

Absolute Equity Performance Fund Limited Monthly NTA and Performance Update

As at 31 October 2021

NTA Per Share and Share Price

NTA before tax	\$1.160
NTA after tax	\$1.145
Share price	\$1.040

\$ currency notation refers to Australian Dollars.

Performance Commentary

Performance was 2.78% for October. In contrast to September, there was a significant amount of company news in October and fundamental news dominated returns. Of those announcements that affected the portfolio, most were favourable.

Our top pair was ALL/SGR. Star Entertainment was especially weak following a media report. Whilst flat for the month, Aristocrat announced an acquisition of UK listed software platform company Playtech, an associated capital raise, and pre-announced its FY21 result which was ahead of forecasts. If consummated, we can see significant growth opportunities for Aristocrat from the Playtech acquisition.

ALQ/AZJ was our second-best pair. Both stocks made a positive contribution with the key news that Aurizon announced an acquisition which we think looks particularly unappealing. NWL/IFL was our third best pair. Both announced quarterly FUM flow. Netwealth FUM flow was especially strong and came with a material upgrade to guidance. IFL FUM flow was weak.

On the negative side PBH/SKC was our worst pair. PointsBet announced its quarterly. Australia was strong however the growth market of the US was soft and missed forecasts. MIN/BHP-FMG was our second bottom pair. MIN reported its quarterly. Lithium prices are strong and MIN announced its lithium mine, Wodgina, will restart. However realised price in the iron ore division was below expectations and was the focus of the market. In a weak iron ore environment, BHP and FMG provided a positive hedge, but not sufficient to offset.

Market Observations

Share markets recovered in October following their September setback. The most convincing gains were seen in the US with both the S&P 500 and Nasdaq indices up 7%. European markets were also solid with France +5% and Germany +3%, while the UK gained 2%. Asian markets were less convincing as Hong Kong and Singapore gained but China, Japan and Korea declined. Australia was also a notable laggard with the ASX 200 Index flat. Our local market was on track for a gain but was snuffed out late in the month by a spike in Australian government bond yields as well as upward pressure on the A\$ (up 4% against the US\$ and Euro, and up 7% vs Japanese Yen). The spike in Australian government bond yields was notable in comparison to offshore equivalents.

NTA* Performance

1 month	2.78%
3 months	-4.10%
12 months	-10.71%
Since inception (annualised)	5.04%

*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 [†]	5.00%
Grossed up dividend yield [†]	7.14%
Shares on issue	91,285,656
NTA*	\$105,853,021

* 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	Aristocrat Leisure (ALL)	Short	Star Entertainment (SGR)
Long	ALS (ALQ)	Short	Aurizon (AZJ)
Long	Netwealth (NWL)	Short	IOOF (IFL)

Least Profitable Pairs for the Month

Long	PointsBet (PBH)	Short	SkyCity Entertainment (SKC)
Long	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)

Portfolio Snapshot

Long exposure	Month End	51.9%
Short exposure	Month End	-48.1%
Net market exposure	Month End	+3.8%
Gross market exposure*	Month End	\$448,733,278
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

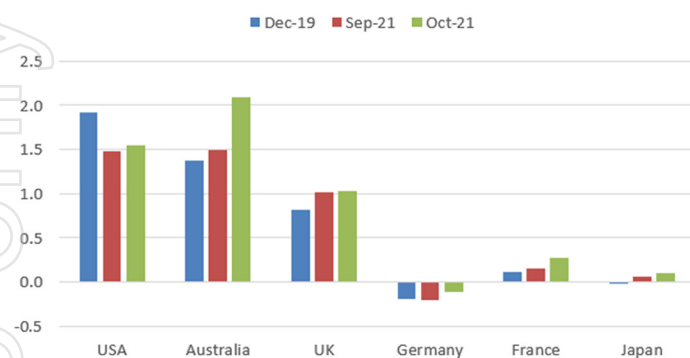
Contact Details

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10 Year Government Bond Yields



Source: Bloomberg

Inflationary pressures are persisting. We note that 10-year government bond yields are now near pre-COVID levels however US core consumer price inflation is breaking out to be at its highest level in 30-odd years.

