

## Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 December 2020

### NTA Per Share and Share Price

NTA before tax	\$1.279
NTA after tax	\$1.233
Share price	\$1.230

\$ currency notation refers to Australian Dollars.

### Performance Commentary

Fund performance was -3.01% for December. The Australian equity market has experienced a rally in cyclical and laggards in recent months. Some of the cyclical and laggards in our short portfolio have outperformed our long portfolio and that has contributed to a weaker finish for the year.

Our weakest pair, BSL/SGM, is typical of this phase with SGM outperforming BSL very recently. BlueScope had three earnings upgrades in October and November. We expect there is more to come with steel spreads booming, and other tailwinds in the business. Sims has not provided earnings guidance - it is an unpredictable business. Sims should be enjoying some of the same tailwinds as BlueScope, and the market is anticipating a significant improvement in profitability for Sims, as well it might given the last result was a loss. We assess both companies on mid cycle (2 - 3 year forecast) earnings, and continue to conclude BlueScope has significantly more opportunity than Sims.

Our second weakest pair was long WOW/short MTS and TWE. Metcash reported its first half result. It was a strong result and ahead of our expectations. The result was also better quality than Metcash has produced in the past. We have altered our position weight in response.

More of the same at the top with XRO/TNE and MIN/BHP repeating November performance.

### Market Observations

World equities posted small positive gains for December, a solid outcome given the very strong gains seen in November and given incrementally negative news from resurging COVID-19 cases hindering economic recovery. The local market also managed a small gain of +1.1% (ASX 200 Index) driven by large cap stocks in the mining and technology sectors. In other markets, bonds sold off modestly (US Government 10 year now at 0.95% from 0.85%), the US dollar further declined (down -2% and down -6% over calendar 2020 to be back at early 2018 levels), and commodities were generally positive with iron ore the standout (up 15% in December and 55% for calendar 2020). Bitcoin, the dominant cryptocurrency, surged 50% over the month and rose 4-fold in 2020 to record highs.

It has been a remarkable year for equities. The MSCI World Index closed up 14% (in US\$). The below table details the performances of the world's largest share markets (in local currency). Of the 16 indices listed, 9 closed above their starting level in calendar 2020, while 7 closed at all-time highs. Few commentators (if any) would have predicted such an outcome under the scenario of a demand shock caused by a global pandemic.

### NTA\* Performance

1 month	-3.01%
3 months	-6.59%
12 months	12.60%
Since inception (annualised)	6.98%

\*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
Dividend yield <sup>†</sup>	4.15%
Grossed up dividend yield <sup>†</sup>	5.92%
Shares on issue	92,095,812
NTA*	\$117,832,524

\* Before tax. <sup>†</sup>Last two semi-annual dividends paid, divided by the share price stated above. This yield was fully franked at a rate of 30%.

### Most Profitable Pairs for the Month

Long	Xero (XRO)	Short	Technology One (TNE)
Long	Mineral Resources (MIN)	Short	BHP (BHP)

### Least Profitable Pairs for the Month

Long	BlueScope Steel (BSL)	Short	Sims (SGM)
Long	Woolworths (WOW)	Short	Metcash (MTS) / Treasury Wine (TWE)

### Portfolio Snapshot

Long exposure	Month End	50.2%
Short exposure	Month End	-49.8%
Net market exposure	Month End	+0.4%
Gross market exposure*	Month End	\$527,107,145
Leverage factor (x NTA)	Month End	4.5
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)
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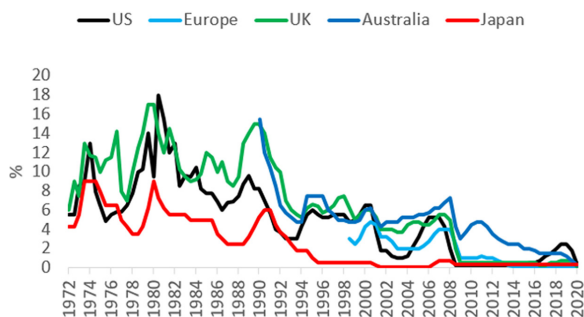
Global Share Markets - Calendar Year 2020

