

Feb-16 +2.37 %
Latest 12 Months +36.28 %

Key Points:

□ Research driven, market and sector neutral, "pairs" trading strategy investing primarily in large cap stocks from the ASX/S&P100 Index, with 14-year track record and annualised net returns of 18.51%.

□ Portfolio Manager Richard Fish has 30 years' experience, while Bennelong Funds Management provide infrastructure, operational and compliance functions across a number of underlying funds.

□ The Fund's Investment history commenced in February 2002 and has a performance history that includes 11.95% return in 2008 and 20.6% in 2011, both of which were negative years for the ASX200.

□ The Fund's returns across its investment history indicates the Manager's ability to provide positive returns in volatile and negative markets and significantly outperform the broader market.

Management Company Overview:

The Bennelong Long Short Equity Fund (the "Fund") is an Australian Absolute Return fund established in 2002 by Richard Fish. BLSEM staff control 60% of the investment manager with the remainder owned by Bennelong Funds Management (BFM).

Fish has over 28 years' experience in Australian equity markets including 10 years with the Australian equities team at National Australia Asset Management, a division of the National Australia Bank. In May 2012 Sam Shepherd joined the firm from Credit Suisse, where he ran the Melbourne institutional equities desk. Shepherd's 20-year experience also covers JP Morgan and Norwich Investment Management. They are supported by experienced investment analyst, Sam Taylor. Steve Lambeth joined BLSEM as Senior Investment Analyst in August 2014. He has over 10 years' experience in the funds management industry. Most recently, Lambeth worked with JCP Investment Partners where he was Senior Investment Analyst, responsible for company research and valuation and was also integrally involved in portfolio decision making across a range of investment portfolios, including the JCP 150/50 long short fund.

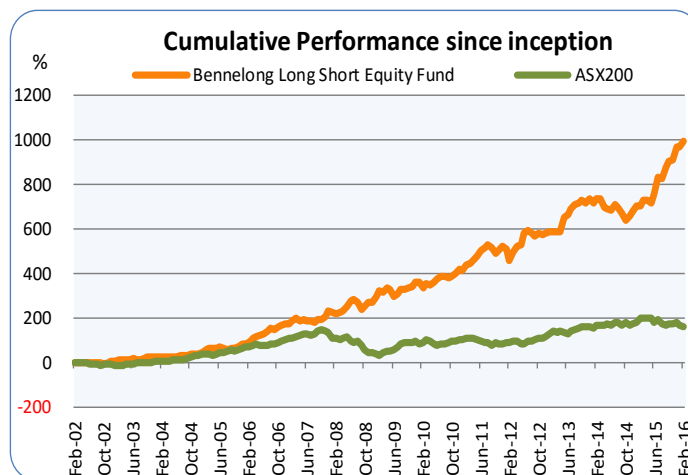
Investment Approach

The Fund only invests in ASX listed stocks, primarily within the top 100 by market capitalisation², using a disciplined "pairs



Key Performance Statistics	Bennelong	Index*
Feb-16	2.37	-1.76
Annualised Return	18.51	7.04
Latest 3 Months	8.42	-4.61
Latest 6 Months	18.29	-4.05
Latest 12 Months	36.28	-13.73
Latest 24 Months p.a.	14.26	-0.60
Latest 36 Months p.a.	16.90	2.99
Latest 60 Months p.a.	15.23	4.86
% Positive Months	67.46	62.13
Best Month	10.16	7.98
Worst Month	-8.98	-12.61
Largest Drawdown	-12.22	-47.19
Average +ve Return	3.28	3.06
Average -ve Return	-2.24	-3.33
Annualised Standard Deviation	11.83	13.03
Downside Deviation (Since Inception)	6.48	9.70
Sharpe Ratio (Since Inception)	1.14	0.26
Sortino Ratio	1.97	0.26

