



Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 July 2020

Net Tangible Assets Per Share

NTA before tax	\$1.326
NTA after tax	\$1.274

\$ currency notation refers to Australian Dollars.

Performance Commentary

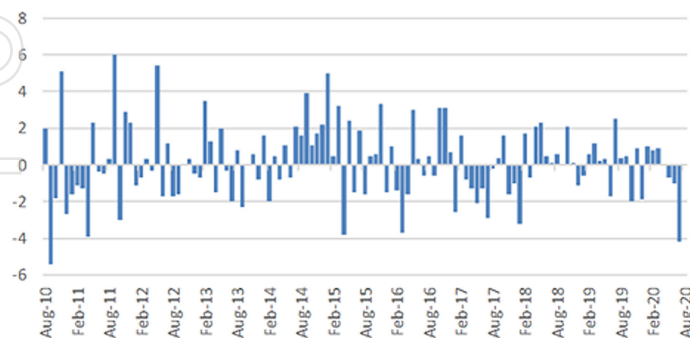
Portfolio performance for July was 4.8%. Returns were spread across a variety of sectors and the contribution from negative pairs was limited. Leading into reporting season the Portfolio gained from a number of favourable company updates. ALQ upgraded their outlook with their AGM update which resulted in ALQ/AZJ being our equal top pair. Long NWL/short AMP and IFL featured NWL reporting stronger than budgeted FUM flow and confirmed earnings guidance with their quarterly update. AMP preannounced a very weak result with significant FUM outflow and weak financial results across all divisions. IFL also issued a profit warning with poor FUM flow and very weak financial results from both the new acquisition, ANZ P&I, and also the legacy business.

Our bottom pair was TPG/TLS, giving back a little of last month's super return following consummation of the TPG/Vodafone merger.

Market Observations

Equity markets were a mixed bag over July. In the US, the S&P500 Index rose +5.5%, surpassing its pre-COVID level, while the Nasdaq rallied +6.8% to be +20% calendar year to date. In contrast to the US, share markets fell across the UK (-4%) and Europe (France -3%, Spain -5%) with only Germany holding ground to finish flat. In no small part were the gains for the US and losses for Europe a reflection upon currency markets where the US dollar suffered one of its biggest monthly declines in a decade (and vice versa the rises recorded for the British Pound and Euro) – see chart below. Elsewhere we saw Asian share markets mixed with China and South Korea strong, Hong Kong flat, and Japan and Singapore modestly weaker. Australia managed a small gain of +0.5% from a wide range of sector performances including declines across energy, banks and healthcare, offset by gains among consumer, technology, and mining. Like other currencies, the Australian dollar rallied +3.5% against the US.

US\$ Index (Monthly Movement %)



Source: Bloomberg

NTA* Performance

1 month	4.80%
3 months	9.68%
12 months	28.56%
Since inception (annualised)	8.03%

*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	\$1.200
NTA* per share	\$1.326
Dividend yield [†]	5.42%
Grossed up dividend yield [†]	7.74%
Shares on issue	92,095,812
NTA*	\$122,163,103

* 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	Netwealth (NWL)	Short	IOOF (IFL) / AMP (AMP)
Long	ALS (ALQ)	Short	Aurizon (AZJ)

Least Profitable Pair for the Month

Long	TPG Telecom (TPM)	Short	Telstra (TLS)
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Portfolio Snapshot

Long exposure	Month End	49.8%
Short exposure	Month End	-50.2%
Net market exposure	Month End	-0.4%
Gross market exposure*	Month End	\$522,356,719
Leverage factor (x NTA)	Month End	4.3
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

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While share markets have recovered and equity volatility has declined, safe haven asset classes remain well bid. In particular, gold is now at a record level having gained +11% over the month and now up +30% this calendar year. Such a development contrasts with the last peak in the gold price in mid-2011 when equities were in retreat and volatility was rising (and subsequently gold declined as volatility abated and equities recovered). For gold prices to be reaching new highs despite a lessening in risk aversion says something about other factors influencing its appeal beyond just protection during times of crisis. As shown in the charts below, drivers in support of gold that were evident prior to COVID-19 include: falling real yields; growth in the amount of negative yielding debt; ETF flows; and central bank net buying.

