

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 30 June 2021

NTA Per Share and Share Price

NTA before tax	\$1.220
NTA after tax	\$1.183
Share price	\$1.100

\$ currency notation refers to Australian Dollars.

Performance Commentary

Performance was +10.08% for the month. Market conditions were a tailwind for the portfolio. In addition, favourable fundamental news for a number of our companies was material. Most pairs were positive. At the sector level Materials stood out.

MIN/BHP was our top pair with ongoing earnings upgrades for both companies. Since the trough in earnings forecasts last year BHP forecasts have been revised up 100%, but MIN have been revised up 200%.

RMD/ANN was our second-best pair with performance driven by RMD. RMD is the global leader in sleep apnea with Philips the number two, and together they dominate the industry. During the month Philips announced a recall of a number of their devices in the US. The recall covers devices sold as far back as 2009. It is being described by distributors as a crisis. RMD has an opportunity to take significant share. It is a very unusual situation.

ILU/RIO was our third best pair. During the month RIO declared force majeure at mineral sands mine Richards Bay Minerals. RBM has been challenging for years with a hostile local community causing disruption to operations. During the month there was tragedy with the general manager murdered on the way to work. RIO produces 30% of the world's high grade TiO₂ feedstocks and 15% of the world's zircon, and with industry supply already tight, disruption at RBM is positive for the outlook for price. Whilst not material to RIO's earnings, high grade TiO₂ feedstocks represent 50% of ILU's revenue and zircon is 40% of revenue. RBM is RIO's only remaining asset in South Africa.

Our weakest pair was CSL/SHL. SHL announced an acquisition but it was small. There were no other notable negative pairs.

Market Observations

Share markets were mixed in June. US markets posted solid gains (S&P 500 +2.2%, Nasdaq +5.5%). Following highly anticipated April inflation, US Federal Reserve comments tamed forward inflationary expectations (see break-even inflation chart below). The US dollar also bounced +3% which unsurprisingly took its toll on the gold price (down -7.2%). Elsewhere, European markets were mixed with the UK flat, France and Germany up toward +1%, and Spain down -3.6%. Asia too was mixed with Japan flat, China and Hong Kong each down about -1% while South Korea rallied +3%. In Australia, the ASX 200 Index gained +2.1% with sector performances in a narrow range (from 0% for financials through to +5% for consumer), except for the technology sector which rallied strongly (+13%) consistent with the US Nasdaq.

NTA* Performance

1 month	10.08%
3 months	16.09%
12 months	0.66%
Since inception (annualised)	5.90%

*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 [†]	4.73%
Grossed up dividend yield [†]	6.75%
Shares on issue	92,095,812
NTA*	\$112,352,425

* Before tax. [†]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	Mineral Resources (MIN)	Short	BHP (BHP)
Long	ResMed (RMD)	Short	Ansell (ANN)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

Least Profitable Pair for the Month

Long	CSL (CSL)	Short	Sonic Healthcare (SHL)
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Portfolio Snapshot

Long exposure	Month End	51.1%
Short exposure	Month End	-48.9%
Net market exposure	Month End	+2.2%
Gross market exposure*	Month End	\$471,475,658
Leverage factor (x NTA)	Month End	4.2
Average leverage factor (x NTA)	Since Inception	4.6

* Sum of long and short positions in the Portfolio

Contact Details

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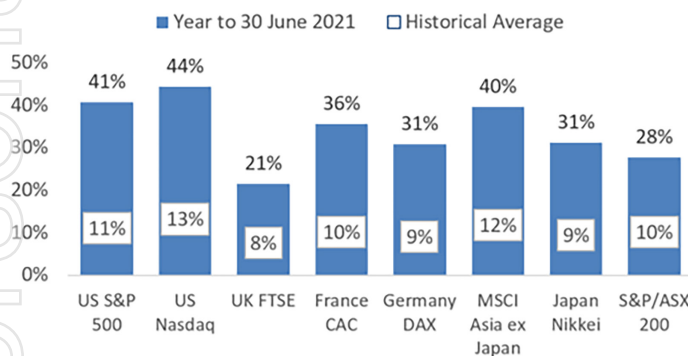
As at 30 June 2021

US 5-Year Average Inflation Expectation



The fiscal year ended 30 June 2021 was a very strong year for equities. As shown in the below chart, the major equity markets gained between 20% and 40% over the year (on a total return basis) and compare to historical fiscal year average gains of high single digit to low double digit.

