



# Bennelong Long Short Equity Fund

## Monthly Performance Update

As at 31 August 2022

### Portfolio Performance

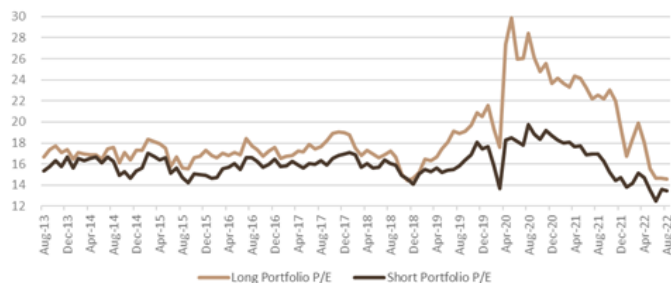
Performance for August was +4.43% with reporting season the dominant driver of returns. The portfolio enjoyed a good reporting season with a skew to favourable results in both the long and the short portfolios. Many of our longs have unique opportunities to develop their businesses and a number are making significant progress at the moment, which ought to help counter a difficult macro outlook. The ebbing tide of monetary and fiscal stimulus was evident in the results of a number of our shorts which failed to meet expectations.

Amongst our top pairs, MIN was a highlight with the company announcing the decision to proceed with a major expansion of its iron ore division with development of its Onslow project. MIN also announced a positive rejig of the lithium JV with Albermarle, which is set for very significant growth. Whilst WOR highlighted the very favourable outlook for capex in both hydrocarbons and sustainability, DOW was the bigger contributor to the pair with a poor quality result featuring a long list of adjustments to get from statutory profit to "underlying" profit.

Amongst our bottom pairs, TPG had a soft result with both recovery from Covid impact and extraction of value from the Vodafone merger to be slower than had been anticipated. RMD/ANN was a losing pair due to ANN after a result that was better than feared thanks to strong cost management.

We have included a chart below of the P/E of the long and short portfolios. We are more confident about portfolio positioning and prospects for near term returns. This chart demonstrates the wild swings in markets and earnings driven by Covid and the aftermath. Our long portfolio positively rerated when Covid struck and that was a major factor in our strong returns in 2020. The subsequent negative derating of our long portfolio was a major factor in our weak returns in 2021 and early 2022. Fundamental financial attributes of our long portfolio are superior to the shorts which has been evident this reporting season. As average near-term multiples for the portfolios are now similar, we think it is more likely that superior financial results will be the driver of portfolio returns, rather than being overwhelmed by influence of rating and macro factors.

Forward P/E



Source: UBS

### Fund statistics

Fund NAV A\$M	Month End	\$159.3
Gross exposure A\$M	Month End	\$699.9
Fund leverage (x NAV)	Month End*	4.3
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	22.1%
Fund volatility (annualised)	Rolling 12 months	15.2%
Positive months %	Rolling 6 months	33%
Positive months %	Since inception	63%
Sharpe Ratio (basis RBA Cash)	Month	2.3
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(1.3)
Long exposure	Month End	51.1%
Short exposure	Month End	-48.9%
Fund performance (composite)	Since inception \$1.00	\$12.07

\*Gearing calculated subject to variations in accruals

### Top spreads for the month

Long	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)
Long	Qantas (QAN)	Short	Flight Centre (FLT)
Long	Worley (WOR)	Short	Downer (DOW)

### Bottom spreads for the month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
Long	Resmed (RMD)	Short	Ansell (ANN)

### Performance

1 month	4.43%
3 months	3.56%
Fiscal YTD	5.73%
12 months	-18.99%
Since inception (compound p.a.)	12.86%



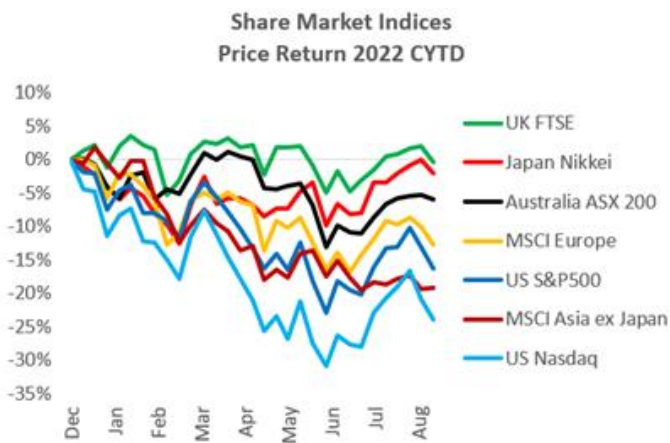
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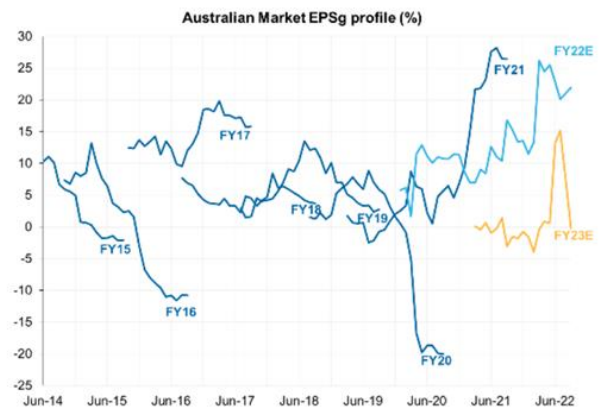
## Market Observations

After some respite in July, share markets faltered in August to resume their bear market trend. Falls in share prices arrived late in the month following a central bankers conference in Jackson Hole that reiterated commitments to keep tightening monetary policy to deal with current excessive inflation. The hawkish commentary quashed hopes that central banks might give supply-side drivers of inflation (trade disruption, energy costs, labour constraints) more time to unwind. Instead, bankers from the US, Europe and Asia all talked of monetary policy needing to do more to weigh down demand. In all, share markets retreated between -1% and -4% for the month and remain well down calendar year to date (see chart below). While our local market out-performed over the month (ASX 200 +1%), it too remains down calendar year to date.

The outlook for equities remains challenged. Much as current activity levels are healthy and employment is full, markets are focused on the future where the prospect of an elongated monetary hiking cycle alongside quantitative tightening and negative revisions to corporate earnings are clear headwinds for investors. On the latter, the below chart from Macquarie Research shows earnings growth estimates for FY23 have reduced from 15% back in June to now zero.

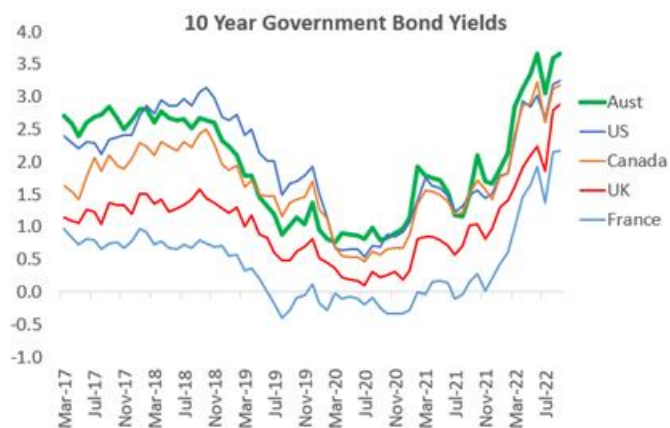


Source: Bloomberg



Source: Macquarie Research

Bonds followed the sell-off in stocks late in the month with 10-year government bond yields now back at recent highs.



Source: Bloomberg



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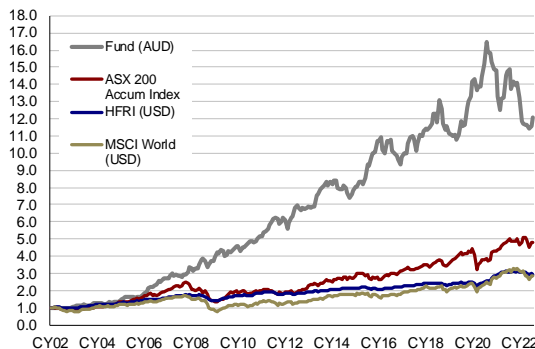
### Calendar year performance

% change cal yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
<b>2022</b>	-6.38%	-10.22%	-1.23%	-0.42%	-0.13%	-2.05%	1.24%	4.43%					-14.50%
<b>2021</b>	-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%
<b>2020</b>	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%
<b>2019</b>	-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%
<b>2018</b>	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%
<b>2017</b>	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%
<b>2016</b>	-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%
<b>2015</b>	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%
<b>2014</b>	-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%
<b>2013</b>	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%
<b>2012</b>	-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%
<b>2011</b>	-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%
<b>2010</b>	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%
<b>2009</b>	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%
<b>2008</b>	-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%
<b>2007</b>	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%
<b>2006</b>	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%
<b>2005</b>	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%
<b>2004</b>	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%
<b>2003</b>	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

<b>Strategy</b>	Market Neutral, Pairs	<b>Domicile</b>	Australia
<b>Manager</b>	Bennelong Long Short Equity Management Pty Ltd	<b>AUM</b>	A\$366.2m
<b>Status</b>	Soft-close	<b>Currency</b>	AUD
<b>Inception Date</b>	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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