



Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 May 2020

Net Tangible Assets Per Share

| | |
|----------------|---------|
| NTA before tax | \$1.213 |
| NTA after tax | \$1.157 |

\$ currency notation refers to Australian Dollars.

Performance Commentary

Portfolio performance was 0.34% for May. Positive returns were broadly spread across sectors whilst negative returns were concentrated in Healthcare and Consumer, specifically in the three bottom pairs we have highlighted.

Enormous bond purchases by central banks has helped stimulate a "risk on" environment in share markets since the lows of March. This can present a headwind for the portfolio. Long JBH / short SUL is one of our pairs where the short is more levered, financially and operationally, than the long. The other two bottom pairs experienced some mean reversion following strong contributions in January, February and March.

On the positive side, long TPM / short TLS was our strongest pair following the release of the Scheme documents for the TPM/Vodafone merger which focussed the market's attention on the prospect for TPM to pay a material special dividend in conjunction with the merger. Long PBH, CWN / short SKC was our second-best pair with the contribution entirely from PBH which reported a strong trading update. Long XRO / short TNE was our third best pair. Both companies reported results and the share price reaction for both was indicative of the relative quality of the results.

Market Observations

Share markets continued to recover from the February and March wipe-out with the major share market indices up between 3% and 7% for the month. Hong Kong was the only exception, falling 7%, weighed down by China intrusion. Australia was up 4.2%. The advance in equities reflected the benefits of liquidity stimulus and easing of restrictions as new cases of COVID-19 slowed. These supportive factors were enough to overcome continued weakness in leading economic indicators, negative earnings revisions, and renewed tensions between the US and China that are jeopardising prior arrangements to unwind trade restrictions. Similar to last month, the apparent risk-on nature of equity markets over May was not matched by selling in defensive assets given both government bonds and gold prices held firm. Crude oil rallied strongly, up from US\$19/bbl to US\$36/bbl, but remains well below recent historical averages.

The recovery seen across equity markets from their March lows brings prices to within sight of their pre-crisis levels (albeit to varying degrees). As shown in the chart below, compared to the start of calendar 2020, the S&P 500 Index is just 6% below and the Nikkei in Japan is 8% below. Meanwhile Australia and the UK are 14% and 19% below, respectively.

NTA* Performance

| | |
|------------------------------|--------|
| 1 month | 0.34% |
| 3 months | -2.96% |
| 12 months | 29.65% |
| Since inception (annualised) | 6.21% |

*Before tax. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated including dividends. 'Since inception (annualised)' is annualised NTA performance since listing at \$1.065 after listing related expenses.

Company Details

| | |
|----------------------------|------------------|
| ASX code | AEG |
| Listing date | 16 December 2015 |
| Share price | \$1.150 |
| NTA* per share | \$1.213 |
| Dividend yield† | 5.65% |
| Grossed up dividend yield† | 8.07% |
| Shares on issue | 93,124,517 |
| NTA* | \$112,999,819 |

* Before tax. †Dividends paid over the past 12 months, divided by the share price stated above. Includes a Special Dividend of 1.5c paid on October 11 2019. This yield was fully franked at a rate of 30%.

Most Profitable Pairs for the Month

| | | | |
|------|-------------------------------|-------|---------------------|
| Long | TPG Telecom (TPM) | Short | Telstra (TLS) |
| Long | Pointsbet (PBH) / Crown (CWN) | Short | SkyCity (SKC) |
| Long | Xero (XRO) | Short | TechnologyOne (TNE) |

Least Profitable Pairs for the Month

| | | | |
|------|----------------|-------|------------------------|
| Long | ResMed (RMD) | Short | Ansell (ANN) |
| Long | CSL (CSL) | Short | Sonic Healthcare (SHL) |
| Long | JB Hi-Fi (JBH) | Short | Super Retail (SUL) |

Portfolio Snapshot¹

| | | |
|---------------------------------|-----------------|---------------|
| Long exposure | Month End | 50.1% |
| Short exposure | Month End | -49.9% |
| Net market exposure | Month End | 0.2% |
| Gross market exposure* | Month End | \$549,811,909 |
| Leverage factor (x NTA) | Month End | 4.9 |
| Average leverage factor (x NTA) | Since Inception | 4.6 |

