Bennelong Long Short Equity Fund

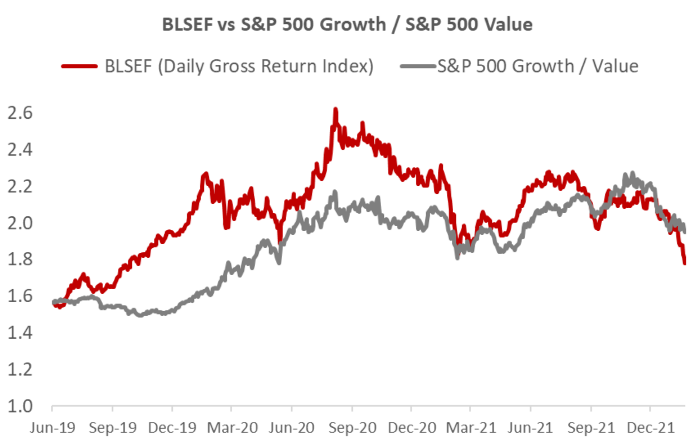
Monthly Performance Update

As at 28 February 2022

Portfolio Performance

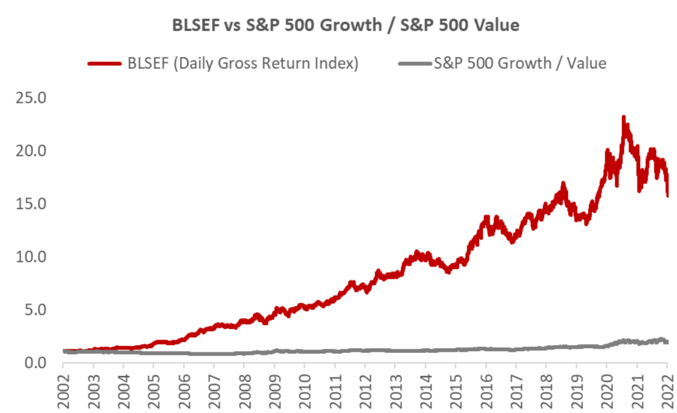
The Fund had another disappointing month with a return of -10.22%. Most of this outcome manifested in the first two weeks of the month – that is, before the majority of companies in the portfolio reported either interim or full-year profit results. Reporting season thus does not explain our performance for February.

Instead, like January, return was dominated by the external environment. Liquidity and sentiment drive the short-term, but fundamentals drive the long-term. The evidence of this is shown in the following two charts. The first chart plots our recent performance against the relative performance of the S&P 500 growth and value indices (comprised of higher P/E and lower P/E stocks respectively). There is a correlation in the short term. Also note the latest decline of both, which, in part, reflects the large rotation out of ‘growth’ and into ‘value’ as markets fear aggressive future monetary policy tightening to tackle elevated inflation.



Source: BLSEM, Bloomberg

The next chart shows the longer-term picture. There is no correlation, which demonstrates that short term P/E ratios do not determine stock performance over the long term. The Fund’s long-term returns are driven by companies delivering long term outcomes well beyond what is forecast in the next year, and that remains our focus.



Source: BLSEM, Bloomberg

Fund statistics

Fund NAV A$M	Month End	$284.8
Gross exposure A$M	Month End	$1,021.1
Fund leverage (x NAV)	Month End*	3.6
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	18.9%
Fund volatility (annualised)	Rolling 12 months	20.2%
Positive months %	Rolling 6 months	33%
Positive months %	Since inception	63%
Sharpe Ratio (basis RBA Cash)	Month	(6.5)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(0.5)
Long exposure	Month End	51.3%
Short exposure	Month End	-48.7%
Fund performance (composite)	Since inception $1.00	$11.87

*Gearing calculated subject to variations in accruals

Top spreads for the month

Long	JB Hi-FI (JBH)	Short	Super Retail (SUL)
Long	Worley (WOR)	Short	Downer EDI (DOW)
Long	ResMed (RMD)	Short	Ansell (ANN)

Bottom spreads for the month

Long	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)
Long	PointsBet (PBH)	Short	SkyCity Entertainment (SKC)
Long	Macquarie (MQG)	Short	Bendigo Bank (BEN) / AMP (AMP)

Performance

1 month	-10.22%
3 months	-14.82%
Fiscal YTD	-18.34%
12 months	-11.00%
Since inception (compound p.a.)	13.11%

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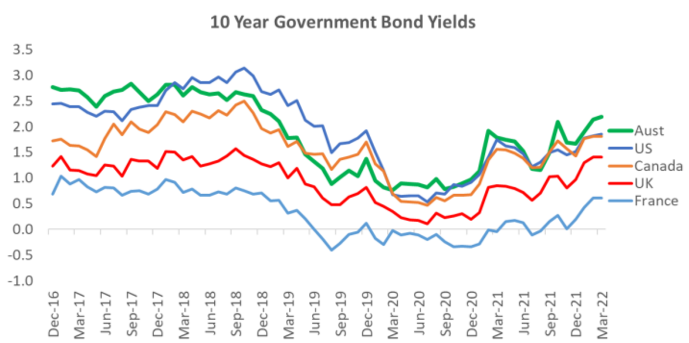
Since COVID the macro environment has had a greater influence on volatility and returns than we have experienced previously. It presented a tailwind in 2020 and a headwind in 2021 and early 2022. There is always a mix of outside factors and stock specifics influencing return and ordinarily stock specifics dominate for us. The difference is we have not experienced a pandemic before. The radical economic gyrations and scale of stimulus turned the fortunes of several pairs in the portfolio upside down. We anticipate that as COVID recedes these pairs will deliver performance recovery and reduce volatility.

