



# Bennelong Long Short Equity Fund

## Monthly Performance Update

As at 30 June 2021

### Portfolio Performance

Performance was 10.11% for the month. Market conditions were a tailwind for the portfolio. In addition, favourable fundamental news for a number of our companies was material. Most pairs were positive. At the sector level Materials stood out.

MIN/BHP was our top pair with ongoing earnings upgrades for both companies. Since the trough in earnings forecasts last year BHP forecasts have been revised up 100%, but MIN have been revised up 200%.

RMD/ANN was our second-best pair with performance driven by RMD. RMD is the global leader in sleep apnea with Philips the number two, and together they dominate the industry. During the month Philips announced a recall of a number of their devices in the US. The recall covers devices sold as far back as 2009. It is being described by distributors as a crisis. RMD has an opportunity to take significant share. It is a very unusual situation.

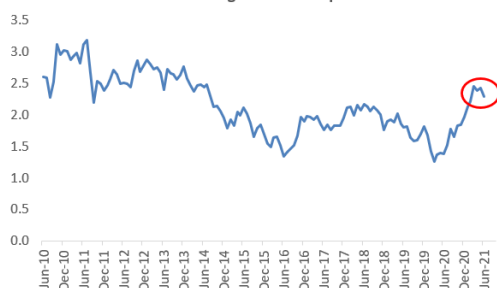
ILU/RIO was our third best pair. During the month RIO declared force majeure at mineral sands mine Richards Bay Minerals. RBM has been challenging for years with a hostile local community causing disruption to operations. During the month there was tragedy with the general manager murdered on the way to work. RIO produces 30% of the world's high grade TiO<sub>2</sub> feedstocks and 15% of the world's zircon, and with industry supply already tight, disruption at RBM is positive for the outlook for price. Whilst not material to RIO's earnings, high grade TiO<sub>2</sub> feedstocks represent 50% of ILU's revenue and zircon is 40% of revenue. RBM is RIO's only remaining asset in South Africa.

Our weakest pair was CSL/SHL. SHL announced an acquisition but it was small. There were no other notable negative pairs.

### Market Observations

Share markets were mixed in June. US markets posted solid gains (S&P 500 +2.2%, Nasdaq +5.5%). Following highly anticipated April inflation, US Federal Reserve comments tamed forward inflationary expectations (see break-even inflation chart below). The US dollar also bounced +3% which unsurprisingly took its toll on the gold price (down -7.2%). Elsewhere, European markets were mixed with the UK flat, France and Germany up toward +1%, and Spain down -3.6%. Asia too was mixed with Japan flat, China and Hong Kong each down about -1% while South Korea rallied +3%. In Australia, the ASX 200 Index gained +2.1% with sector performances in a narrow range (from 0% for financials through to +5% for consumer), except for the technology sector which rallied strongly (+13%) consistent with the US Nasdaq.

US 5-Year Average Inflation Expectation



Source: Bloomberg



### Fund statistics

Fund NAV A\$M	Month End	\$372.8
Gross exposure A\$M	Month End	\$1,562.5
Fund leverage (x NAV)	Month End*	4.2
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	14.2%
Fund volatility (annualised)	Rolling 12 months	20.6%
Positive months %	Rolling 6 months	50%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	8.7
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	0.0
Long exposure	Month End	51.0%
Short exposure	Month End	-49.0%
Fund performance (composite)	Since inception \$1.00	\$14.53

\*Gearing calculated subject to variations in accruals

### Top spreads for the month

Long	Mineral Resources (MIN)	Short	BHP (BHP)
Long	ResMed (RMD)	Short	Ansell (ANN)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

### Bottom spread for the month

Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
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### Performance

1 month	10.11%
3 months	15.88%
Fiscal YTD	0.46%
12 months	0.46%
Since inception (compound p.a.)	14.78%



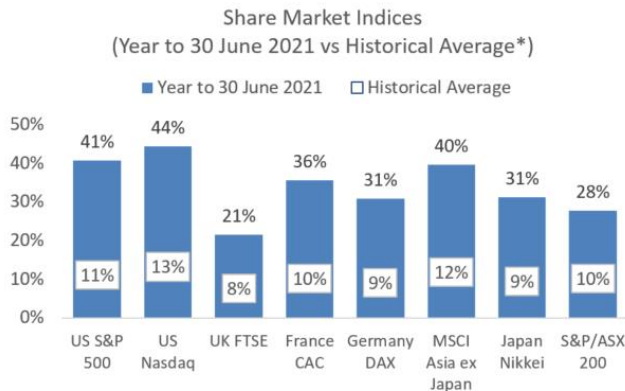


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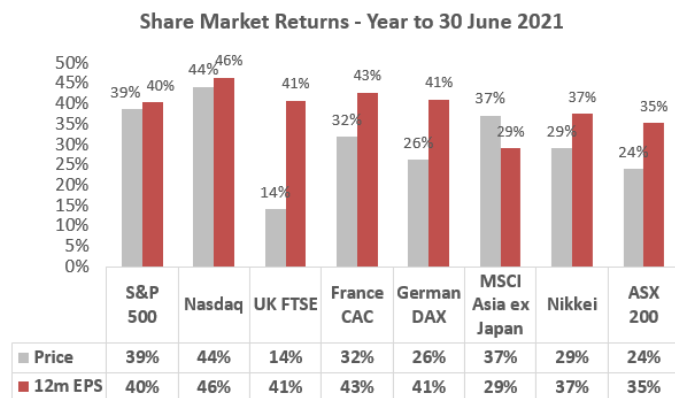
As at 30 June 2021

The fiscal year ended 30 June 2021 was a very strong year for equities. As shown in the below chart, the major equity markets gained between 20% and 40% over the year (on a total return basis) and compare to historical fiscal year average gains of high single digit to low double digit.



