



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

As at 30 April 2022

### NTA Per Share and Share Price

NTA before tax	\$0.955
NTA after tax	\$1.002
Share price	\$0.86

\$ currency notation refers to Australian Dollars.

### Manager Performance Commentary

The Portfolio returned -0.45% for the month. Our return was steady in a difficult market for equities and bonds. Earnings results for many companies are currently erratic. Add to that the ramp up in global inflation and outlook for steep interest rate increases, and associated implications for the economy, which has amplified uncertainty for equity markets.

Our top pair was MIN / FMG, BHP. MIN announced an acceleration of the resumption of lithium production and an upgrade to capacity. Their largest lithium asset, the Wodgina mine, has been on care and maintenance but is being restarted due to the booming lithium price. MIN's lithium assets are tier one and undervalued by the market. MIN also reported a strong quarterly. Our second-best pair was RHC/MPL with RHC being bid for by KKR. Our third best pair was ILU/RIO with key news being ILU's announcement of the decision to proceed with its rare earths refinery project at Eneabba with funding support from the federal government. ILU also reported a strong quarterly. We note ILU has a number of other exciting and valuable projects to monetise in the future.

RMD/ANN was our bottom pair. RMD announced its Q3 result which missed forecasts. For the last 9 months RMD has had a boost to sales due to Phillips recall. Demand for their product exceeds availability. RMD is being constrained by a shortage of semiconductors, a situation which has worsened rather than improved most recently. PBH/SKC was our second worst pair and reflected continued weakness playing out amongst peer companies. PBH reported an improved quarterly on the last day of the month. There was no news influencing our third worst pair, ALQ/AZJ.

### Market Observations

After pausing in March, share markets resumed their downtrend in April with the issues of slowing growth, rising bond yields, elevated inflation and stimulus withdrawal weighing. US markets suffered the most and reflected the sharp sell-off across technology and related stocks which form a larger part of the US indices than elsewhere (see chart comparison with ASX below to illustrate). By contrast, energy and commodity stocks remained well bid as were financials as interest rate spreads recover, and this saw markets like the UK (flat) and Australia (-1%) fare relatively well. In bond markets, yields continued to surge higher and at current levels are setting the scene for one of their worst quarterly performances in history (see chart below). Perhaps the only asset class yet to roll over is real estate, but that's likely a timing issue due to lags in data measurement and reporting.

### NTA\* Performance

1 month	-0.45%
3 months	-12.04%
12 months	-11.75%
Since inception (annualised)	1.53%

\*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>	6.05%
Grossed up dividend yield <sup>†</sup>	8.64%
Shares on issue	90,264,949
NTA*	\$86,167,135

\* 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	Mineral Resources (MIN)	Short	BHP (BHP) / Fortescue Metals (FMG)
Long	Ramsay Health Care (RHC)	Short	MediBank (MPL) / Healius (HLS)
Long	Iluka Resources (ILU)	Short	Rio Tinto (RIO)

### Least Profitable Pairs for the Month

Long	ResMed (RMD)	Short	Ansell (ANN)
Long	PointsBet (PBH)	Short	SkyCity Entertainment (SKC)
Long	ALS (ALQ)	Short	Aurizon (AZJ)

### Portfolio Snapshot

Long exposure	Month End	51.3%
Short exposure	Month End	-48.7%
Net market exposure	Month End	2.6%
Gross market exposure*	Month End	\$340,785,200
Leverage factor (x NTA)	Month End	4.0
Average leverage factor (x NTA)	Since Inception	4.5

