

Bennelong Long Short Equity Fund

Monthly Performance Update

As at 30 June 2022

Portfolio Performance

Portfolio performance was -2.05% for June. In a very weak share market, which fell -8.8% (ASX200) for the month, we experienced positive returns in REITs, Consumer Discretionary, Consumer Staples, Financials and Healthcare, and negative returns in Energy, Industrials, IT and Materials.

Our top two pairs were RMD/ANN and CSL/SHL. Both of these pairs had been impaired by COVID. They are now recovering. Industry feedback for ResMed is that device sales are growing well after being recently held back by semi-conductor availability. Earnings expectations for ANN are being crimped by raw materials inflation and growing concerns about the economic outlook. Industry feedback for CSL is that US plasma collections (which were severely affected by COVID) are back to pre-COVID levels. WOR/DOW was our third best pair with DOW facing the headwinds of wage inflation and slowing activity.

Our weakest pair was MIN/FMG, BHP with the negative return entirely due to MIN. MIN was weak due to two broker reports promoting a more bearish view of lithium, based on a theory of more supply response than the market is forecasting. The lithium price has been exceptionally strong in the last year and it will fall over time, but MIN will still produce excellent returns given its low cost position and production growth.

Our third weakest pair was PBH/SKC, driven by SKC bouncing from a low point. During the month PBH announced a strategic investor - Susquehanna. Susquehanna is a very sophisticated financial markets operator with capability in sports betting. We anticipate they will be a strong partner for PBH.

Fund returns have been relatively stable since the Fed started raising rates. As the market focuses more on the consequence of financial tightening for the economy, we think the dependable earnings of our long portfolio will become more attractive.

Market Observations

Share markets suffered sizable falls during June, capping off a weak fiscal 2022. Similar to the events of May, the major indices faltered in the face of continued strong inflation data that has obliged central banks to take a more urgent and aggressive stance on monetary policy tightening. On 7 June the RBA surprised markets with a 50bps lift in the cash rate and then in mid-June the US Fed increased its policy rate by 75bps, its largest individual increase since November 1994. The sharp change in policy settings can be demonstrated by the change in forecast policy rates. Only 6 months ago the consensus among US Fed officials was for the rate to be +0.9% by December 2022. The forecast is now +3.4%. If today's policy rate projections for 2023 and 2024 eventuate, then policy rates will be at levels not seen since before the 2008-09 GFC.

Fund statistics

Fund NAV A\$M	Month End	\$171.3
Gross exposure A\$M	Month End	\$730.9
Fund leverage (x NAV)	Month End*	4.2
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	24.0%
Fund volatility (annualised)	Rolling 12 months	14.1%
Positive months %	Rolling 6 months	0%
Positive months %	Since inception	62%
Sharpe Ratio (basis RBA Cash)	Month	(1.1)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(1.5)
Long exposure	Month End	51.9%
Short exposure	Month End	-48.1%
Fund performance (composite)	Since inception	\$11.42
	\$1.00	

*Gearing calculated subject to variations in accruals

Top spreads for the month

Long	ResMed (RMD)	Short	Ansell (ANN)
Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
Long	Worley (WOR)	Short	Downer EDI (DOW)

Bottom spreads for the month

Long	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)
Long	Santos (STO)	Short	Woodside Energy (WDS)
Long	PointsBet (PBH)	Short	SkyCity Entertainment (SKC)

Performance

1 month	-2.05%
3 months	-2.59%
Fiscal YTD	-21.43%
12 months	-21.43%
Since inception (compound p.a.)	12.67%



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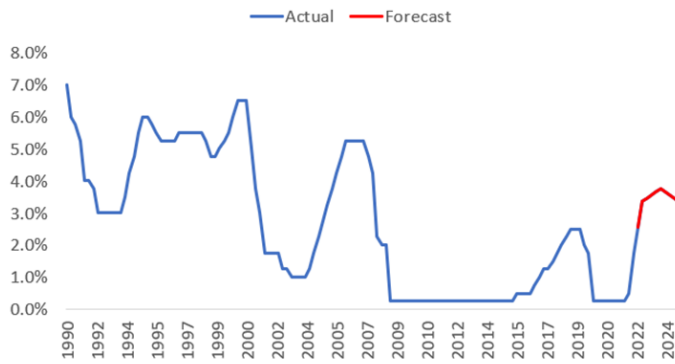
As at 30 June 2022