* Sum of long and short positions in the Portfolio

Contact Details

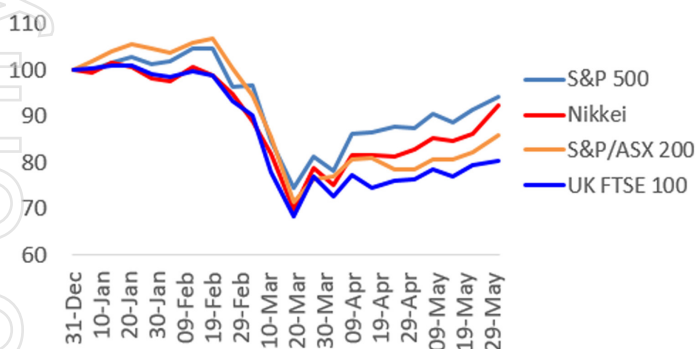
| | |
|--------------|--|
| Company | Absolute Equity Performance Fund Limited (ACN 608 552 496) |
| Address | Level 12, Grosvenor Place, 225 George St, Sydney, NSW 2000 |
| Phone Number | 02 8016 2819 |
| Email | info@aepfund.com.au |
| Website | www.aepfund.com.au |

Absolute Equity Performance Fund Limited

Monthly NTA and Performance Update

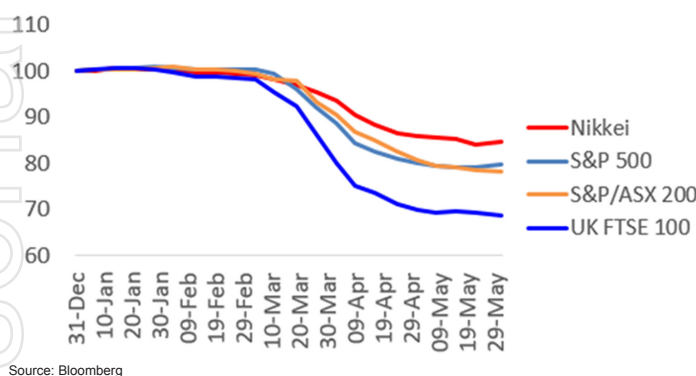
As at 31 May 2020

Share Market Indices (Index 100)



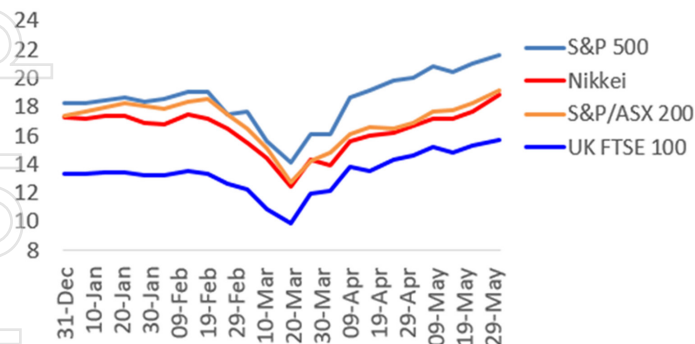
Rising prices are yet to be backed up by a recovery in earnings forecasts. The following chart plots the 12-month forward EPS (indexed to 100) of the markets shown above. The data shows that while forecast declines are abating, they are yet to establish an upward trend.

12m Forward EPS (Index 100)



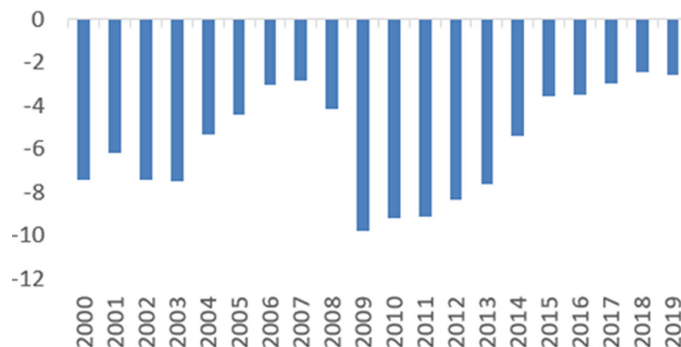
Consequently, valuation multiples are elevated on depressed earnings.

12m Forward P/E Ratio (Index 100)

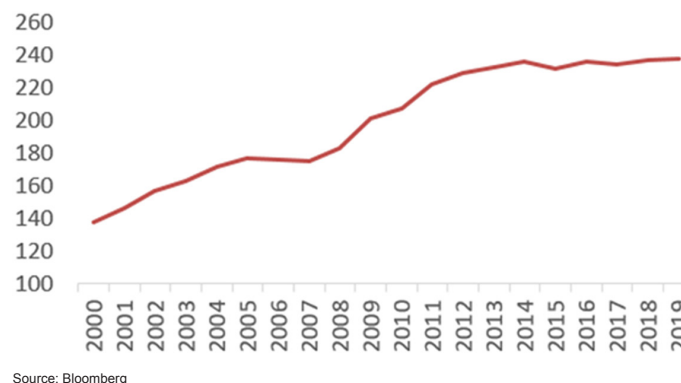


Interest rates and liquidity have been very supportive for asset prices for some time, and even more so following COVID-19. We wonder at what cost? A government can maintain deficits when its central bank depresses interest rates and prints money to absorb government bond issuance – just look at Japan. But persistent loose policy and big government stimulus hampers wealth drivers like efficient capital allocation and productivity growth, and again the COVID-19 response magnifies the issue.

