction for both was indicative to the relative quality of the results.

### Market Observations

Share markets continued to recover from the February and March wipe out with the major share market indices up between 3% and 7% for the month. Hong Kong was the only exception, falling 7%, weighed down by China intrusion. Australia was up 4.2%. The advance in equities reflected the benefits of liquidity stimulus and easing of restrictions as new cases of COVID-19 slowed. These supportive factors were enough to overcome continued weakness in leading economic indicators, negative earnings revisions, and renewed tensions between the US and China that are jeopardising prior arrangements to unwind trade restrictions. Similar to last month, the apparent risk-on nature of equity markets over May was not matched by selling in defensive assets given both government bonds and gold prices held firm. Crude oil rallied strongly, up from US\$19/bbl to US\$36/bbl, but remains well below recent historical averages.

The recovery seen across equity markets from their March lows brings prices to within sight of their pre-crisis levels (albeit to varying degrees). As shown in the chart below, compared to the start of calendar 2020, the S&P 500 Index is just 6% below and the Nikkei in Japan is 8% below. Meanwhile Australia and the UK are 14% and 19% below, respectively.

### Fund statistics

Fund NAV A\$M	Month End	\$358.7
Gross exposure A\$M	Month End	\$1,759.5
Fund leverage (x NAV)	Month End*	4.8
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	18.4%
Fund volatility (annualised)	Rolling 12 months	13.3%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	0.2
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	2.1
Long exposure	Month End	50.1%
Short exposure	Month End	-49.9%
Fund performance (composite)	Since inception \$1.00	\$13.88

\*Gearing calculated subject to variations in accruals

### Significant Pairs

#### Top spreads for the month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	Pointsbet (PBH) / Crown (CWN)	Short	SkyCity (SKC)
Long	Xero (XRO)	Short	TechnologyOne (TNE)

#### Bottom spreads for the month

Long	ResMed (RMD)	Short	Ansell (ANN)
Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	JB Hi-Fi (JBH)	Short	Super Retail (SUL)

### Performance

1 month	0.22%
3 months	-3.08%
Fiscal YTD	25.31%
12 months	29.06%
Since inception (compound p.a.)	15.43%



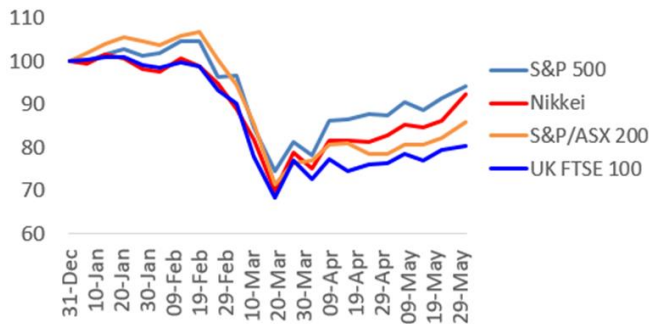


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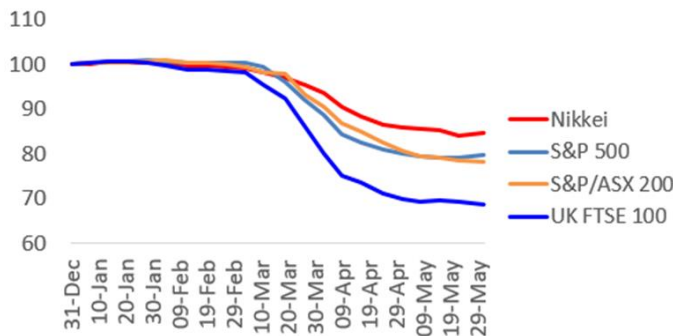
Share Market Indices (Index 100)



Source: Bloomberg

Rising prices are yet to be backed up by a recovery in earnings forecasts. The following chart plots the 12-month forward EPS (indexed to 100) of the markets shown above. The data shows that while forecast declines are abating, they are yet to establish an upward trend.

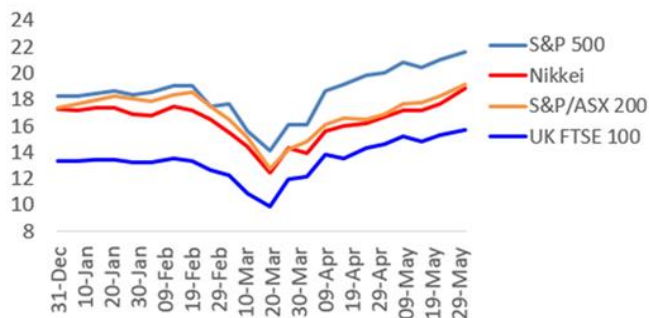
12m Forward EPS (Index 100)



Source: Bloomberg

Consequently valuation multiples are elevated, on depressed earnings.

