



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 October 2021

Portfolio Performance

Performance was 2.82% for October. In contrast to September, there was a significant amount of company news in October and fundamental news dominated returns. Of those announcements that affected the portfolio, most were favourable.

Our top pair was ALL/SGR. Star Entertainment was especially weak following a media report. Whilst flat for the month, Aristocrat announced an acquisition of UK listed software platform company Playtech, an associated capital raise, and pre-announced its FY21 result which was ahead of forecasts. If consummated, we can see significant growth opportunities for Aristocrat from the Playtech acquisition.

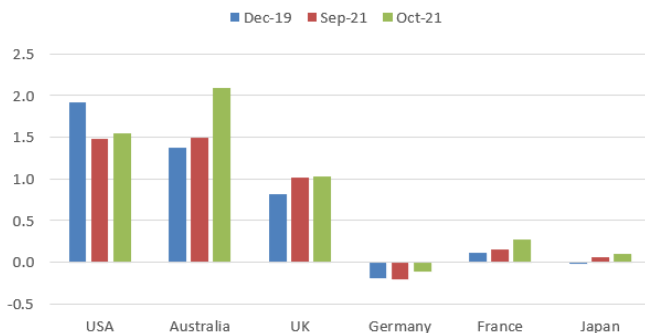
ALQ/AZJ was our second-best pair. Both stocks made a positive contribution with the key news that Aurizon announced an acquisition which we think looks particularly unappealing. NWL/IFL was our third best pair. Both announced quarterly FUM flow. Netwealth FUM flow was especially strong and came with a material upgrade to guidance. IFL FUM flow was weak.

On the negative side PBH/SKC was our worst pair. PointsBet announced its quarterly. Australia was strong however the growth market of the US was soft and missed forecasts. MIN/BHP-FMG was our second bottom pair. MIN reported its quarterly. Lithium prices are strong and MIN announced its lithium mine, Wodgina, will restart. However realised price in the iron ore division was below expectations and was the focus of the market. In a weak iron ore environment, BHP and FMG provided a positive hedge, but not sufficient to offset.

Market Observations

Share markets recovered in October following their September setback. The most convincing gains were seen in the US with both the S&P 500 and Nasdaq indices up 7%. European markets were also solid with France +5% and Germany +3%, while the UK gained 2%. Asian markets were less convincing as Hong Kong and Singapore gained but China, Japan and Korea declined. Australia was also a notable laggard with the ASX 200 Index flat. Our local market was on track for a gain but was snuffed out late in the month by a spike in Australian government bond yields as well as upward pressure on the A\$ (up 4% against the US\$ and Euro, and up 7% vs Japanese Yen). The spike in Australian government bond yields was notable in comparison to offshore equivalents.

10 Year Government Bond Yields



Source: Bloomberg

Fund statistics

Fund NAV A\$M	Month End	\$354.6
Gross exposure A\$M	Month End	\$1,502.6
Fund leverage (x NAV)	Month End*	4.2
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	19.1%
Fund volatility (annualised)	Rolling 12 months	19.5%
Positive months %	Rolling 6 months	83%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	1.8
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.5)
Long exposure	Month End	51.9%
Short exposure	Month End	-48.1%
Fund performance (composite)	Since inception	\$14.14
	\$1.00	

*Gearing calculated subject to variations in accruals

Top spreads for the month

Long	Aristocrat Leisure (ALL)	Short	Star Entertainment (SGR)
Long	ALS (ALQ)	Short	Aurizon (AZJ)
Long	Netwealth (NWL)	Short	IOOF (IFL)

Bottom spreads for the month

Long	PointsBet (PBH)	Short	SkyCity Entertainment (SKC)
Long	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)

Performance

1 month	2.82%
3 months	-3.96%
Fiscal YTD	-2.68%
12 months	-10.55%
Since inception (compound p.a.)	14.35%