Japan Gov't Budget Deficit to GDP %



Japan Gov't Debt to GDP %



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Company Overview

The Company's portfolio of investments is managed by Bennelong Long Short Equity Management Pty Ltd, using the same market neutral investment strategy behind the award winning Bennelong Long Short Equity Fund.

Directors

Marc Fisher (Chair)

Andrew Reeve-Parker

Raymond Da Silva Rosa

Company Secretaries

Jeff Phillips

Lisa Dadswell

Investment Objective

The Absolute Equity Performance Fund Limited aims to generate positive returns regardless of the overall equity market performance, through employing a 'market neutral' equity strategy.

Investment Manager

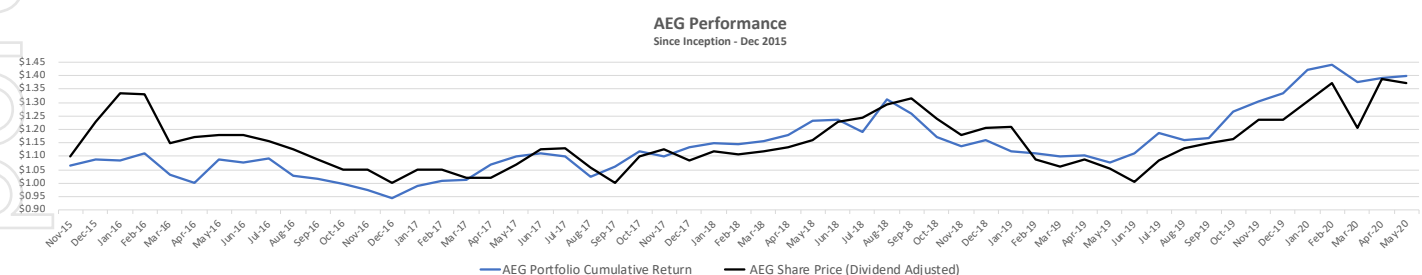
Bennelong Long Short Equity Management Pty Ltd.

Investment Team

| | |
|----------------|-------------------|
| Sam Shepherd | Portfolio Manager |
| Sam Taylor | Head of Research |
| Steven Lambeth | Senior Analyst |
| Justin Hay | Senior Analyst |
| Daniel Sanelli | Analyst |

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 2020 | 6.68% | 1.23% | -4.44% | 1.21% | 0.34% | | | | | | | | 4.80% |
| 2019 | -3.51% | -0.84% | -0.90% | 0.52% | -2.53% | 3.04% | 6.99% | -2.29% | 0.56% | 8.50% | 2.88% | 2.31% | 14.94% |
| 2018 | 1.27% | -0.15% | 0.76% | 1.98% | 4.75% | 0.08% | -3.67 | 10.22% | -3.87% | -6.90% | -3.16% | 2.05% | 2.29% |
| 2017 | 4.91% | 2.06% | 0.17% | 5.83% | 2.80% | 1.15% | -1.28% | -6.62% | 3.61% | 5.26% | -1.58% | 2.93% | 20.19% |
| 2016 | -0.23% | 2.28% | -7.20% | -2.89% | 8.53% | -0.92% | 1.38% | -5.90% | -1.06% | -1.73% | -2.32% | -3.31% | -13.39% |
| 2015 | - | - | - | - | - | - | - | - | - | - | - | 2.25% | 2.25% |

*Before tax. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated on a pre-dividend NTA basis.



*These calculations are unaudited. 'AEG Portfolio Cumulative Return' is intended to illustrate the performance of the investment portfolio net of corporate expenses and manager fees, and including the hypothetical reinvestment of dividends.



Important Disclaimer

This monthly report has been prepared by Absolute Equity Performance Fund Limited with commentary provided by the Investment Manager, Bennelong Long Short Equity Management Pty Ltd (ABN 63 118 724 173). This document has been prepared for the purpose of providing general information only. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. This report does not take into account individual investors' investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this report is accurate, its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance.