



Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 December 2022

Portfolio Performance

Fund performance was -2.27% for December, although our top three pairs outperformed our bottom three. Our top pair was WOR/DOW with DOW contributing all the return. Last month we noted DOW had elected not to downgrade guidance at their AGM. One month on they did downgrade - and more, with the disclosure of "accounting irregularities" and "misreporting of revenue". Downer has been a long-term position and we have noted numerous financial reporting quality issues over the years, which the market has chosen to ignore. This update follows the retirement of long-term CEO a week prior and an AGM where the board paid bonuses to management despite missing financial targets and received a large vote against the remuneration report. TAH/SGR was our second pair with SGR delivering all the return. During the month we switched ALL for TAH as the long. Recently SGR has had a number of negative developments on the regulatory front following damning reviews by the NSW and Queensland governments. In December the bad news was a complete surprise with the NSW government announcing an intention to significantly increase taxes for both The Star and Crown casinos in Sydney.

Our bottom pair was ILU/RIO. There was no news for either however in a weak market both BHP and RIO were stable whilst the mid and smaller miners were significantly weaker. MQG/BEN, AMP was our second weakest pair. BEN had a trading update which was an upgrade. Whilst an upgrade for BEN is very unusual, we have maintained our position as we judge the factors behind the upgrade as temporary tailwinds.

Market Observations

After bouncing back in October and November, share markets finished the year on a soft note with all the major overseas indices posting declines in December ranging from the low single digits (eg UK FTSE -2%, Germany DAX -3%) to high single digits (eg Japan Nikkei -7%, US Nasdaq -9%). Australia fared relatively well with a fall of -3% (ASX 200 Index) driven by resilience among the big cap miners (BHP, RIO, FMG all gained) that blunted declines from all other sectors (notably consumer discretionary, REITS and technology).

Calendar 2022 was a difficult year for financial markets. The breakout of inflation to levels not seen in 40 years and the belated response of central banks to this inflation triggered more aggressive monetary policy tightening than expected. The natural consequence of raising interest rates beyond earlier expectations was a repricing down of financial assets. As per the following table, no major asset class recorded a positive return in 2022 (with Australian shares closest at -1% on a total return basis).

Fund statistics

Fund NAV A\$M	Month End	\$145.6
Gross exposure A\$M	Month End	\$641.1
Fund leverage (x NAV)	Month End*	4.3
Average fund leverage (x NAV)	Since inception	4.3
Fund volatility (annualised)	Month	12.6%
Fund volatility (annualised)	Rolling 12 months	13.5%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	63%
Sharpe Ratio (basis RBA Cash)	Month	(2.4)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	(1.3)
Long exposure	Month End	49.8%
Short exposure	Month End	-50.2%
Fund performance (composite)	Since inception \$1.00	\$11.72

*Gearing calculated subject to variations in accruals

Top spreads for the month

Long	Worley (WOR)	Short	Downer EDI (DOW)
Long	Tabcorp (TAH)	Short	Star Entertainment (SGR)
Long	QBE Insurance (QBE)	Short	ANZ (ANZ) / Commonwealth (CBA)

Bottom spreads for the month

Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)
Long	Macquarie (MQG)	Short	Bendigo Bank (BEN) / AMP (AMP)
Long	Pexa (PXA)	Short	ASX (ASX) / Dexus (DXS)

Performance

1 month	-2.27%
3 months	0.31%
Fiscal YTD	2.64%
12 months	-17.00%
Since inception (compound p.a.)	12.49%

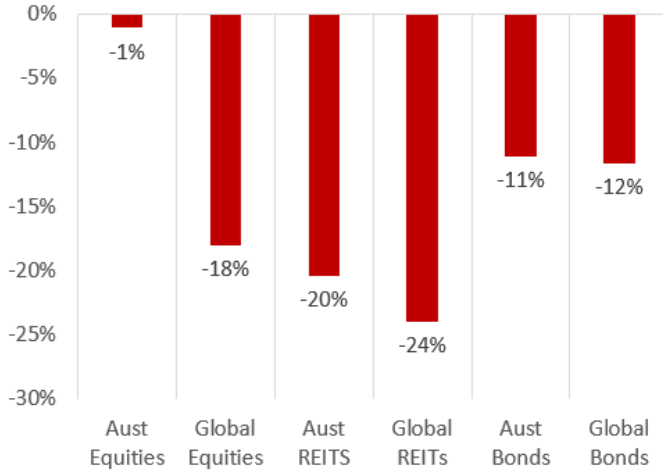


Bennelong Long Short Equity Fund

Monthly Performance Update

As at 31 December 2022

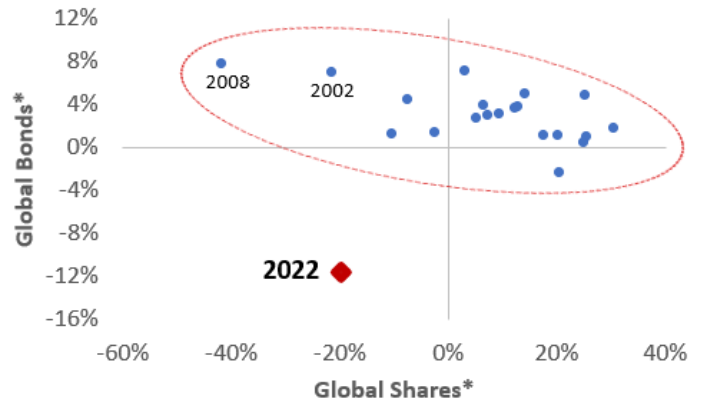
Asset Class Returns: Calendar 2022



Source: Bloomberg

Is it usual for bonds as defensive investments to do poorly when equities are doing the same? Not in recent memory. The below scatter charts are calendar year price returns for equities (horizontal axis) versus bonds (vertical axis). The data is from 2002 to 2022. As shown in both charts (Australia and global), there has been a mild negative overall correlation between equities and bonds, with influence from years when equity markets suffered heavy falls (eg 2002, 2008, 2011). A negative relation is intuitive in terms of reduced allocations to equities being replaced with increased allocations to bonds (and other defensives). 2022 was clearly a different year given both equities and bonds posting negative returns.

