Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 December 2021

Portfolio Performance

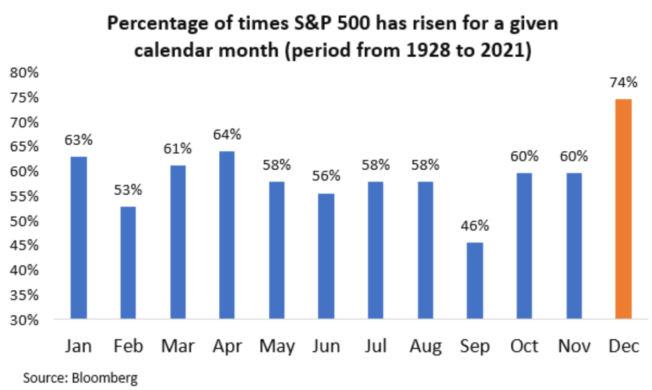
Fund performance was +1.34% for December. Top pairs were long MIN short BHP and FMG, and long ILU short RIO. MIN significantly outperformed BHP and FMG. MIN's key commodities are lithium and iron ore which were both strong in December. Lithium has boomed throughout 2021 as the market responds to tight supply and growing demand for EVs and battery storage. Supply of Iluka's mineral sands products remain tight and prices are strong. Iluka is also well progressed assessing further development of its rare earth assets, which will be critical in the EV industry and the renewable energy transition.

Bottom pairs were long CSL short SHL and long TPG and TUA short TLS. CSL was soft after announcing the acquisition of Vifor (a Swiss pharmaceutical company) and an associated equity raise. Sonic had further near-term earnings upgrades as COVID testing volumes continue to grow. TPG was weak following the sale of a portion of founder, David Teoh's, shareholding.

Returns were evenly spread across sectors, other than mining which stood out positively due to the performance of MIN and ILU.

Market Observations

Share markets finished the year on a positive note with all the major indices across the US, Europe and Asia posting gains in the low to mid-single digits (the one exception was the Hang Seng index, which fell -1%). For markets to have rallied in December is not surprising given history has shown they have a better chance of going up than for any other calendar month (see first chart below). With this said, the gains seen this December were notable given news flow over the month was generally against market sentiment including: continued high inflation data; a change in US Federal Reserve commentary to a more hawkish stance; and fresh waves of COVID-19 threatening economic growth. Overall, 2021 was a strong year for equity markets (see second chart below).



Fund statistics		
Fund NAV A$M	Month End	$351.5
Gross exposure A$M	Month End	$1,479.6
Fund leverage (x NAV)	Month End*	4.2
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	14.0%
Fund volatility (annualised)	Rolling 12 months	19.2%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	64%
Sharpe Ratio (basis RBA Cash)	Month	1.1
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.3)
Long exposure	Month End	50.9%
Short exposure	Month End	-49.1%
Fund performance (composite)	Since inception $1.00	$14.12

*Gearing calculated subject to variations in accruals

Top spreads for the month			
Long	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

Bottom spreads for the month			
Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	TPG Telecom (TPG) / Tuas (TUA)	Short	Telstra (TLS)

Performance	
1 month	1.34%
3 months	2.65%
Fiscal YTD	-2.84%
12 months	-5.06%
Since inception (compound p.a.)	14.22%

