



Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 August 2020

Net Tangible Assets Per Share

NTA before tax <i>ex-dividend</i>	\$1.418
NTA after tax <i>ex-dividend</i>	\$1.330

* This is after the deduction of 2.6 cents per share of dividends. \$ currency notation refers to Australian Dollars.

Performance Commentary

The Portfolio was up 8.83% in August. A large number of our longs reported very strong financial results. Given economic conditions this is an exceptional outcome. The fund also benefited from a number of our shorts having very poor results. We did not experience any material adverse results in either the long or short portfolio.

Our top "pair" long PBH and CWN / short SKC contributed half the month's performance. The performance of the pair was due to PointsBet. PointsBet is an online bookmaker focussed on Australia and the US. The US is in the early stages of legalising, state by state, sports betting. In August PointsBet announced a partnership with NBC. NBC is the largest sports media company in the US and the partner of choice for PointsBet. The relationship with NBC greatly enhances PointsBet's prospects for success.

Market Observations

It was a solid month for equity markets right across the globe with gains ranging between 2% and 7% across the major regions of Asia, Europe and North America. As shown below, markets are looking through the valley of depressed corporate earnings (still 15% below their pre COVID levels) and to other side with an expectation of continued supporting monetary policy settings, which was reinforced over the month from a speech by Fed Chair Jerome Powell.

US S&P 500 (Price vs EPS)



NTA* Performance

1 month	8.83%
3 months	18.97%
12 months	43.20%
Since inception (annualised)	9.82%

*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	\$1.31
NTA* per share	\$1.418
Dividend yield†	4.96%
Grossed up dividend yield†	7.09%
Shares on issue	92,095,812
NTA*	\$132,954,569

* Before tax *ex-dividend*. †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	Crown (CWN) / PointsBet (PBH)	Short	SkyCity (SKC)
Long	Xero (XRO)	Short	Technology One (TNE)
Long	Mineral Resources (MIN)	Short	BHP (BHP)

Least Profitable Pairs for the Month

Long	A2 Milk (A2M)	Short	Coca-Cola Amatil (CCL)
Long	ResMed (RMD)	Short	Ansell (ANN)
Long	Orica (ORI)	Short	Incitec Pivot (IPL)

Portfolio Snapshot

Long exposure	Month End	50.7%
Short exposure	Month End	-49.3%
Net market exposure	Month End	1.4%
Gross market exposure*	Month End	\$567,509,703
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

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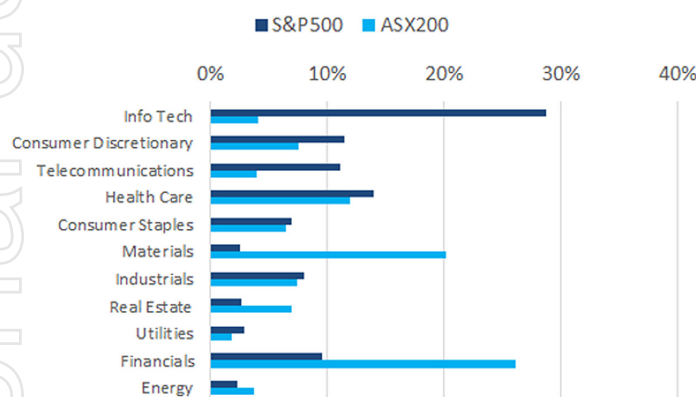
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As seen throughout 2020, US markets have continued to rally ahead of other regions thanks to the continued out-performance of mega cap technology stocks such as Apple, Amazon, Microsoft, Google and Facebook. To be clear, rallying 'tech' stocks (a catch-all term for stocks that are benefiting from technological attributes e.g. e-commerce, software services, video streaming, battery powered cars) has not been US-specific. Instead it has been a worldwide phenomenon and includes Australia which has seen its technology sector rise 35% this calendar year (in-line with the US). The difference, of course, is size. As shown in the below chart, the technology sector represents almost 30% of the S&P 500 Index vs just 4% of the ASX 200 Index. Note also from the chart the difference in size of the Financials sector (less than 10% in the US vs 26% in Australia), which has fallen 20% this calendar year (for both markets). These differences in market composition go a long way to explaining why the overall market in Australia is down 9% (ASX 200 Index) this calendar year while the US S&P 500 Index is up 8%.