Price Index	Begin	End	Change	All time high?*
US S&P 500 Index	3,231	3,756	16.3%	Yes
US Nasdaq Composite	8,973	12,888	43.6%	Yes
Toronto Composite	17,063	17,433	2.2%	Yes
Sao Paulo Index	115,645	119,017	2.9%	Yes
UK FTSE Index	7,542	6,461	-14.3%	No
France CAC Index	5,978	5,551	-7.1%	No
Germany DAX Index	13,249	13,719	3.5%	Yes
Spain IBEX 35 Index	9,549	8,074	-15.5%	No
Italy FTSE Italia Index	23,506	22,233	-5.4%	No
Japan Nikkei Index	23,657	27,444	16.0%	No
Hong Kong Hang Seng Index	28,190	27,231	-3.4%	No
Shanghai Composite Index	3,050	3,473	13.9%	No
Korea KOSPI Index	2,198	2,873	30.8%	Yes
Singapore Straits Index	3,223	2,844	-11.8%	No
ASX 200 Index	6,684	6,587	-1.5%	No
NZ 50 Index	11,492	13,092	13.9%	Yes

Source: Bloomberg; \*As at 31 December 2020

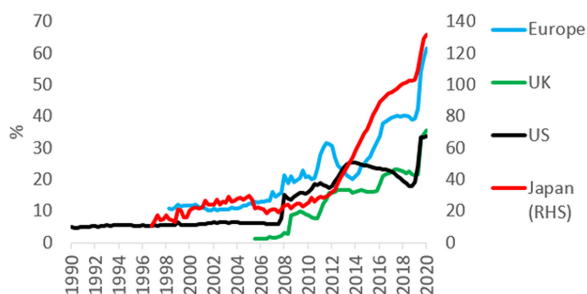
For equities to have performed the way they have reflects three key factors in our view. First is liquidity, second is expectations for a strong recovery in earnings, and third is volatility swinging back to moderate from extreme levels. All the major central banks cut interest rates to new lows and launched QE programs which dwarfed the GFC response. Coincidentally governments acted quickly with unprecedented stimulus packages. The associated large deficits and debt are not worrying markets, in contrast to prior crises (e.g. post-GFC European debt crisis when bond yields spiked).