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Bennelong Long Short Equity

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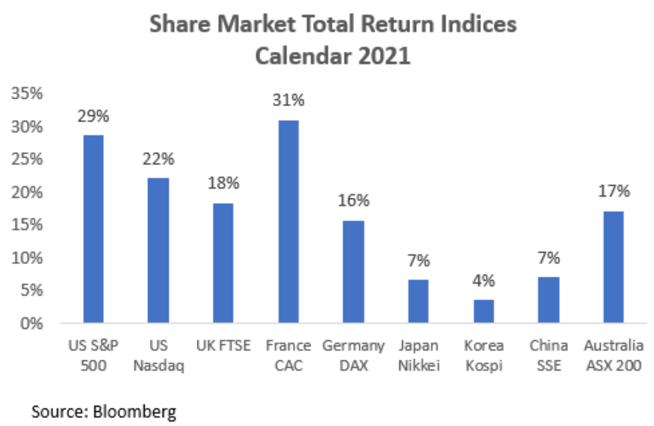
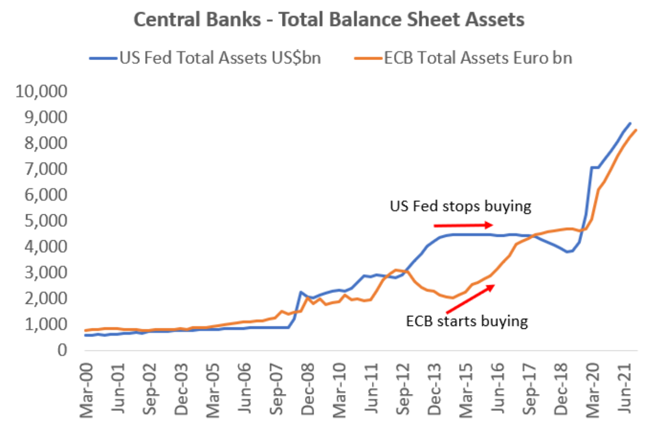
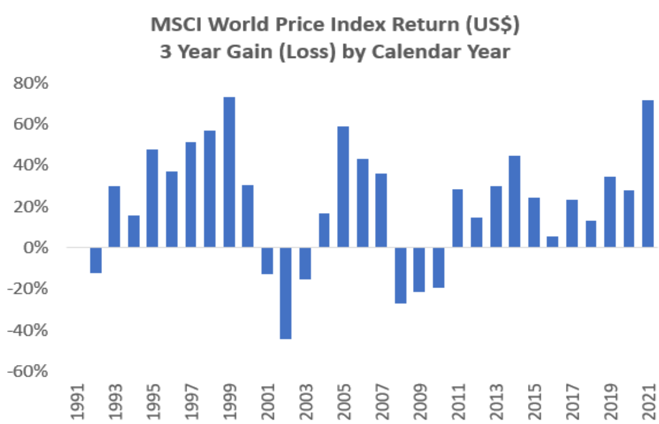


Source: Bloomberg



Source: Bloomberg

The strong gains for 2021 added to the already strong gains achieved in the prior two calendar years (2020 and 2019). As a result, share markets (seen globally) over the last 3 calendar years (i.e. 2019 through 2021) have risen over 70%, an outcome not seen since the late 1990s.



Source: Bloomberg

Looking ahead to 2022, perhaps the greatest challenge facing equity markets is a shift in policy. Whilst rising corporate earnings have justified rising equities, liquidity and stimulus measures by central banks and governments have also played a meaningful role. Such influence can be seen in the extraordinary performances of those investments without earnings such as crypto currencies, profitless meme and tech stocks, NFTs, fine art, etc. With inflation higher and more entrenched than previously thought, the risk of more aggressive policy tightening has risen. Of course, equity markets already expect an amount of normalisation in interest rates and tapering of asset purchases. The question is what happens to markets under the scenario of further revisions to tightening agendas. During the 2013-14 "taper tantrum" the US and European central banks actions counterbalanced one another, and markets were turbulent. In 2022 the expectation is for both to withdraw liquidity concurrently, at a time when both balance sheets are at peak levels. After exceptional gains in the last three years, markets do not appear to be anticipating risk of disruption.

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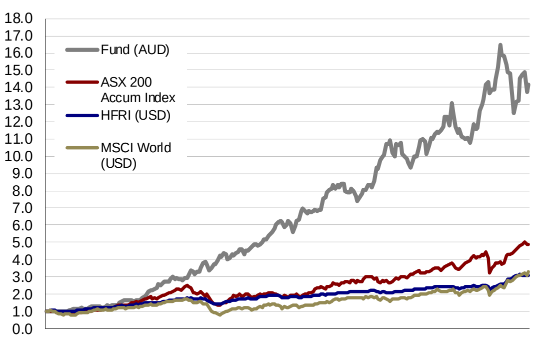
Calendar year performance

% 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%**	**-1.49%**	**1.34%**	**-5.06%**
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 and 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$663.0m
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.