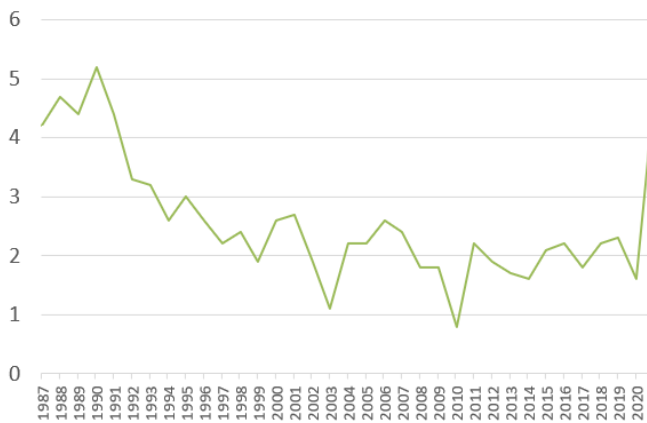
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Inflationary pressures are persisting. We note that 10-year government bond yields are now near pre-COVID levels however US core consumer price inflation is breaking out to be at its highest level in 30-odd years.

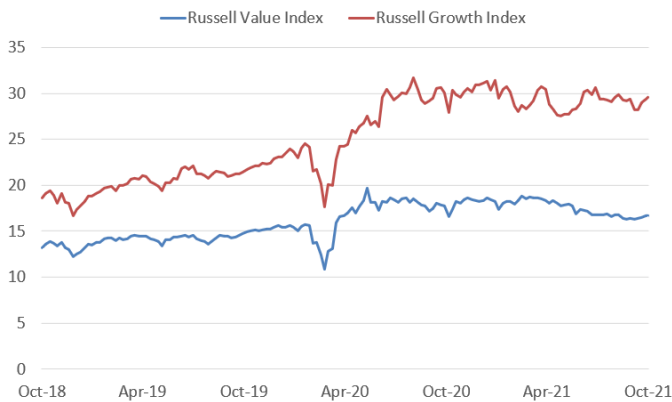
United States Core CPI



Source: Bloomberg

Strategists are unlikely to have predicted that long duration “growth” stock P/Es would remain high and that shorter duration “value” stock P/Es would revert toward pre-COVID levels in this environment.

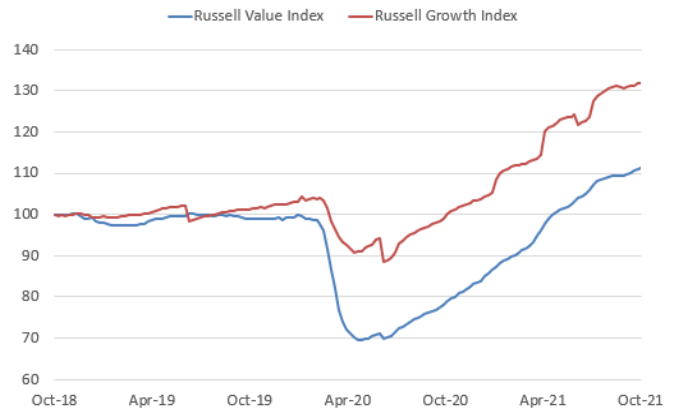
12m Forward P/E Ratio



Source: Bloomberg

Macro developments are unpredictable, as are their influence on financial markets. More observable is company earnings which seemingly go a long way in explaining the multiple difference shown above. 12m forward EPS of the US Russell value index is currently 10% above its pre COVID level while for the growth index it's 30% above.

12m Forward EPS (Index 100)



Source: Bloomberg



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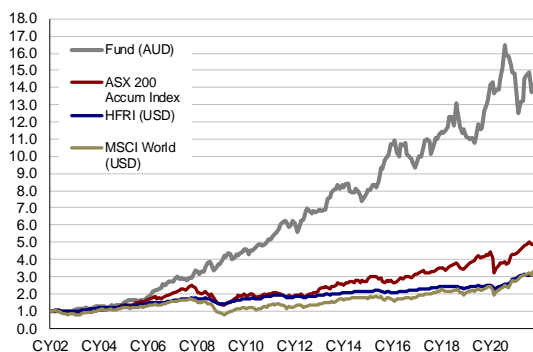
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Calendar year performance

% 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%	1.19%	-7.70%	2.82%			-4.90%
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\$683.4m
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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