In terms of pair attribution for the month, two thirds of pairs were negative and reflected the broad swing against our portfolio as discussed above. Reporting season produced many results significantly affected by COVID restrictions and supply chain disruption. Given this, our 55/45 split of favourable/unfavourable results was acceptable and spread broadly across sectors and the long and short books. Among our top pairs, JBH/SUL featured JBH having an excellent result that was above forecasts while SUL was poor with significant inventory build painting an ominous outlook. WOR/DOW and RMD/ANN also made the top 3 with profit driven by missed forecasts in the short book.

Our worst pair was MIN/BHP-FMG driven entirely from MIN which had a weak result from its iron ore division. We see the issue as now in the rear-view mirror and remain attracted to MIN's tier one lithium assets and numerous growth projects. Our second bottom pair was PBH/SKC with most of the contribution from PBH where aggressive competition in the nascent US sports betting industry has focussed market attention on the sustainability of all operators including PBH. For PBH to have halved since the start of the calendar year means there is now negligible value being recognised for the significant progress made in the North American sports betting market. MQG/BEN-AMP was our third weakest pair despite MQG announcing a material earnings upgrade and BEN reporting an in-line result.

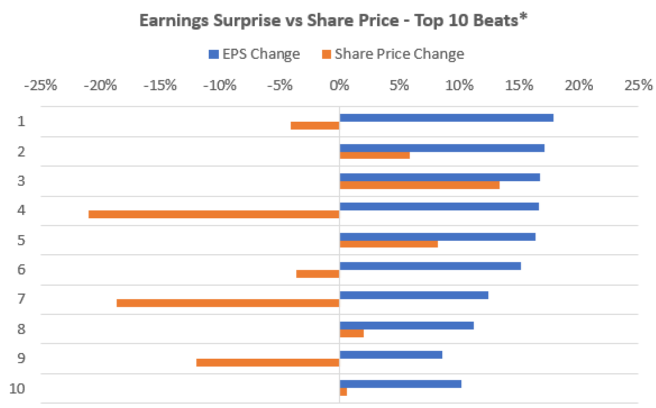
Market Observations

Weakness in global share markets continued in February with high inflation data sending bond yields higher, then late in the month markets were rattled by Russia's invasion of Ukraine. The Australian market was more resilient than offshore markets with a modest gain of +1.1% (ASX 200 Index) thanks mainly to rallying commodity prices boosting the energy and mining sectors. Banks and consumer staples also helped. The resilience of the local market was noteworthy given the headwinds of a strong A$ (up 3% vs all major currencies) and the Aussie 10-year spiking more sharply than seen in other markets (see following chart).

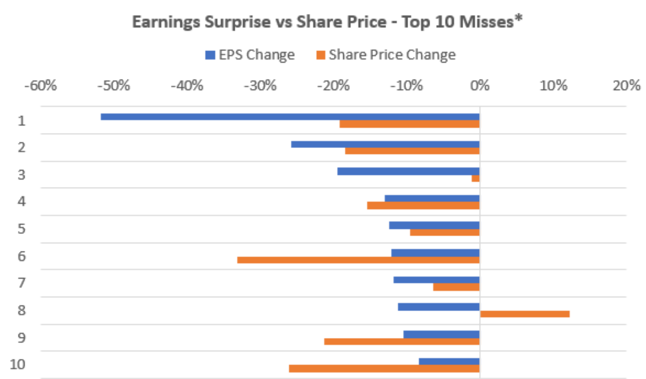


Source: Bloomberg

Share markets have had a difficult start to the year with all the major equity indices down between -5% and -10%. When fear takes hold, not even good news events do much for share prices. This was evident in our market during the February reporting season. As per the first chart below, of the top 10 stocks in the ASX 200 to beat earnings estimates, only half saw their share price increase (the other half were marked down). Meanwhile for those stocks that missed earnings expectations, the large majority (i.e. 9 of 10) were hit. In summary, reporting season was one of good news not always being good enough while bad news added insult to injury.



* Beats: As measured by FY22 EPS revision over period 1 Jan to 28 Feb
Source: Bloomberg



* Misses: As measured by FY22 EPS revision over period 1 Jan to 28 Feb
Source: Bloomberg

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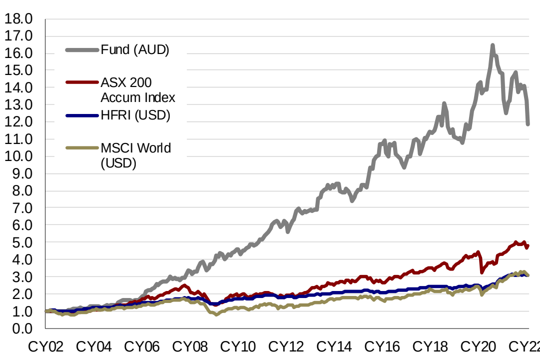
Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2022	**-6.38%**	**-10.22%**											**-15.95%**
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



Fund Summary			
Strategy	Market Neutral, Pairs	**Domicile**	Australia
Manager	Bennelong Long Short Equity Management Pty Ltd	**AUM**	A$539.7m
Status	Soft-close	**Currency**	AUD
Inception Date	February 2002		

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.

The Fund is managed by Bennelong Long Short Equity Management Pty Limited, a Bennelong Funds Management boutique.