*Index is ASX200 Total Return adjusted since Fund's Inception



Performance - Net of Fees (%)														Bennelong Long Short Equity Fund
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
2016	-0.29	2.37	-	-	-	-	-	-	-	-	-	-	2.07%	
2015	2.66	0.05	3.59	0.03	-1.91	4.86	8.85	-0.69	5.71	2.54	0.65	6.22	37.14%	
2014	-2.32	2.50	0.16	-4.97	-0.80	-0.44	3.04	-1.56	-3.59	-4.33	3.12	2.83	-6.63%	
2013	0.46	-0.28	0.69	0.01	9.49	1.10	3.52	2.27	0.83	1.88	-1.80	2.68	22.46%	
2012	-2.04	-8.43	6.35	4.22	1.19	8.47	1.57	-1.61	-2.00	1.69	-0.41	0.89	9.20%	
2011	-0.59	4.39	1.85	2.34	3.09	4.12	2.12	1.91	-1.25	-5.06	3.09	3.27	20.60%	
2010	0.25	-6.16	4.77	-1.10	3.24	2.84	2.90	-0.96	-0.98	1.23	2.87	3.65	12.71%	
2009	5.69	7.88	-1.72	4.26	-1.24	-7.16	2.24	5.61	-1.14	2.65	1.71	3.57	23.64%	
2008	-2.10	-2.82	3.40	1.06	7.07	7.36	1.16	-3.57	-8.98	3.78	5.78	0.49	11.95%	
2007	0.55	5.42	3.62	-3.12	0.92	-2.90	1.70	-3.72	5.63	-0.22	4.41	9.04	22.51%	
2006	1.24	4.76	10.16	2.90	2.59	0.95	5.57	7.67	-2.62	5.22	2.01	1.35	49.91%	
2005	6.29	7.29	5.01	-0.49	-0.27	1.81	-2.87	-1.51	4.10	-2.33	2.88	8.73	31.64%	
2004	0.19	0.17	0.49	-3.41	0.78	2.60	4.36	-0.80	3.22	1.42	-0.29	1.61	10.59%	
2003	2.34	6.21	-0.44	0.61	0.82	3.00	-1.93	-0.99	2.01	4.85	3.78	-1.27	20.33%	
2002	-	-3.31	3.12	-1.05	-0.31	-0.92	1.17	2.64	-3.45	-2.61	3.86	4.59	3.36%	

trading" approach while remaining broadly market neutral on a cost basis.

In a typical environment the Fund will hold around 70 stocks comprising 35 pairs. Each pair contains one long and one short position each of which will have been thoroughly researched and are selected from the same market sector. Ideally each stock's position will make a positive return, it is the relative performance of each of the pair that is important

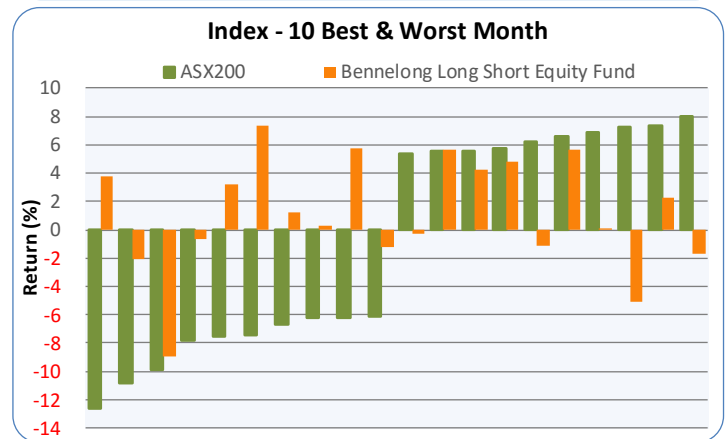
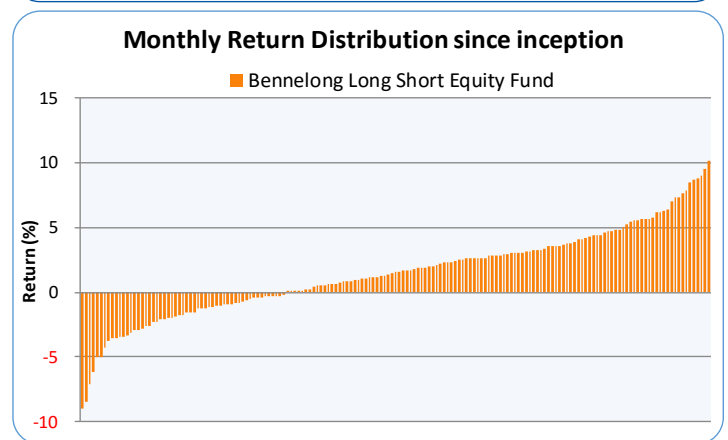
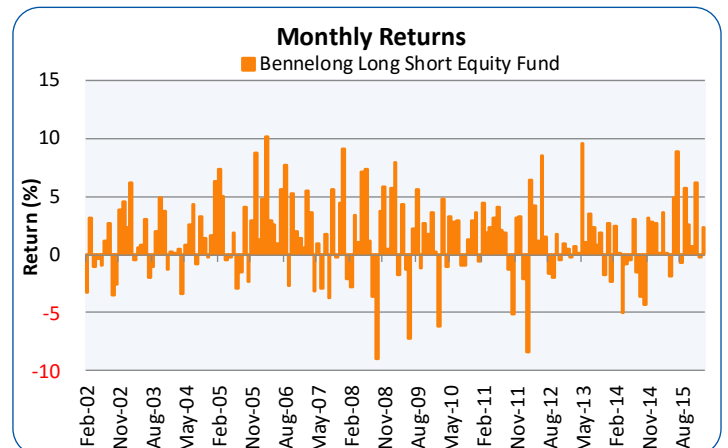
As a result, the Fund can make positive returns when each stock moves in the same direction provided the long position outperforms the short one in relative terms. However, if neither side of the trade is profitable, strict controls are required to ensure losses are limited, it is the relative performance of each of the pair that is important. As a result, the Fund can make positive returns when each stock moves in the same direction provided the long position outperforms the short one in relative terms. However, if neither side of the trade is profitable, strict controls are required to ensure losses are limited.