\* Sum of long and short positions in the Portfolio

### Contact Details

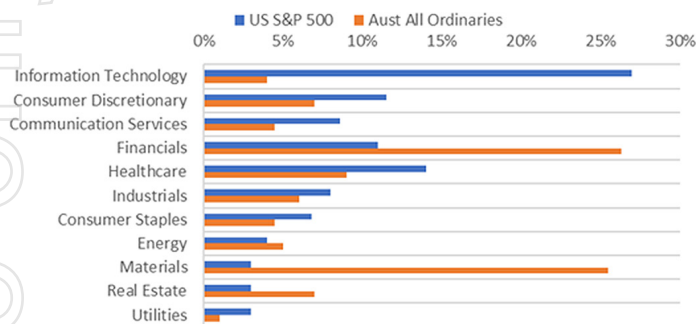
Company	Absolute Equity Performance Fund Limited (ACN 608 552 496)
Address	Level 12, Grosvenor Place, 225 George St, Sydney, NSW 2000
Phone Number	02 8016 2819
Email	<a href="mailto:info@aepfund.com.au">info@aepfund.com.au</a>
Website	<a href="http://www.aepfund.com.au">www.aepfund.com.au</a>

# Absolute Equity Performance Fund Limited

## Monthly NTA and Performance Update

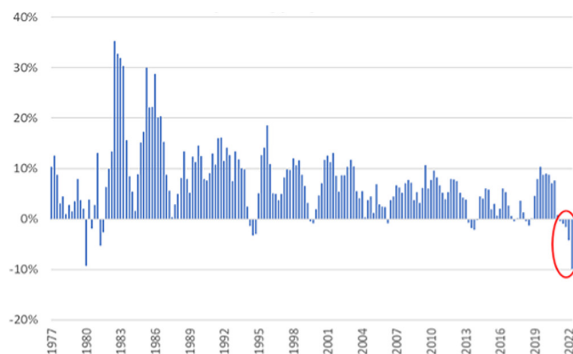
As at 30 April 2022

S&P GICS Sector Weight



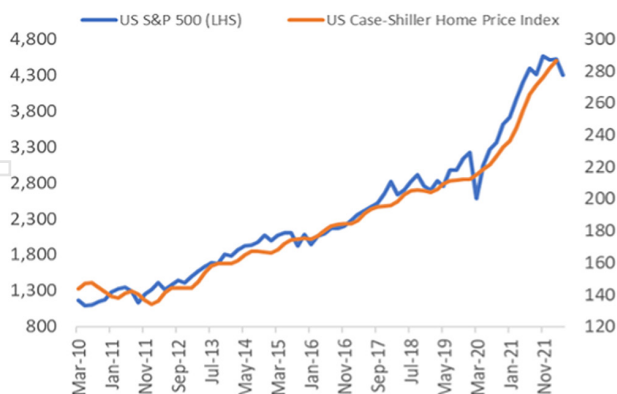
Source: Bloomberg

Bloomberg US Aggregated Bond Index



Source: Bloomberg

Equities vs House Prices



Source: Bloomberg

The outlook for equities has become highly uncertain. It is clear the quantum of stimulus provided by governments and central banks through the pandemic was excessive, resulting in what is now a large disconnect between economic conditions (unemployment low, inflation high) and policy settings. Central banks are now playing catch-up, raising interest rates and shrinking their balance sheets. While share markets have discounted some of these headwinds, having sold off as much as 20% from their recent peaks, many markets are still trading at levels well above pre COVID levels.

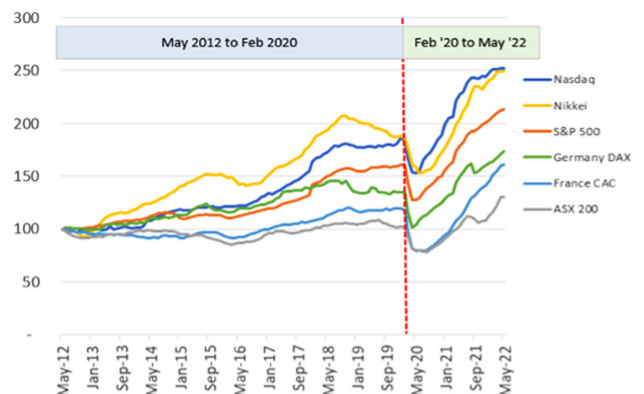
Share Market Index	S&P 500	Nasdaq	MSCI Europe	MSCI Nikkei	MSCI Asia ex Japan	ASX 200
Pre COVID price level (29 Feb 20)	2,954	8,567	126	21,143	638	6,441
Price level at peak (month end)	4,766	15,645	162	29,453	893	7,535
Month of peak	Dec-21	Dec-21	Apr-22	Sep-21	Jun-21	Aug-21
Gain from pre COVID to peak	61%	83%	29%	39%	40%	17%
Price level now (30 Apr 22)	4,132	12,335	150	26,848	687	7,435
Decline since peak	-13%	-21%	-7%	-9%	-23%	-1%
Overall gain (pre COVID to now)	40%	44%	20%	27%	8%	15%