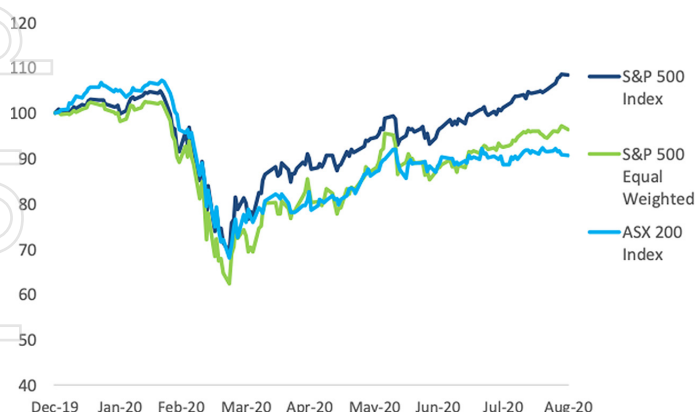
GICS Industry Weight (as at 31 August 2020)



Source: Bloomberg

Another way to illustrate the influence of the tech sector is to compare the S&P 500 Index with its version measured on an equal weighted basis. As shown below, on an equal weighted basis the S&P 500 is well short of its market-cap weighted equivalent and closer to the performance of the ASX 200 which is yet to recover to its level at the start of the calendar year.

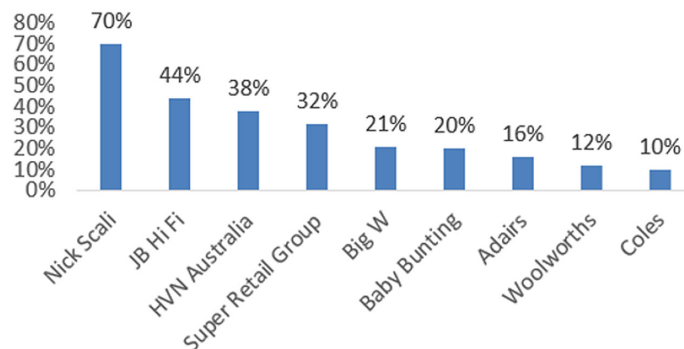
US and Australia Stock Markets
2020 CYTD (Index 100)



Source: Bloomberg

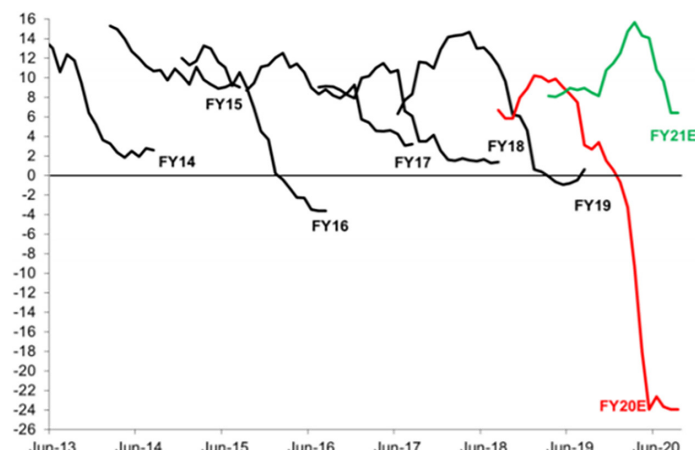
The August profit reporting season is always a mixed bag, but especially so given the disruption caused by COVID-19. Discretionary retailers and a number of companies that deliver goods and services via on-line channels (e.g. Kogan) were the clear winners this reporting season, not just the financial results reported but also the references to current trading conditions thus far in FY21 – see following chart. The same cannot be said for the broader market as seen via FY21 EPS growth forecasts that have reduced from a prior expected mid-teens levels to now mid-single digit.

Australian Retailers: Sales Growth FY21 to Date



Source: Bloomberg

Industrials (Market ex Res, Banks & LPTs) EPSg (%)



Source: Macquarie

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 Secretary

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

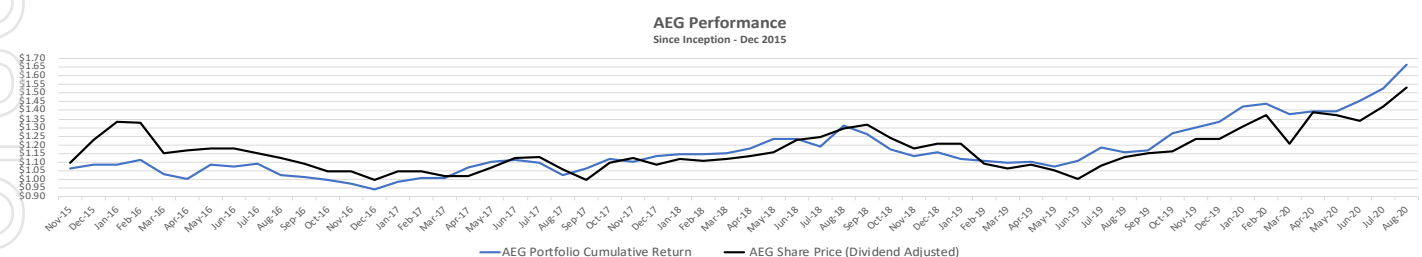
Bennelong Long Short Equity Management Pty Ltd.

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%	8.83%					24.69%
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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