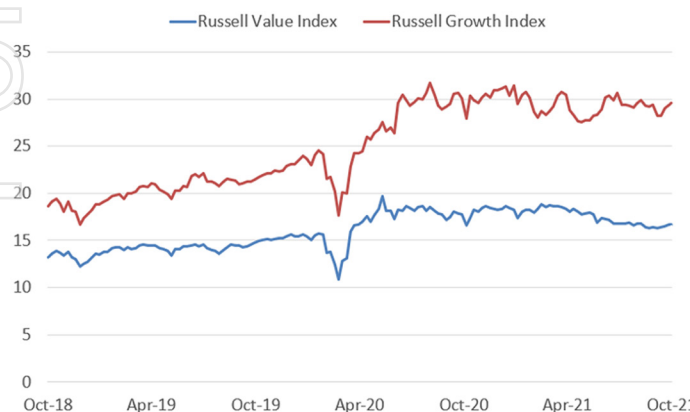
United States Core CPI



Source: Bloomberg

Strategists are unlikely to have predicted that long duration "growth" stock P/Es would remain high and that shorter duration "value" stock P/Es would revert toward pre-COVID levels in this environment.

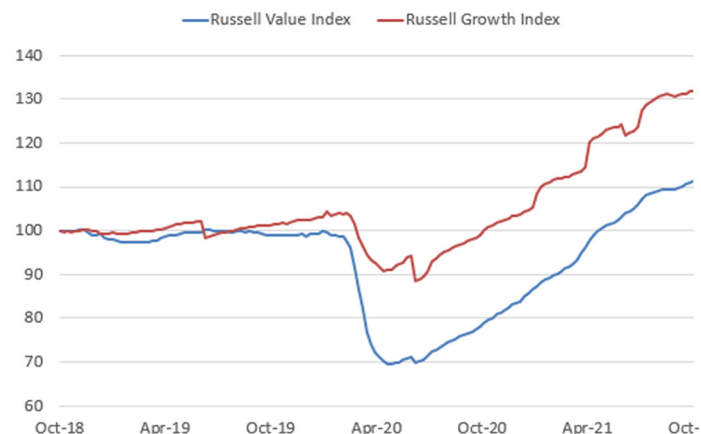
12m Forward P/E Ratio



Source: Bloomberg

Macro developments are unpredictable, as are their influence on financial markets. More observable is company earnings which seemingly go a long way in explaining the multiple difference shown above. 12m forward EPS of the US Russell value index is currently 10% above its pre COVID level while for the growth index it's 30% above.

12m Forward EPS (Index 100)



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
Peter Lanham

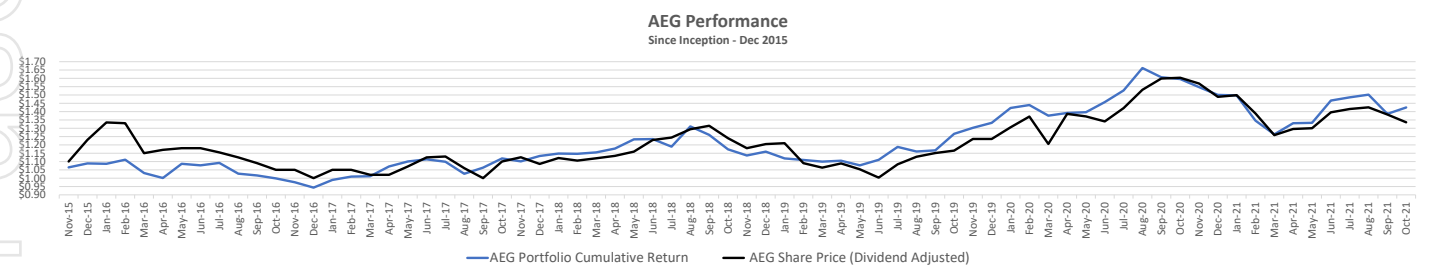
Absolute Equity Performance Fund Limited

Monthly NTA and Performance Update

As at 31 October 2021

	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%	1.30%	1.09%	-7.70%	2.78%			-5.04%
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

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.

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