Official Cash Rates



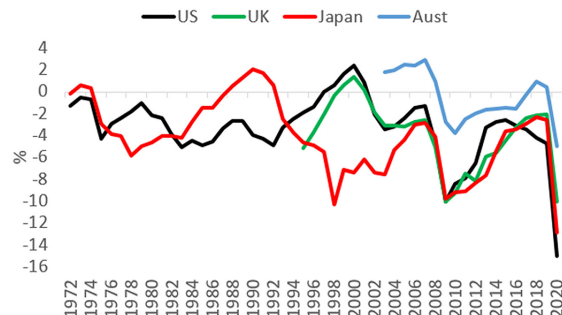
Source: Bloomberg

Central Bank Balance Sheets as a % GDP



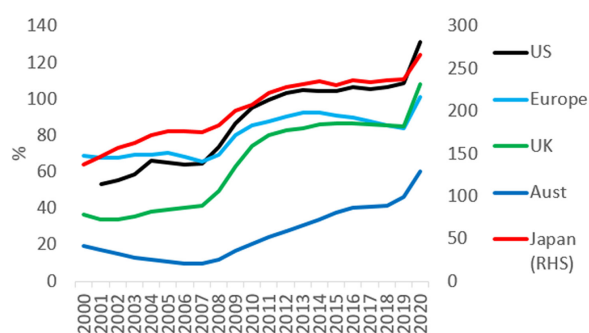
Source: Bloomberg

Government Budget Balance as a % of GDP



Source: Bloomberg

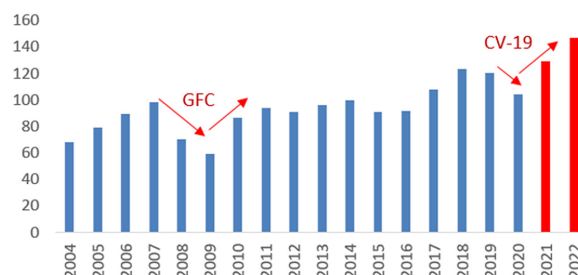
Government Debt as a % of GDP



Source: Bloomberg

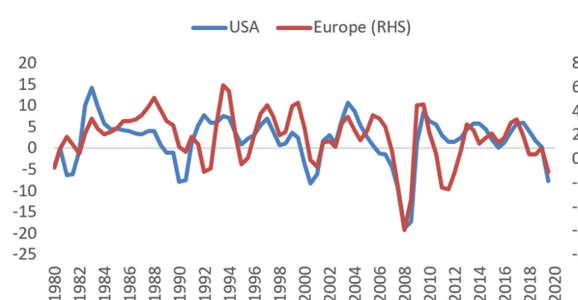
Analysts forecast the hit to earnings from COVID-19 will be transitory. As shown below using the MSCI World Index, expectations are for earnings to stage a strong recovery in 2021 and 2022. Given the resurgence in Covid and associated disruption it is not surprising that confidence and lead indicators have softened – which reduces confidence that forecasts of a sharp rebound in earnings can be achieved.

MSCI World Index Calendar Year EPS (US\$)



Source: Bloomberg

OECD Lead Economic Indicators



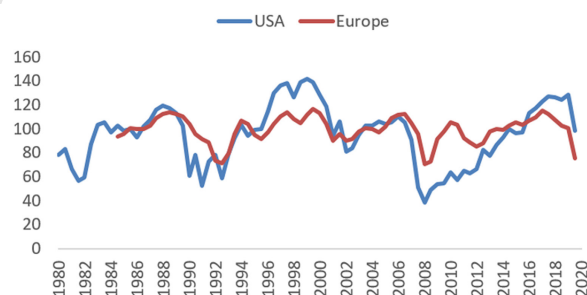
Source: Bloomberg

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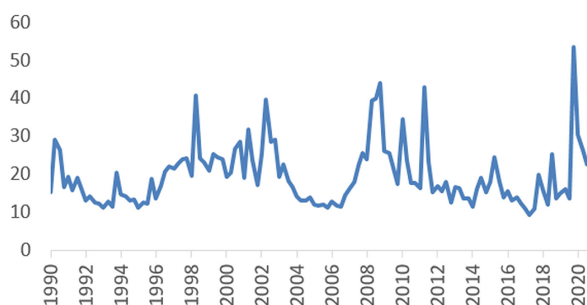
### Consumer Confidence Index



Source: Bloomberg

Finally, despite the uncertain path out of COVID-19 and unstable relations between the US and China, volatility has settled back down to historical levels.

### US VIX Index



Source: Bloomberg

### 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

### 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.

### Company Secretary

Lisa Dadswell

### Directors

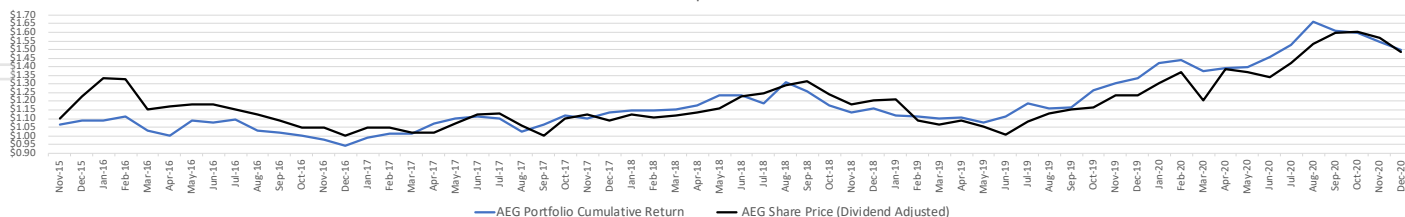
Marc Fisher (Chair)  
Andrew Reeve-Parker  
Raymond Da Silva Rosa

	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%	-3.32%	-0.67%	-3.05%	-3.01%	12.60%
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.

### AEG Performance

Since Inception - Dec 2015



\*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.