**US Fed Board Members
Policy Rate Forecasts**



Source: Bloomberg

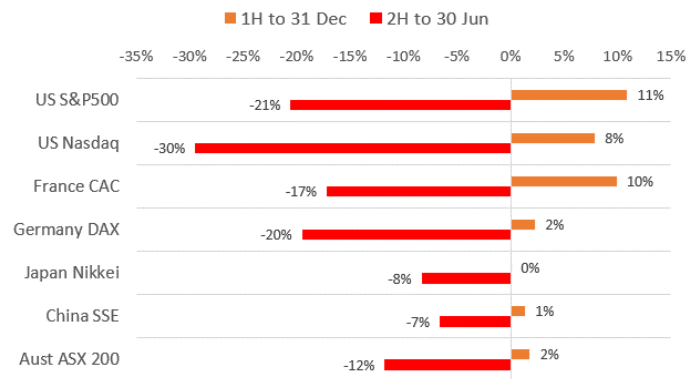
US Federal Reserve Target Policy Rate



Source: Bloomberg

The influence of monetary policy settings on financial markets could not have been more evident than over fiscal 2022. The chart below shows fiscal 2022 was a tale of two halves with solid share market returns in the first half when conditions were supportive, followed by poor returns in the second half when conditions turned restrictive.

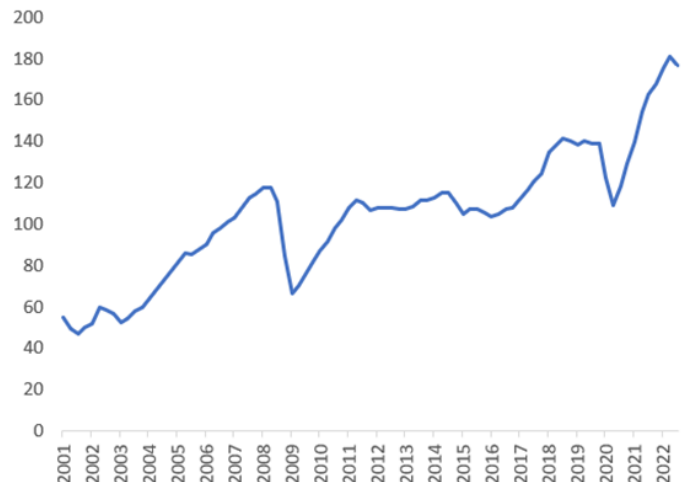
**Share Price Indices
Half Year Returns for Fiscal 2022**



Source: Bloomberg

Notwithstanding significant falls in share prices that have now priced in tighter financial conditions, the outlook for the equity market remains challenging given the backdrop of elevated earnings and a deteriorating economic outlook. On the former, the next chart shows the forward 12m EPS of the MSCI World Index. Earnings growth for this index has historically averaged ~5% p.a. but increased to 10% p.a. during the COVID period.

MSCI World 12m Forward EPS (US\$)



Source: Bloomberg



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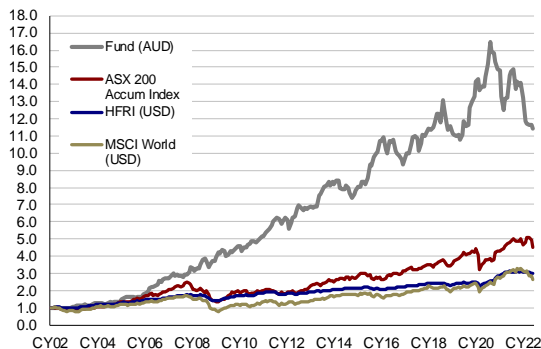
Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2022	-6.38%	-10.22%	-1.23%	-0.42%	-0.13%	-2.05%							-19.13%
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\$370.2m
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.

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