Fundamental Research & Analysis

The fundamental research and formation of a view on sectors and individual stocks is focused on the top 100 ASX stocks. Information and initial ideas are generated from a range of sources including broker research and ASX notices.

The nucleus of the idea may come as a result of stock specific views, or may be driven from an overall sector view. In addition to Fish and his team's extensive market experience, industry contacts provide the genesis of ideas which help to identify opportunities.

Ideas and potential opportunities are researched in detail using fundamental analysis to determine both the absolute and relative value of stocks which make up the sector in question. An internal matrix and analysis system has been developed to thoroughly test and analyse stocks within the sector prior to selecting the "pair" that will be used to implement the trade.



The final portfolio construction is subject to strict risk limits and controls, and the portfolio is subject to continuous review and adjustment. On average each pair makes up only 3% of the overall portfolio, with a range of between 2 and 5%, and at the time of the initial investment each pair is broadly dollar neutral.

Investment Risk & Processes

The Fund uses no derivatives and has no currency exposure. The Fund has no hard stop loss limits, instead relying on the small average position size per stock (1.5%) and per pair (3%) to limit exposure. Where practical pairs are always held within the same sector to limit cross sector risk, and positions can be held for months or years.

In addition to the investment team's undoubted skill and knowledge of their market universe, the Fund's performance is driven by the ability to make positive returns from both the long

Performance Commentary

- The Fund's strong historical performance indicates an ability to generate high annualised returns whilst preserving capital across the market cycle. In February 2016, the Fund return +2.37% compared to the ASX200 Accumulation Index that returned -1.76%. Since inception the Fund has produced an annualised return of 18.51% against the broader ASX200 Accumulation return of 7.04%.
- These returns have been achieved with slightly lower volatility than the broader market, as shown by the Fund's standard deviation of 11.83% against the ASX200's standard deviation of 13.03%.
- Although highly risk averse, the Fund has experienced five negative months of -5% or above, however to date investors have never experienced more than three consecutive negative months. The Fund has a low correlation to the ASX200's worst months, frequently providing excellent positive returns when the market falls sharply.
- The Fund's largest drawdown of 12.22% occurred in 2008 at the height of the GFC when the market fell over 47%. When the market is rising strongly however performance can be mixed.

and short side of the paired stocks in question. However, this can have the opposite effect when neither side performs as expected. The Fund can also gear up to 5 times NAV, and is frequently geared to 4 times NAV (2 times long, plus 2 times short), which is high compared to some of the Fund's peers. Gearing can significantly increase returns on profitable trades, but can also amplify losses on losing positions, and should therefore be used judiciously.

The Fund's historical performance has certainly been enhanced by the use of gearing, and while these gearing levels do create some increased risk, Fish's market knowledge and experience has successfully managed the performance over a sufficient length of time and through significant market volatility, particularly during 2008. As such this supports his view that the gearing levels are suitable and appropriate considering the other risk limits and processes in place.

Operational and Business Risk

Operational and business risk is considerably reduced as a result of the umbrella of Bennelong Funds Management, which has interests in a variety of fund management offerings and provides the Fund with back office, operational and compliance functions.

The main operational risk concerns "key man" risk to Richard Fish. However, investment analysts Taylor and Lambeth offer significant support by providing core company research and portfolio analysis. Meanwhile Sam Shepherd adds additional depth to the team given his 20-year industry experience and previous knowledge of the Fund's investment strategy and style. In summary the size and structure of the portfolio, and in particular the liquidity of the top 100 stocks in which the Fund normally invests, coupled with the expanded investment team, significantly reduces the operation's reliance on Fish.

Structure, Terms & Conditions and Fees

Bennelong Funds Management Ltd (ACN 111 214 085) is an Australian company which was registered with ASIC on 1 October 2004. The company holds AFS Licence number 296806 issued on 8th March, 2006. The minimum investment is \$500,000 with no lock up or exit restrictions with a redemption notice of 30 days.

These is a 1.5% p.a. management fee, payable monthly, with a 20% annual performance fee subject to a high water mark.

The Fund is structured as an Australian Unit Trust, with no offshore version. The Fund is currently soft closed and as such open to existing investors only.

