

Bennelong Kardinia Absolute Return Fund

Monthly performance report

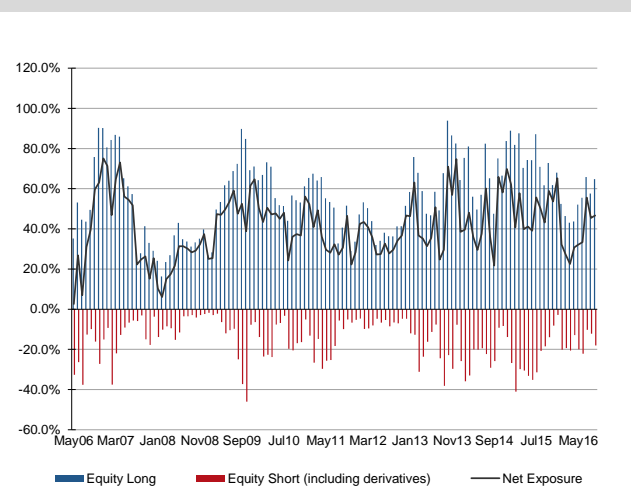
As at 30 September 2016

Fund at a glance

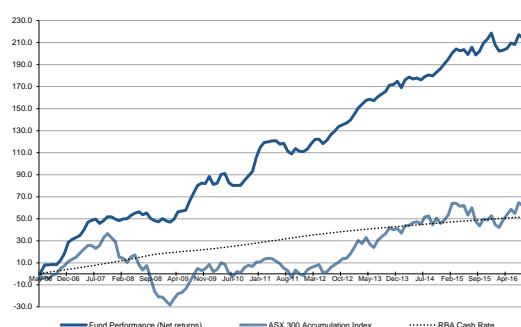
| Fund facts | |
|-------------------------------|--|
| Strategy | Long-short Australian equity |
| Process | Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation |
| Objective | To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection |
| FUM | AUD 330.4 million |
| Inception date | 1 May 2006 |
| Unit price: daily series | 1.2058 |
| Unit price: monthly series | 1.4258 |
| Fund managers | Mark Burgess, CFA® Kristiaan Rehder, CFA® |
| Annualised return | 11.59% |
| Return since inception | 213.37% |
| Annualised standard deviation | 7.26% |
| Sharpe ratio (RFR=RBA cash) | 1.04 |
| Percentage of positive months | 72.00% |

Fund in review

Portfolio exposure analysis



Fund performance



| Timeframe | Fund return | Benchmark | Value added |
|----------------------|-------------|-----------|-------------|
| 1 month | (0.22%) | 0.12% | (0.34%) |
| 3 months | 1.68% | 0.40% | 1.28% |
| 6 months | 3.36% | 0.86% | 2.50% |
| 1 year | 3.69% | 1.87% | 1.82% |
| 3 years p.a. | 5.66% | 2.22% | 3.44% |
| 5 years p.a. | 8.45% | 2.74% | 5.71% |
| Since inception p.a. | 11.59% | 4.08% | 7.51% |

Note: Performance results are presented net of all transaction costs, investment management and performance fees and all other costs incurred by the Fund. Performance is the total return of the fund (assuming re-investment of distributions) and is quoted based on hard-close unit prices, without including the impact of buy/sell spreads. The benchmark is the RBA cash rate and the inception date is 1 May 2006.

Market and fund commentary

The S&P/ASX300 Accumulation Index rose 0.51% in September, outperforming major developed world peers. The Australian market fell nearly 4% mid-month due to concern over a potential rise in the US Federal Funds Rate and a less dovish narrative from the European Central Bank, but recovered in the second half of the month as the US Federal Reserve left rates on hold and commodity prices generally rose (particularly coking coal, which was up 54% for the month).

Australian economic data was generally positive, with 2Q GDP up 3.3% and capex intentions upgraded. The Reserve Bank of Australia left its official cash rate

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 30 September 2016

unchanged at 1.50%. The Australian dollar was volatile throughout the month but finished up 1.9% at US\$0.767.

Materials (+5.6%), Staples (+1.7%) and Financials ex REITs (+0.6%) outperformed, whilst higher bond yields led to underperformance from REITs (-4.3%), Telcos (-4.0%) and Utilities (-3.3%).

The Bennelong Kardinia Absolute Return Fund fell 0.22% in September. Long positions in BHP, South32 and RIO were the largest positive contributors, whilst TPG Telecom, Skycity Entertainment and S2 Resources were the largest detractors from performance. Net equity market exposure (including derivatives) increased from 45.4% to 46.7% (64.7% long and 18.1% short).