Source: Bloomberg.

The other challenge for equities is earnings. While some sectors were negatively impacted during COVID and are now recovering, stocks overall have enjoyed a period of super-charged earnings growth during the last 2 years. We are seeing a variety of companies starting to downgrade their earnings outlook, making clear that current earnings levels are anything but assured given the influence of excessive stimulus.

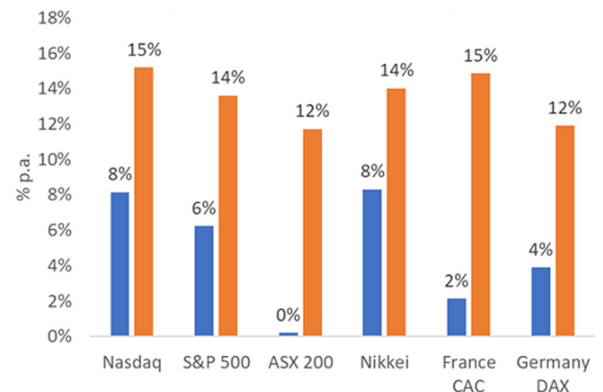
Note that in the following chart we set the end of the first and start of the second period pre COVID, in order to remove the distortion of the COVID earnings collapse from both periods. The last chart highlights the scale of the boost earnings have had post COVID. Of particular note is Australia's moribund earnings growth in the 8 years prior to COVID.

Share Market EPS (Index 100)



Source: Bloomberg

EPS CAGR pre COVID vs since COVID



Source: Bloomberg

# Absolute Equity Performance Fund Limited

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### 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

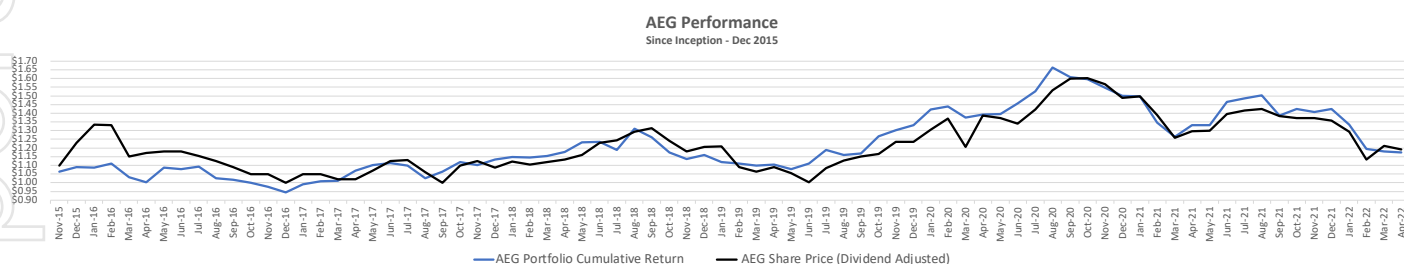
Lisa Dadswell

### Directors

Marc Fisher (Chair)  
Will Harrison  
Daniel Liptak

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-6.23%	-10.55%	-1.23%	-0.45%									-17.52%
2021	-0.22%	-10.12%	-6.13%	5.33%	0.13%	10.08%	1.30%	1.09%	-7.70%	2.78%	-1.31%	1.25%	-5.12%
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.