Bennelong Long Short Equity Fund Key Terms	
Strategy	Equity Market Neutral
Domicile	Australia
Investor Type	Wholesale only
Min. Investment	A\$500,000
Additional Investment	A\$500,000
Management Fee	1.5% p.a
Performance Fee	20% p.a, with high water mark
Hurdle	No
Min. Term	No minimum
Redemption	Monthly
Inception Date	Feb-02
Fund Size	A\$350 million
Manager's Total FUM	\$5.5 bn (Bennelong Funds Managm't)
Status	Soft Closed

The Bennelong Market Neutral Fund, which has the same strategy and liquidity is available for retail investors.

Service Providers

Custodian and Prime Broker:	UBS
Administrator:	TMF Fund Services
Auditors:	Deloitte Touche Tohmatsu
Legal:	DLA Piper

This Report is valid till April 2016

About Australian Fund Monitors

Australian Fund Monitors (AFM) is a specialist research and information provider focusing on the Absolute Return and Hedge Fund Sector. Established in 2006, AFM holds AFS licence 324476 to provide general advice to wholesale investors only.

AFM Information and Research Services

AFM's Information Services provide comparative performance and factual fund data along with industry information available on www.fundmonitors.com and www.prismsselect.com.

AFM Research Services include AFM Fund Reviews which provide quantitative performance information along with descriptions of various aspects of each specific fund and the fund's manager. AFM Fund Reviews do not contain financial advice but are designed to provide self-directed investors and their advisers with an accurate, balanced and verifiable description of the fund's strategy and the manager's approach to enable the reader to make an informed decision on the suitability of the product for their particular purposes.

AFM FACTORS Research

AFM FACTORS Reports consist of in depth and detailed due diligence reports on specific funds and are designed for use by the research departments of dealer groups, financial advisers, and platforms. FACTORS research provide a quantitative approach to a range of operational and due diligence factors which combined with a detailed qualitative description provides the basis for inclusion of a particular fund on the approved product lists. AFM FACTORS reports are updated quarterly.

AFM Research Methodology

AFM's research product and methodology has specific benefits and features which differentiates AFM Fund Reviews from other research products.

AFM Fund Reviews do not provide ratings or recommendations:

We believe that blanket ratings and recommendations can be misleading, and are not able to take into account the financial circumstances or objectives of individual investors.

AFM Fund Reviews are clearly and concisely written:

This enables investors or their advisors to understand the objective and processes behind each fund's strategy, and structure and operations of the management company. When used in conjunction with the quantitative comparison of the fund's key performance and risk indicators (KPI's) included in each Fund Review, the reader is in a better position to make an informed decision regarding the suitability of the fund for individual investor's requirements.

AFM Fund Reviews are updated every month:

Out of date research is potentially inaccurate research. Not only can a fund's performance and risk profile change over the course of the year (typically the cycle for much of the managed fund research available) but so can operational details and investment personnel. Each AFM Fund Review contains an expiry date, and each fund manager is not permitted to distribute out of date reviews.

AFM specialises in the absolute return, hedge and actively managed fund sector:

We believe that this is a specialised area of the managed fund market, and as such requires a specific focus and expertise. The seniority and experience of AFM's research team and our focus explains why we label our product as:

"Trusted, Targeted Research"

Disclaimer & Copyright

The information in this report, including financial returns, strategies, and other content (collectively referred to as "Content") has been prepared and issued by **Australian Fund Monitors** Pty Limited (A.C.N. 122 226 724, AFSL 324476) otherwise referred to as AFM. The information and content herein does not constitute financial advice and is for general information purposes only. Users of this report or any Content of AFM's websites (the "Websites") should not act or make any financial decision without first seeking professional advice. Whilst the Content has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by **AFM** for any errors or omissions or misstatements contained herein. Any opinions, forecasts or recommendations reflect information and assumptions at the date of publication and may change without notice. In preparing the Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Disclosure of Interest

AFM has or may have, received fees either directly from a company itself or by a third party to provide consultancy services or corporate research. AFM has or may have interests in, or received fees either directly from a company itself or by a third party to provide consultancy services or corporate research. Australian Fund Monitors Pty Limited, its directors, employees or related parties (collectively "AFM") may have investments in, or commercial relationships with, companies or entities which are mentioned in this Report, and which might give rise to a potential conflict of interest.

Copyright Protection

All Content herein is owned by **Australian Fund Monitors** Pty Limited (A.C.N. 122 226 724) and is protected by copyright. You must not copy, frame, modify, transmit or distribute the content in full or in part, without seeking the prior written consent of the copyright owner. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright © 2016 by **Australian Fund Monitors** Pty Limited All rights reserved.

No Warranties

AFM does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content. All information and content in this report is provided on an *as is* basis, without warranty of any kind either express or implied. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other. Furthermore, AFM does not warrant or represent that this content is error free.