Fund performance

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2016 | -3.42% | -1.78% | 0.30% | 0.52% | 1.60% | -0.47% | 2.95% | -1.02% | -0.22% | | | | -1.66% |
| 2015 | 1.44% | 1.90% | 1.24% | -0.59% | 0.41% | -1.49% | 2.20% | -2.27% | 1.14% | 2.45% | 1.16% | 1.74% | 9.60% |
| 2014 | -2.12% | 2.69% | 0.87% | -0.63% | 0.36% | -0.66% | 1.07% | 0.56% | -0.31% | 1.22% | 1.13% | 1.53% | 5.77% |
| 2013 | 2.21% | 2.36% | 1.42% | 1.34% | 0.40% | -0.46% | 1.31% | 0.96% | 0.93% | 2.17% | 0.15% | 1.11% | 14.76% |
| 2012 | 1.08% | 2.30% | 1.82% | 0.04% | -1.79% | 1.38% | 2.30% | 1.38% | 1.85% | 0.68% | 0.71% | 1.07% | 13.52% |
| 2011 | 4.25% | 2.13% | 0.23% | 0.37% | 0.11% | -1.41% | 0.31% | -3.23% | -1.19% | 2.31% | -1.16% | -0.13% | 2.42% |
| 2010 | -3.82% | 0.66% | 4.36% | 0.36% | -4.38% | -1.33% | 0.03% | 0.09% | 2.49% | 2.19% | 2.02% | 6.84% | 9.33% |
| 2009 | -1.46% | -0.68% | 1.79% | 4.56% | 0.34% | 0.54% | 5.31% | 4.41% | 3.86% | 1.21% | -0.28% | 3.59% | 25.47% |
| 2008 | -1.00% | 1.12% | 0.17% | 1.93% | 1.33% | 0.87% | -1.72% | 1.02% | -3.20% | -1.29% | -0.81% | 2.04% | 0.30% |
| 2007 | 2.04% | 1.28% | 1.45% | 3.74% | 4.95% | 1.21% | 0.65% | -2.62% | 1.76% | 2.36% | -0.02% | -1.34% | 16.36% |
| 2006 | | | | | 1.53% | 6.54% | -0.06% | 0.32% | -0.22% | 3.65% | 5.50% | 8.72% | 28.67% |

How to invest

The Fund is open to investors directly via the PDS, available on our [website](#), or via a range of platforms.

Platforms

| | |
|--|--|
| AMP: North, PortfolioCare (incl. eWrap), Wealthview, PPS | Hub 24 |
| Asgard: MasterFund, eWrap, Infinity | Macquarie Wrap: IDPS, Super |
| BT Wrap | Netwealth Wrap Services |
| CFS: FirstChoice, FirstWrap | Oasis: Dominion, Superior Wealth, Wealthtrac |
| Credit Suisse (HSBC) | UBS |

Federation Managed Accounts

Contact details

For more information, contact Client Services on 1800 895 388, or visit kardiniacapital.com.au

Notes:

- Kardinia Capital is an investment manager that invests solely in Australian and New Zealand securities.
- The Bennelong Kardinia Absolute Return Fund (Fund) was launched on 1 May 2006 by another trustee. Bennelong Funds Management Ltd (Bennelong) assumed responsibility as replacement trustee on 16 August 2011. Performance information prior to 16 August 2011 relates to the previous trustee. Mark Burgess and Kristiaan Rehder were employed by the previous trustee and became employees of Kardinia Capital Pty Limited (Kardinia), which has been engaged by Bennelong to manage the Fund, in August 2011. Kardinia intends to apply the same investment philosophy and strategy in respect of the Fund. Past performance is not a reliable indicator of future performance.
- Valuations are computed and stated in Australian dollars and are provided by independent service provider, Custom House Fund Services (Australia) Pty Limited (Custom House).
- Performance results are presented net of all transaction costs, investment management and performance fees and all other costs incurred by the Fund. Performance is the total return of the fund (assuming re-investment of distributions) and is quoted based on hard-close unit prices, without including the impact of buy/sell spreads.
- The Fund's benchmark is the RBA cash rate. Since inception annualised compound return is 11.59%; annualised compound benchmark return is 4.08%.
- A complete and detailed list of performance results including a presentation is available upon request.
- Please note that performance data for the Fund is historical data based on the main series using a monthly unit pricing methodology. For those who are invested in the daily series please contact Client Services (1800 895 388 or client.services@bennelongfunds.com) to request your performance history.

Disclaimer: This information is issued by Bennelong Funds Management Limited (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Kardinia Absolute Return Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388. BFML may receive management and/or performance fees from the Bennelong Funds, details of which are also set out in the current IM and/or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at 30 September 2016. Kardinia Capital (ABN 20 152 003 186) is a Corporate Authorised Representative of Bennelong Funds Management Limited (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.