



# Bennelong Long Short Equity Fund

## Monthly Performance Update

As at 30 September 2020

### Portfolio Performance

Fund performance was -3.26% for September. Half our pairs made a positive contribution. The top and bottom three pairs made a similar offsetting contribution, with the net contribution slightly negative. The negative return was a result of a broad spread across the fifteen negative pairs. It was also spread across sectors with no one sector standing out.

A2M/CCL was our second bottom pair. A2M had a very disappointing downgrade. It has come soon after the full year result and following director and executive share sales, which is not satisfactory.

The top and bottom pairs for the month were NWL/IFL and PBH/SKC. IFL and PBH both dominated each pair's return and made the same offsetting contribution. IFL completed its large capital raising for the MLC acquisition. The retail component failed, with a 3% take up rate, so the stock went to the underwriters. PBH also completed its very successful capital raise with a 92% take up rate for the retail entitlement. PBH's softer performance for the month was likely a result of the significant positive return last month.

### Market Observations

Equity markets sold off over the month in the low to mid-single digits. Interestingly the declines were not isolated to those markets (namely the US and China) that have risen the most since the March lows. Even markets like the UK and France, which have struggled for any meaningful recovery, were sold off further in September, presumably fuelled by concerns of resurging COVID-19 infections ahead of winter in the Northern Hemisphere. The below chart shows the progress of major offshore equity markets during calendar year 2020.



Source: Bloomberg

As shown in the next chart, Australia also had a soft September with a fall of -4% (ASX 200 Index) and is now -13% calendar year to date. The sell-off was broad based with all sectors declining except for Healthcare (+0.4%) which was helped by a 3% fall in the A\$/US\$ (healthcare stocks on the ASX have a relatively high exposure to currency vs other defensive sectors of the ASX).

### Fund statistics

Fund NAV A\$M	Month End	\$439.3
Gross exposure A\$M	Month End	\$1,858.2
Fund leverage (x NAV)	Month End*	4.1
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	24.7%
Fund volatility (annualised)	Rolling 12 months	14.4%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	65%
Sharpe Ratio (basis RBA Cash)	Month	(1.9)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	2.5
Long exposure	Month End	49.4%
Short exposure	Month End	-50.6%
Fund performance (composite)	Since inception \$1.00	\$15.91

\*Gearing calculated subject to variations in accruals

### Significant Pairs

#### Top spreads for the month

Long	Netwealth (NWL)	Short	IOOF (IFL)
Long	Aristocrat (ALL)	Short	Tabcorp (TAH)

#### Bottom spreads for the month

Long	PointsBet (PBH)	Short	SkyCity (SKC)
Long	A2 Milk (A2M)	Short	Coca-Cola Amatil (CCL)
Long	Mineral Resources (MIN)	Short	BHP (BHP)

### Performance

1 month	-3.26%
3 months	10.01%
Fiscal YTD	10.01%
12 months	36.90%
Since inception (compound p.a.)	15.98%



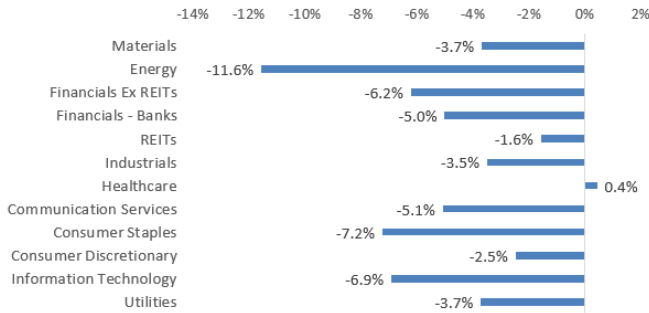


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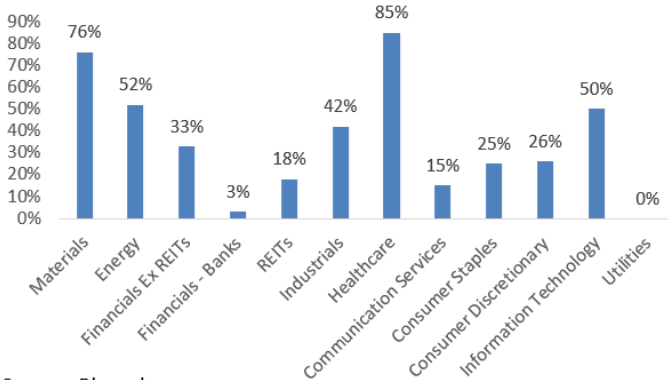
**ASX 200 Sector Returns - September 2020**



Source: Bloomberg

If one is to attribute part of the recent weakness in offshore markets to a resurgence in infections (forcing lockdowns and thus hindering economic recovery), then why isn't Australia out-performing given the virus is under control? Moreover, Australia's fiscal position is much stronger than most (Government debt to GDP ~50% vs most of western world >100%), and ASX companies have generally solid balance sheet positions (net debt / market cap is ~50% vs ~80% in USA). We offer three observations as to why the Australian market isn't doing better. First, many ASX companies indeed do earn revenue offshore, thus are exposed to what is happening offshore.

**ASX Sector % Revenue from Offshore**



Source: Bloomberg

Second, the economic performance of a country does not translate neatly to the performance of its sharemarket. A comparison of Australia vs the USA makes this clear. As per the next chart, over a near 30-year time period, Australia's GDP has grown materially ahead of the US, yet our sharemarket has under-performed. In other words, just because the Australian economy looks better positioned to weather COVID than many overseas peers, doesn't mean the share market will do likewise.

**Australia vs USA (Local Currency)  
June 1992 to June 2020 (Index 100)**



Source: Bloomberg

Third, and contrasting somewhat with the comments about ASX offshore exposures, we observe that a stock's share price performance is as much driven by its idiosyncrasies (assets, strategy, management, balance sheet) as it is the economic environment it operates within. Some examples are shown below in which the better performing stock this calendar year has in fact been the one with exposure to offshore while its domestic peer has performed poorly.

**ASX 200 Stocks - Price Return Cal Year to Sep 2020**

Offshore*	Domestic
Macquarie Group -13%	Westpac -30%
Aristocrat -11%	Tabcorp -26%
James Hardie 19%	Fletcher Building -27%
Dominos 51%	Coca Cola Amatil -14%

\* Majority of revenue earned outside Aust & NZ

Source: Bloomberg



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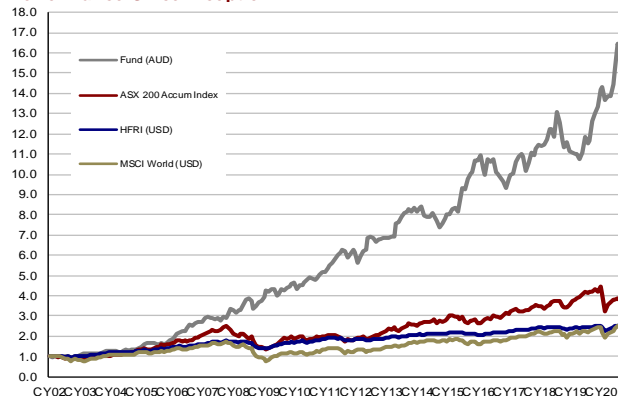
As at 30 September 2020

### 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>4.19%</b>	<b>4.82%</b>	<b>8.49%</b>	<b>-3.26%</b>				<b>19.49%</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\$776.8m
<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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