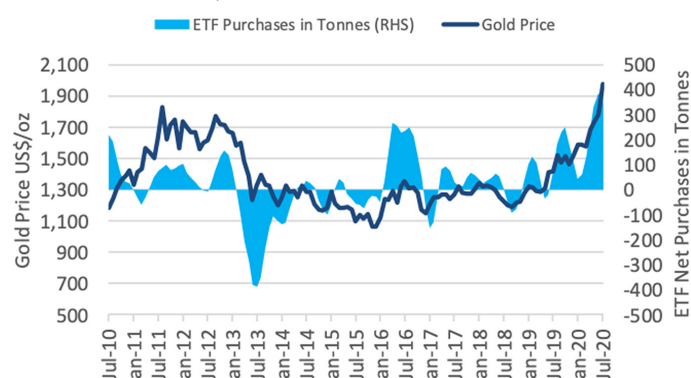
US\$ Gold Price vs US Real Yield



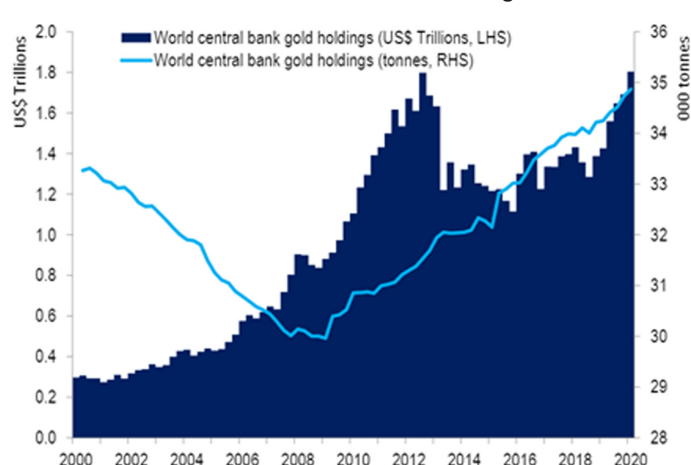
Market Value of Negative Yielding Debt (US\$m)



US\$ Gold Price vs Gold ETF Flow



World Central Bank Gold Holdings



In all, there has been a broadening in rationale to own gold. Not only is gold a resilient asset class during times of crisis but increasingly is being seen as protection against growing concerns about fiscal sustainability as governments and central banks worldwide raise debt and print money from already elevated levels to cushion the global shock brought on by COVID-19.

This commentary was provided by Bennelong Long Short Equity Management Pty Ltd.

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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

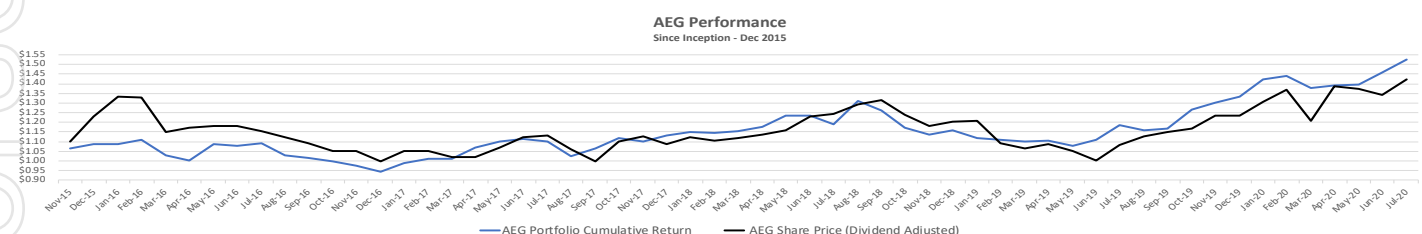
Bennelong Long Short Equity Management Pty Ltd.

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%	4.31%	4.80%						14.57%
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

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