Calendar Year Returns: Global Shares vs Global Bonds



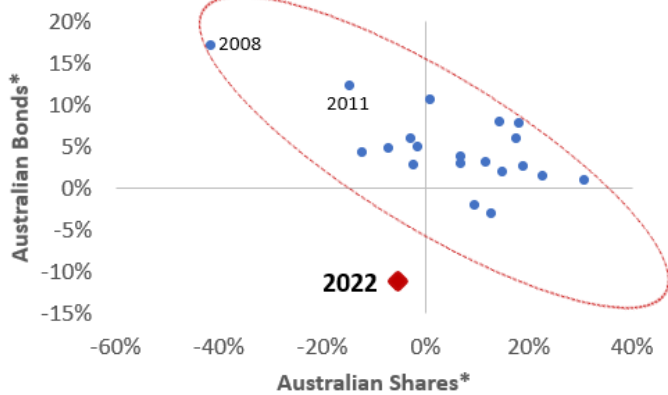
* Global Shares = MSCI World ex Australia Index (US\$)

* Global Bonds = S&P Global Government Bond Index in US\$

Source: Bloomberg

Despite signs that inflation pressures have passed their peak, and that policy rates don't need to rise as much as last year, the challenge for 2023 will be the influence of tightened conditions on economic activity and corporate earnings. The following three charts are notable, being: 1) lead indicators suggest growth will further slow; 2) earnings expectations in equities look risked to the downside given their elevated status; and 3) China policy developments will be of influence given heightened uncertainty at present. Consequently, companies with idiosyncratic growth opportunities may well have a brighter outlook than the broader market.

Calendar Year Returns: Aust Shares vs Aust Bonds

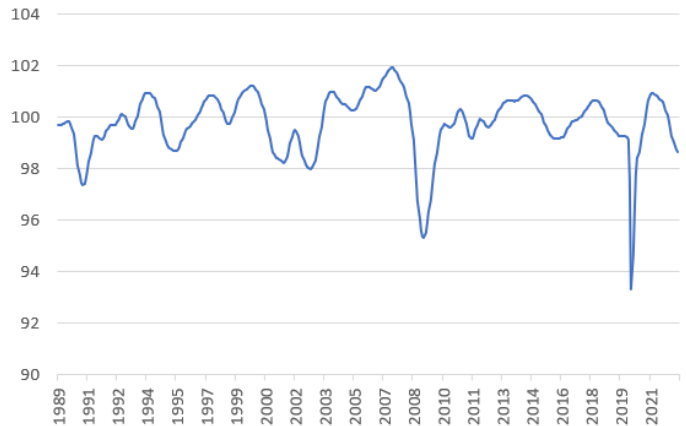


* Australian Shares = S&P / ASX 200 Index

* Australian Bonds = S&P / ASX Aust Fixed Interest Index

Source: Bloomberg

OECD Lead Economic Indicator



Source: St Louis Fed





Bennelong Long Short Equity Fund

Monthly Performance Update

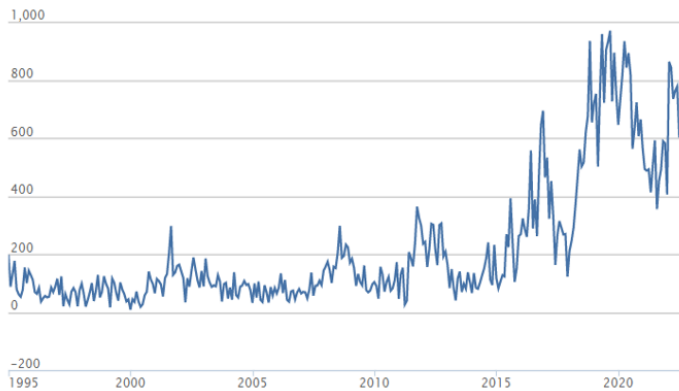
As at 31 December 2022

MSCI World Index
Calendar Year EPS (US\$)



Source: Bloomberg

China Economic Policy Uncertainty Index



Source: policyuncertainty.com





Bennelong Long Short Equity Fund

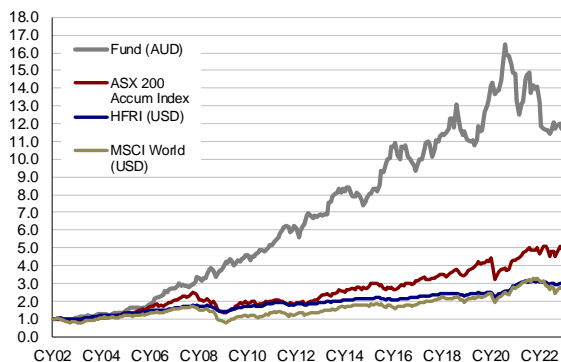
Monthly Performance Update

As at 31 December 2022

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%	1.24%	4.43%	-3.22%	1.87%	0.75%	-2.27%	-17.00%
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 & 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\$247.4m
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. Disclaimer: This information is issued by Bennelong Funds Management Limited (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Long Short Equity Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) or Product Disclosure Statement (PDS) which is available by phoning 1800 895 388. BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at 31 December 2022. Bennelong Long Short Equity Management Pty Limited (ABN 63 118 724 173) is a Corporate Authorised Representative of Bennelong Funds Management Limited (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.