

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

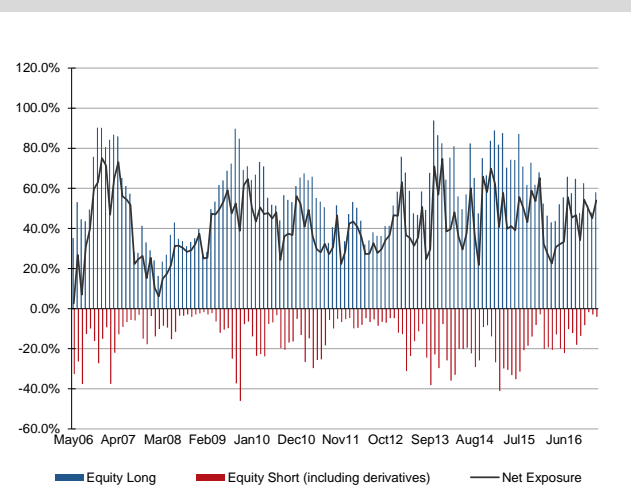
As at 28 February 2017

### Fund at a glance

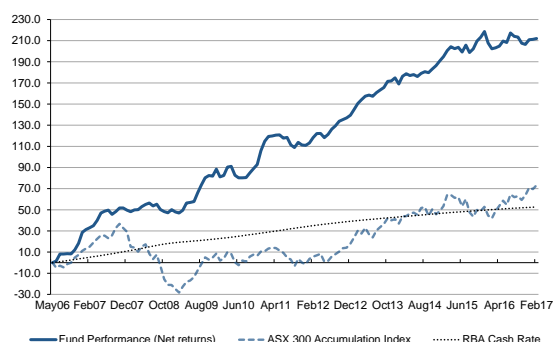
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 338.3 million
Inception date	1 May 2006
Unit price: daily series	1.1967
Unit price: monthly series	1.4143
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	11.07%
Return since inception	211.99%
Annualised standard deviation	7.19%
Sharpe ratio (RFR=RBA cash)	0.99
Percentage of positive months	71.54%

### Fund in review

#### Portfolio exposure analysis



#### Fund performance



Timeframe	Fund return	Benchmark	Value added
1 month	0.25%	0.12%	0.14%
3 months	1.82%	0.37%	1.45%
6 months	(0.65%)	0.74%	(1.40%)
1 year	3.21%	1.66%	1.55%
3 years p.a.	4.14%	2.08%	2.06%
5 years p.a.	7.41%	2.49%	4.92%
Since inception p.a.	11.07%	3.98%	7.09%

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.

Top holdings	Sector	%
NAB	Banks	9.9%
ANZ	Banks	9.8%
Westpac	Banks	5.2%
AGL Energy	Utilities	4.0%
Bluescope Steel	Materials	3.4%

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#### Market and fund commentary

Australian equities recovered in February with the S&P/ASX 300 Accumulation Index returning 2.18%. Australian news flow was dominated by reporting season with results generally exceeding market expectations.

Major US market indices posted a succession of record highs assisted by an earnings season which was largely positive. US equities were the best performing major market with the Dow Jones Industrial Average closing on all-time record highs 12 days in a row. The broader S&P500 index rose 4.0% for the month. Chinese economic data during the month was generally supportive of equity markets.

The Australian equity market generally underperformed global markets in February as profit taking in the Mining and Metals stocks dragged the Materials index down 3.2%. This was despite a strong rally in the iron ore price (+US\$8.50/Mt to US\$92.00/Mt) driven by rising steel prices following the announcement of cuts to Chinese steel production. The Australian dollar rose modestly to US\$0.766 in line with generally stronger commodity prices.

Materials (-3.2%), Telcos (-3.1%) and Energy (-2.1%) all fell, whilst Consumer staples (+6.2%), REITs (+4.1%) and Financials (+4.1%) rallied.

Large caps outperformed small caps again.

The Bennelong Kardinia Absolute Return Fund rose 0.25% in February. The Banks (NAB, ANZ) were the largest contributors to performance (combined +94 basis point contribution) after providing benign quarterly trading updates to the market. These updates were generally in line with market expectations and showed relatively stable net interest margins and improving bad debt performance. Other key positive contributors included Costa Group (+26bp) which lifted full year profit guidance to 25% growth after reporting a strong result driven by berry volumes and tomato pricing. Bluescope Steel (+23bp) had preannounced its interim result but surprised the market by upgrading full year profit guidance due to higher steel spreads and announcing a \$150m on-market share buyback. AGL Energy (+20bp) upgraded its full year profit guidance to the top of its range driven by higher wholesale electricity prices, which contribute 65% of group earnings.

The key negative contributors included Mineral Resources (-29bp), which fell despite beating market expectations and announcing a 25% increase to full year profit guidance. BHP and RIO (-23bp each) were weaker due to profit taking and concerns over the sustainability of iron ore prices. James Hardie (-21bp) reported a weaker than expected 3Q result due to plant inefficiencies and increased costs as they invested for growth.

Net equity market exposure increased from 45.1% to 53.9% (58.0% long and 4.1% short). We increased our exposure to the Banks sector during the month and this remains our largest sector exposure, followed by the Materials sector.

#### Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.12%	0.25%											0.37%
2016	-3.42%	-1.78%	0.30%	0.52%	1.60%	-0.47%	2.95%	-1.02%	-0.22%	-1.85%	-0.37%	1.45%	-2.44%
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%

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#### 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) Federation Managed Accounts	UBS

#### Contact details

For more information, contact Client Services on 1800 895 388 (AU) or 0800 442 304 (NZ), or visit [kardiniacapital.com.au](http://kardiniacapital.com.au)

#### Notes:

1. Kardinia Capital is an investment manager that invests solely in Australian and New Zealand securities.
2. 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.
3. Valuations are computed and stated in Australian dollars and are provided by independent service provider, Custom House Fund Services (Australia) Pty Limited (Custom House).
4. 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.
5. The Fund's benchmark is the RBA cash rate. Since inception annualised compound return is 11.07%; annualised compound benchmark return is 3.98%.
6. A complete and detailed list of performance results including a presentation is available upon request.
7. 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](mailto:client.services@bennelongfunds.com)) to request your performance history.

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