\* Historical Average = average of annual June fiscal year returns from 1996 to 2021. Returns measured on a total return basis in local currency  
Source: Bloomberg

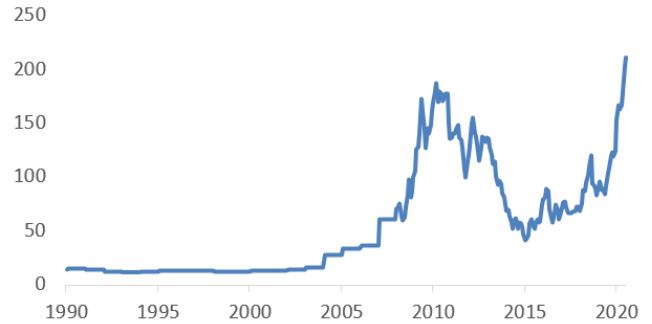
Although market gains are high versus historical averages, they were accompanied by a strong recovery in earnings. The table below shows this with price change in the light shaded columns and change in 12 month forecast earnings in the dark shaded columns. You will see that for most markets, forecast earnings increased more than share prices over the year.



Source: Bloomberg

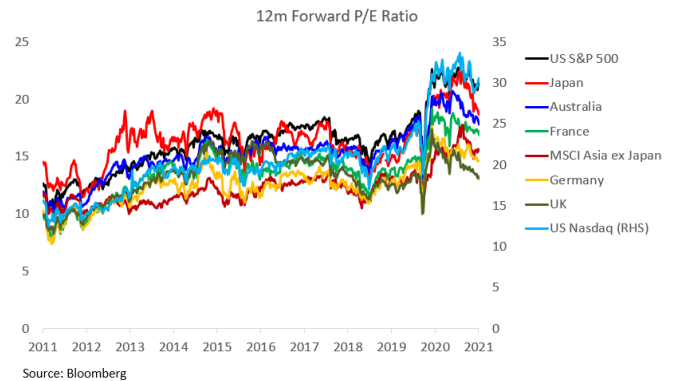
Whilst earnings have run ahead of share prices, a number of cyclical industries (e.g. housing, retail goods, materials, miners) have boomed to now be operating at or above historical cycle highs. As a case in point, in our local market, the 12m forward earnings for BHP, RIO and FMG (accounting for around 20% of the ASX 200) have collectively risen +140% over the last 12m on the back of a more than doubling in the iron ore price to its highest ever level (see next chart).

Iron Ore Price (US\$ / tonne)



Source: St Louis Fed

Multiples retraced modestly in fiscal 2021, but they remain elevated when viewed over a longer time frame as shown below.



Source: Bloomberg



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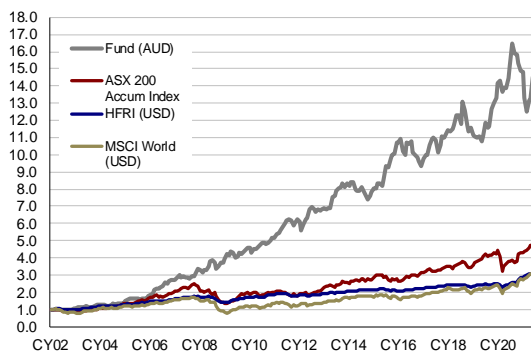
As at 30 June 2021

### Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
<b>2021</b>	-0.25%	-10.11%	-5.95%	5.11%	0.12%	10.11%							-2.28%
<b>2020</b>	6.52%	0.97%	-4.50%	1.27%	0.22%	4.19%	4.82%	8.49%	-3.26%	-0.65%	-2.95%	-3.08%	11.65%
<b>2019</b>	-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%
<b>2018</b>	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%
<b>2017</b>	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%
<b>2016</b>	-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%
<b>2015</b>	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%
<b>2014</b>	-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%
<b>2013</b>	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%
<b>2012</b>	-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%
<b>2011</b>	-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%
<b>2010</b>	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%
<b>2009</b>	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%
<b>2008</b>	-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%
<b>2007</b>	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%
<b>2006</b>	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%
<b>2005</b>	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%
<b>2004</b>	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%
<b>2003</b>	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

<b>Strategy</b>	Market Neutral, Pairs	<b>Domicile</b>	Australia
<b>Manager</b>	Bennelong Long Short Equity Management Pty Ltd	<b>AUM</b>	A\$734.5m
<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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