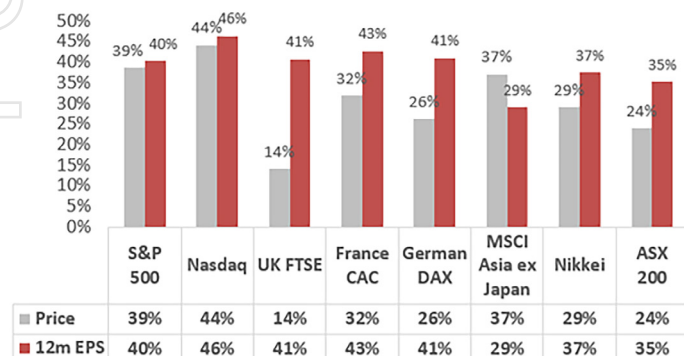
Share Market Indices
(Year to 30 June 2021 vs Historical Average*)



Source: Bloomberg. *Historical Average = average of annual June fiscal year returns from 1996 to 2001. Returns measured on a total return basis in local currency.

Although market gains are high versus historical averages, they were accompanied by a strong recovery in earnings. The table below shows this with price change in the light shaded columns and change in 12 month forecast earnings in the dark shaded columns. You will see that for most markets, forecast earnings increased more than share prices over the year.

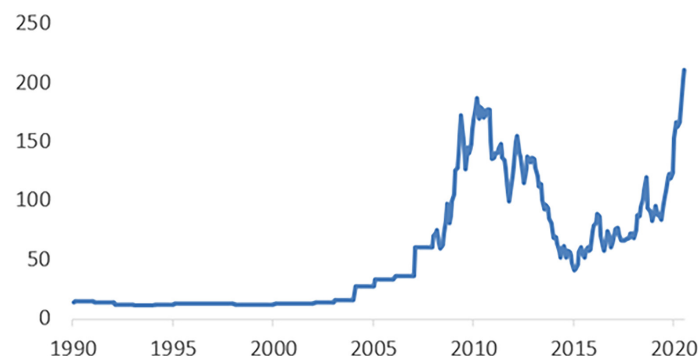
Share Market Returns - Year to 30 June 2021



Source: Bloomberg

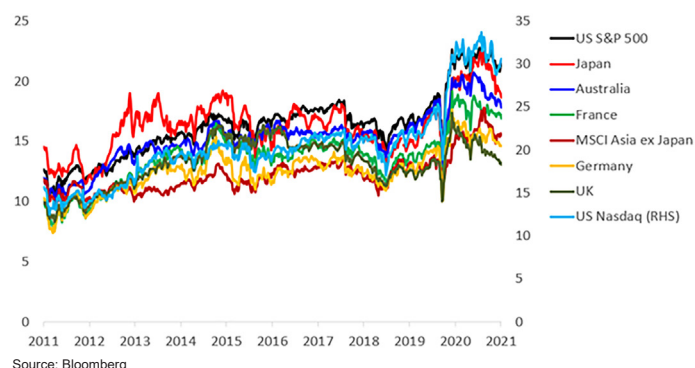
Whilst earnings have run ahead of share prices, a number of cyclical industries (e.g. housing, retail goods, materials, miners) have boomed to now be operating at or above historical cycle highs. As a case in point, in our local market, the 12m forward earnings for BHP, RIO and FMG (accounting for around 20% of the ASX 200) have collectively risen +140% over the last 12m on the back of a more than doubling in the iron ore price to its highest ever level (see next chart).

Iron Ore Price (US\$ / Tonne)



Multiples retraced modestly in fiscal 2021, but they remain elevated when viewed over a longer time frame as shown below.

12m Forward P/E Ratio



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Monthly NTA and Performance Update

As at 30 June 2021

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

Peter Lanham

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

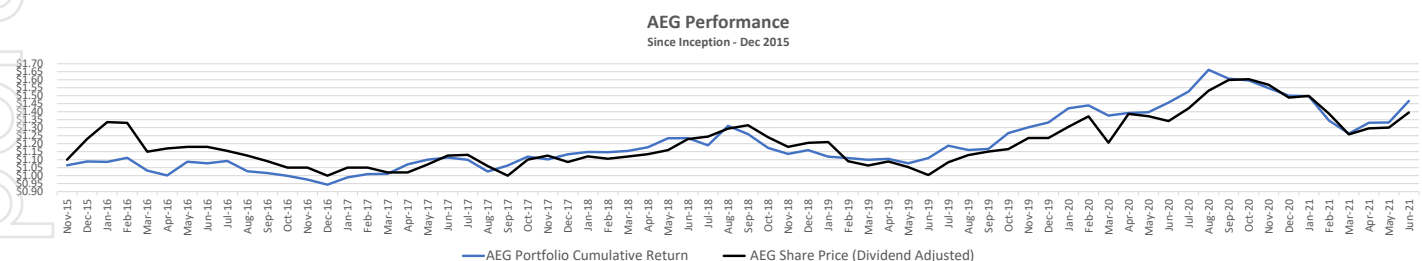
Bennelong Long Short Equity Management Pty Ltd.

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
2021	-0.22%	-10.12%	-6.13%	5.33%	0.13%	10.08%							-2.27%
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.



*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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