



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 July 2021

Portfolio Performance

The fund returned 1.33% for the month, driven primarily by fundamental factors, early earning releases, industry factors and commodity price moves which favoured many of the fund's stock positions. M&A activity, on the other hand, provided a headwind to performance. Positive pairs outnumbered negative pairs during the month.

Our top pair for the month was RMD/ANN. As we wrote about last month, RMD continues to benefit from their major competitor Philips being subject to a product recall. This is leading to acute supply issues in the industry as new patients continue to be diagnosed and require treatment.

Our second top pair was BSL/SGM. BlueScope pre-released its profit results for FY21, which was well ahead of expectations. All of BlueScope's divisions have delivered significant earnings improvement during the year, helped by macro conditions and steel manufacturing spreads, to record the best profit since 2002.

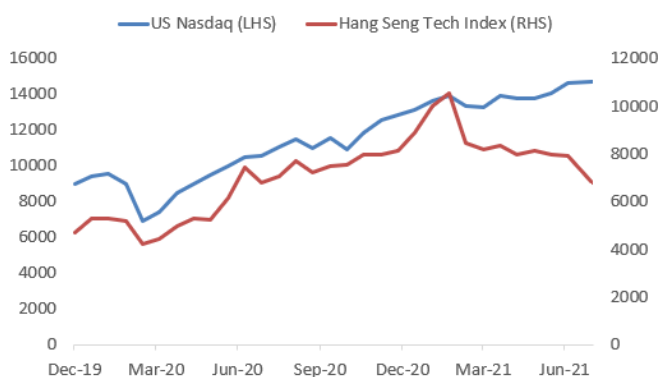
Our third best pair was MIN/BHP. Whilst both companies are enjoying the higher iron ore prices, Mineral Resources other main commodity exposure is lithium. In recent months the lithium price, both the battery grade chemical and the lithium-bearing hard-rock mineral spodumene, has begun to increase dramatically due to growing demand for electric vehicles.

Our worst pair for the month was TCL/SKI & AST. Spark Infrastructure was subject to a takeover bid from a consortium led by a private equity firm. Despite constrained financial performance from the business over a long period of time, an abundance of cheap capital can lead to assets being taken private from time to time.

Market Observations

It was a mixed July for share markets with US and European markets solid (S&P +2%, US Nasdaq +1%, MSCI Europe +2%) but Asian markets down (Hong Kong -10%, China -5%, Japan -5%, South Korea -3%) following China's directive to limit profitability in various sectors and further intervention of technology companies that threaten China's anti-monopoly and national security agendas. The following chart shows the contrast in recent performance of China's biggest technology names (Tencent, Alibaba, Meituan, JD.com) vs US equivalents (Apple, Microsoft, Google, Amazon).

US Tech vs China Tech



Source: Bloomberg

Fund statistics

Fund NAV A\$M	Month End	\$375.3
Gross exposure A\$M	Month End	\$1,554.6
Fund leverage (x NAV)	Month End*	4.1
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	13.5%
Fund volatility (annualised)	Rolling 12 months	20.1%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	1.5
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.2)
Long exposure	Month End	51.3%
Short exposure	Month End	-48.7%
Fund performance (composite)	Since inception	\$14.72
	\$1.00	

*Gearing calculated subject to variations in accruals

Top spreads for the month

Long	ResMed (RMD)	Short	Ansell (ANN)
Long	BlueScope Steel (BSL)	Short	Sims (SGM)
Long	Mineral Resources (MIN)	Short	BHP (BHP)

Bottom spreads for the month

Long	Transurban (TCL)	Short	Spark Infrastructure (SKI) / Ausnet (AST)
Long	Orica (ORI)	Short	Incitec Pivot (IPL)

Performance

1 month	1.33%
3 months	11.71%
Fiscal YTD	1.33%
12 months	-2.89%
Since inception (compound p.a.)	14.79%



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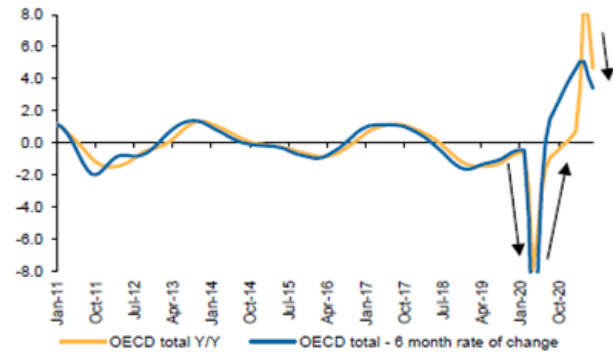
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In Australia, the ASX 200 Index had a quiet month with a rise of +1%. Mining stocks led the overall rise with help from firmer metal prices and a softer A\$. By contrast the weakest sector for the month was Information Technology (-7%) largely driven by volatility in tech heavyweight Afterpay. All other sectors posted gains and losses of no more than 3% in a quiet month of news flow.

As we head into the profit reporting season for the period ended 30 June, we note that earnings revisions have been very positive and taken 12-month forward earnings forecasts to record highs (see following charts). Given the significance of the recent COVID setback in Sydney, it is likely the results reported for many companies will include little if any commentary and guidance on earnings prospects for fiscal 2022. When combined with other challenges (e.g. cost inflation, reduced fiscal support, and softening forward economic indicators as per final chart), we wonder if earnings momentum might have peaked.

OECD Leading Indicators (OLI) – weakening 6 months rate of change



Source: OECD; Macquarie Research, August 2021



Source: Goldman Sachs Global Investment Research

ASX 200 12m Forward EPS



Source: Bloomberg





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Monthly Performance Update

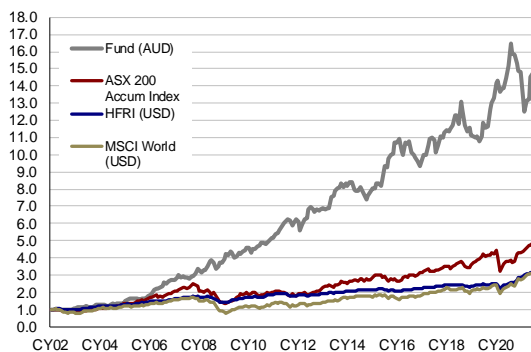
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Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2021	-0.25%	-10.11%	-5.95%	5.11%	0.12%	10.11%	1.33%						-0.98%
2020	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%
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\$741.5m
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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