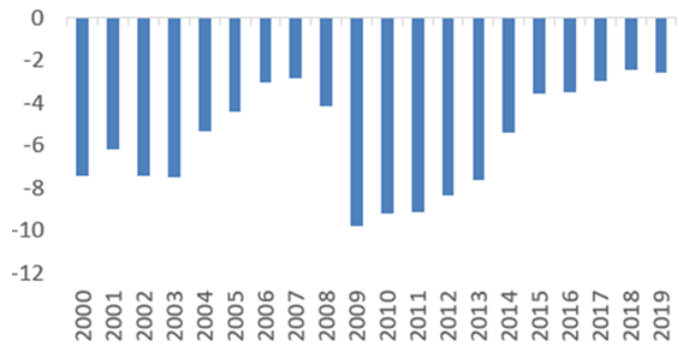
12m Forward P/E Ratio



Source: Bloomberg

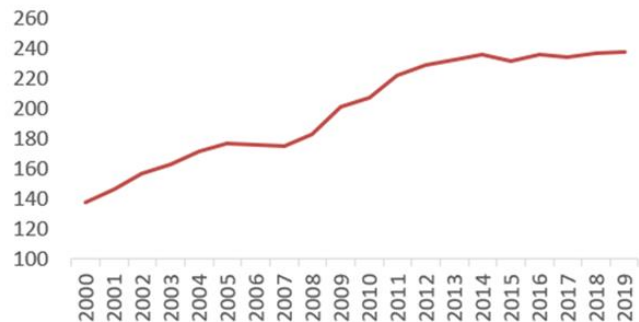
Interest rates and liquidity have been very supportive for asset prices for some time, and even more so following COVID. We wonder at what cost. A government can maintain deficits when its central bank depresses interest rates and prints money to absorb government bond issuance – just look at Japan. But persistent loose policy and big government stimulus hampers wealth drivers like efficient capital allocation and productivity growth, and again the COVID response magnifies the issue.

Japan Gov't Budget Deficit to GDP %



Source: Bloomberg

Japan Gov't Debt to GDP %



Source: Bloomberg





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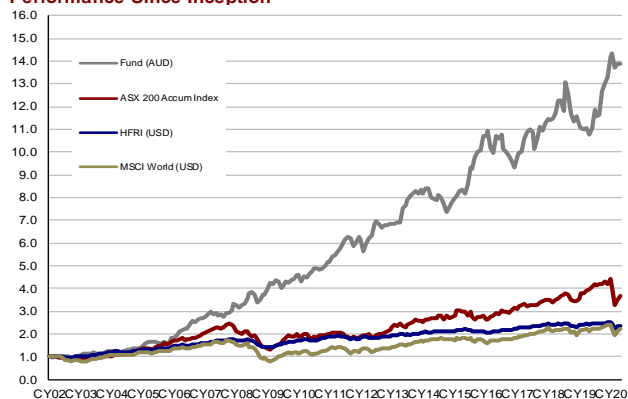
As at 31 May 2020

### Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
<b>2020</b>	<b>6.52%</b>	<b>0.97%</b>	<b>-4.50%</b>	<b>1.27%</b>	<b>0.22%</b>								<b>4.24%</b>
<b>2019</b>	<b>-3.49%</b>	<b>-0.82%</b>	<b>-0.84%</b>	<b>0.54%</b>	<b>-2.52%</b>	<b>3.00%</b>	<b>6.92%</b>	<b>-2.51%</b>	<b>0.65%</b>	<b>8.84%</b>	<b>2.84%</b>	<b>2.36%</b>	<b>15.17%</b>
<b>2018</b>	<b>1.51%</b>	<b>-0.58%</b>	<b>0.83%</b>	<b>1.96%</b>	<b>4.75%</b>	<b>0.08%</b>	<b>-3.64%</b>	<b>10.59%</b>	<b>-3.85%</b>	<b>-7.05%</b>	<b>-3.07%</b>	<b>2.09%</b>	<b>2.51%</b>
<b>2017</b>	<b>4.95%</b>	<b>2.07%</b>	<b>0.29%</b>	<b>5.84%</b>	<b>2.86%</b>	<b>1.20%</b>	<b>-1.42%</b>	<b>-6.70%</b>	<b>3.88%</b>	<b>5.29%</b>	<b>-1.14%</b>	<b>2.90%</b>	<b>21.12%</b>
<b>2016</b>	<b>-0.29%</b>	<b>2.37%</b>	<b>-6.73%</b>	<b>-2.30%</b>	<b>7.58%</b>	<b>-1.04%</b>	<b>1.46%</b>	<b>-5.90%</b>	<b>-1.06%</b>	<b>-1.76%</b>	<b>-2.24%</b>	<b>-3.23%</b>	<b>-13.07%</b>
<b>2015</b>	<b>2.66%</b>	<b>0.05%</b>	<b>3.59%</b>	<b>0.03%</b>	<b>-1.91%</b>	<b>4.86%</b>	<b>8.85%</b>	<b>-0.69%</b>	<b>5.71%</b>	<b>2.54%</b>	<b>0.65%</b>	<b>6.22%</b>	<b>37.11%</b>
<b>2014</b>	<b>-2.32%</b>	<b>2.50%</b>	<b>0.16%</b>	<b>-4.97%</b>	<b>-0.80%</b>	<b>-0.44%</b>	<b>3.04%</b>	<b>-1.56%</b>	<b>-3.59%</b>	<b>-4.33%</b>	<b>3.12%</b>	<b>2.83%</b>	<b>-6.63%</b>
<b>2013</b>	<b>0.46%</b>	<b>-0.28%</b>	<b>0.69%</b>	<b>0.01%</b>	<b>9.49%</b>	<b>1.10%</b>	<b>3.52%</b>	<b>2.27%</b>	<b>0.83%</b>	<b>1.88%</b>	<b>-1.80%</b>	<b>2.68%</b>	<b>22.48%</b>
<b>2012</b>	<b>-2.04%</b>	<b>-8.43%</b>	<b>6.35%</b>	<b>4.22%</b>	<b>1.19%</b>	<b>8.47%</b>	<b>1.57%</b>	<b>-1.61%</b>	<b>-2.00%</b>	<b>1.69%</b>	<b>-0.41%</b>	<b>0.89%</b>	<b>9.20%</b>
<b>2011</b>	<b>-0.59%</b>	<b>4.39%</b>	<b>1.85%</b>	<b>2.34%</b>	<b>3.09%</b>	<b>4.12%</b>	<b>2.12%</b>	<b>1.91%</b>	<b>-1.25%</b>	<b>-5.06%</b>	<b>3.09%</b>	<b>3.27%</b>	<b>20.60%</b>
<b>2010</b>	<b>0.25%</b>	<b>-6.16%</b>	<b>4.77%</b>	<b>-1.10%</b>	<b>3.24%</b>	<b>2.84%</b>	<b>2.90%</b>	<b>-0.96%</b>	<b>-0.98%</b>	<b>1.23%</b>	<b>2.87%</b>	<b>3.65%</b>	<b>12.71%</b>
<b>2009</b>	<b>5.69%</b>	<b>7.88%</b>	<b>-1.72%</b>	<b>4.26%</b>	<b>-1.24%</b>	<b>-7.16%</b>	<b>2.24%</b>	<b>5.61%</b>	<b>-1.14%</b>	<b>2.65%</b>	<b>1.71%</b>	<b>3.57%</b>	<b>23.64%</b>
<b>2008</b>	<b>-2.10%</b>	<b>-2.82%</b>	<b>3.40%</b>	<b>1.06%</b>	<b>7.07%</b>	<b>7.36%</b>	<b>1.16%</b>	<b>-3.57%</b>	<b>-8.98%</b>	<b>3.78%</b>	<b>5.78%</b>	<b>0.49%</b>	<b>11.95%</b>
<b>2007</b>	<b>0.55%</b>	<b>5.42%</b>	<b>3.62%</b>	<b>-3.12%</b>	<b>0.92%</b>	<b>-2.90%</b>	<b>1.70%</b>	<b>-3.72%</b>	<b>5.63%</b>	<b>-0.22%</b>	<b>4.41%</b>	<b>9.04%</b>	<b>22.51%</b>
<b>2006</b>	<b>1.24%</b>	<b>4.76%</b>	<b>10.16%</b>	<b>2.90%</b>	<b>2.58%</b>	<b>0.95%</b>	<b>5.57%</b>	<b>7.67%</b>	<b>-2.62%</b>	<b>5.22%</b>	<b>2.01%</b>	<b>1.35%</b>	<b>49.91%</b>
<b>2005</b>	<b>6.29%</b>	<b>7.29%</b>	<b>5.01%</b>	<b>-0.49%</b>	<b>-0.27%</b>	<b>1.81%</b>	<b>-2.87%</b>	<b>-1.51%</b>	<b>4.10%</b>	<b>-2.33%</b>	<b>2.88%</b>	<b>8.73%</b>	<b>31.64%</b>
<b>2004</b>	<b>0.19%</b>	<b>0.16%</b>	<b>0.49%</b>	<b>-3.41%</b>	<b>0.78%</b>	<b>2.60%</b>	<b>4.36%</b>	<b>-0.80%</b>	<b>3.22%</b>	<b>1.42%</b>	<b>-0.29%</b>	<b>1.61%</b>	<b>10.59%</b>
<b>2003</b>	<b>2.34%</b>	<b>6.21%</b>	<b>-0.44%</b>	<b>0.61%</b>	<b>0.82%</b>	<b>3.00%</b>	<b>-1.93%</b>	<b>-0.99%</b>	<b>2.01%</b>	<b>4.85%</b>	<b>3.78%</b>	<b>-1.27%</b>	<b>20.33%</b>

**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

<b>Strategy</b>	Market Neutral, Pairs	<b>Domicile</b>	Australia
<b>Manager</b>	Bennelong Long Short Equity Management Pty Ltd	<b>AUM</b>	A\$653.7m
<b>Status</b>	Soft-close	<b>Currency</b>	AUD
<b>Inception Date</b>	February 2002		

The Fund is managed by Bennelong Long Short Equity Management Pty Limited, a Bennelong Funds Management boutique.

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