

Performance report | 31 August 2024

Bennelong Long Short Equity Fund

Net returns

	1 month	3 months	Fiscal YTD	1 year	Since inception ¹ p.a.
Fund	0.02%	-1.89%	-0.04%	17.20%	12.63%

Performance figures are net of fees and expenses. Past performance is not indicative of future performance.

Portfolio performance

Fund performance was flat masking a volatile result season. It felt to us that the number of poor quality results was higher this season, in particular the practise by some of pushing significant costs below the line in order to produce an apparently more presentable "underlying" profit.

Our top pair was long JBH / short HVN. Yet again JB Hi-Fi results outshone Harvey Norman with JBH delivering strong results compared to forecasts and a very strong trading update, whilst HVN delivered weak results and a weak trading update. JBH continues to take share from HVN. Our second pair was long BXB / short QUB. Brambles delivered a very strong result and provided guidance well ahead of forecasts. Qube was in line. Our third pair was long QAN / short FLT. Qantas showed good progress resolving their post covid problems, at the same time as delivering a decent financial result. Qantas is demonstrating it can deliver very strong cash flow, fund fleet renewal and retain sufficient cash to continue buybacks and resume the dividend, which we think is key to rerating the stock. Flight Centre met recently downgraded guidance, but with a long list of one-offs to get to "underlying".

Our bottom pair was long QBE / short ANZ and CBA with QBE missing forecasts. QBE is now running off the problematic segment of the North American business which is somewhat complicating results. Guidance for the full year (calendar) was maintained but is now second half weighted. Our second bottom pair was long MIN / short FMG and DRR. Mineral Resources had a messy result. Weak lithium and iron ore prices have coincided with peak capex for the large Onslow iron ore project. Min Res decision to debt fund Onslow, combined with weak commodity prices has put the pressure on, with the company now moving to cash preservation mode. Fortescue and Deterra both made a positive contribution, responding to weak iron prices, but not sufficient to offset Min Res. Long BSL / short SGM was our third bottom pair. BlueScope had a good operational result but at the lower end of guidance due to weak steel prices. Sims Ltd reported a barely profitable result, curiously with scrap prices above long term averages. We think Sims faces structural issues, particularly with their North American business. Early in the month the share price was boosted by the sale of their troublesome UK business, which has relieved pressure on the balance sheet.

Fund statistics

Fund NAV A\$M	Month End	\$97.6
Gross exposure A\$M	Month End	\$433.5
Fund leverage (x NAV)	Month End ²	4.4
Average fund leverage (x NAV)	Since inception	4.4
Fund volatility (annualised)	Month	23.4%
Fund volatility (annualised)	Rolling 12 months	9.6%
Positive months %	Rolling 6 months	67%
Positive months %	Since inception	62%
Sharpe Ratio (basis RBA Cash)	Month	(-0.2)
Sharpe Ratio (basis RBA Cash)	Rolling 12 months	1.4
Long exposure	Month End	51.3%
Short exposure	Month End	-48.7%
Strategy performance ¹ (composite)	Since inception \$1.00	\$14.67

Top spreads for the month

Long	Short
JB Hi-Fi (JBH)	Harvey Norman (HVN)
Brambles (BXB)	Qube (QUB)
Qantas (QAN)	Flight Centre (FLT)

Bottom spreads for the month

Long	Short
QBE (QBE)	ANZ (ANZ) / Commonwealth Bank (CBA)
Mineral Resources (MIN)	Deterra (DRR) / Fortescue (FMG)
BlueScope (BSL)	Sims (SGM)

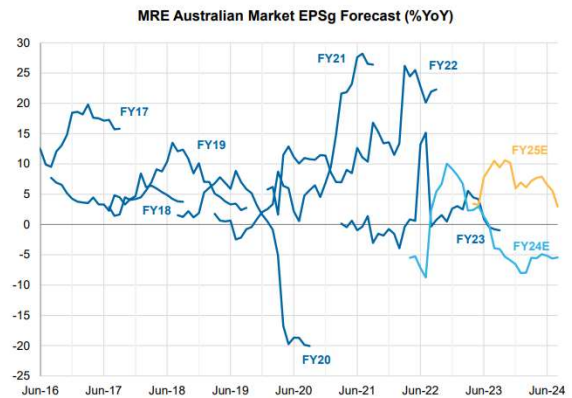
Market observations

August witnessed a significant sell-off in global stock markets early in the month, primarily driven by economic concerns in the U.S. and geopolitical tensions. Weaker than expected job growth and rising unemployment in the US had investors concerned the Fed may be falling behind the curve in its response to a slowing economy. The move triggered expectations for weaker interest rates in the US vs the rest of the world, particularly Japan which had an interest rate rise in July.

The result was an abrupt unwind of the so called “carry trade” which contributed to a sharp rise in market volatility. Global markets sold off. Asian markets were particularly weak with the Nikkei experiencing a decline of 12%, marking its worst day since 1987. The sell off only lasted about a week and by the end of the month most equity markets had fully recovered however it’s a reminder of how fragile the market can be. The Australian dollar closed up +4% against the US.

Back home marked the full year company reporting season for those with a June year end. In aggregate earnings for the market in FY24 declined. Companies were also generally cautious about the outlook given a slowing economy. As such earnings forecasts for FY25 were lowered. As you can see from the chart below analysts normally start the year with optimistic earnings growth forecasts. The reality though is materially lower earnings growth is achieved (ex covid period). FY25 at this stage appears no different. Equity valuations also remain well above average suggesting a mixed outlook.

Figure 5 - Australian Market EPSg (%)



Source: Macquarie Research, August 2024.

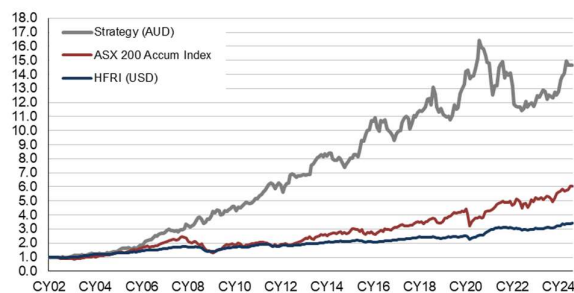


Source: Bloomberg

Calendar year performance³

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2024	1.73%	6.35%	1.86%	1.57%	6.44%	-1.85%	-0.06%	0.02%					16.89%
2023	2.21%	4.25%	-0.73%	1.69%	2.46%	-0.93%	-4.55%	2.55%	-0.57%	-0.86%	3.16%	-1.40%	7.15%
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%

Performance since inception¹ of Strategy



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Fund summary

Strategy	Market Neutral, Pairs	Domicile	Australia	Status	Open
AUM	A\$166.0m	Currency	AUD	Manager	Bennelong Long Short Equity Management Pty Ltd

¹ Since inception of the strategy (February 2002) return is a composite of net returns of the Bennelong Long Short Equity Fund (Wholesale Fund) since July 2008 and the net returns of the Bennelong Securities Long Short Equity Fund (Managed Account) from February 2002 to June 2008.

² Gearing calculated subject to variations in accruals.

³ The returns highlighted in bold are net returns of the Bennelong Long Short Equity Fund (pretax). 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.

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

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