

Bennelong Kardinia Absolute Return Fund

Monthly performance report

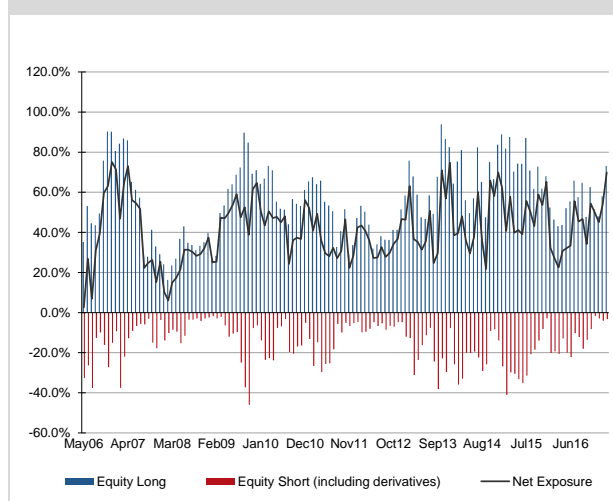
As at 31 March 2017

Fund at a glance

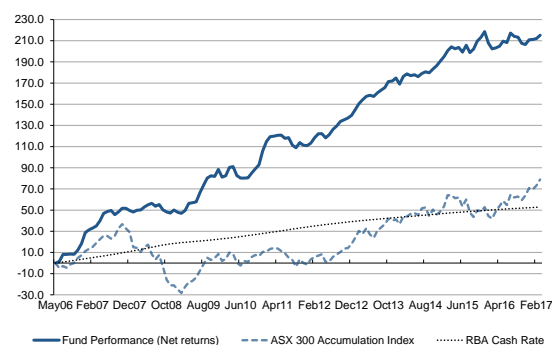
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 337.1 million
Inception date	1 May 2006
Unit price: daily series	1.2092
Unit price: monthly series	1.4290
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	11.09%
Return since inception	215.23%
Annualised standard deviation	7.16%
Sharpe ratio (RFR=RBA cash)	1.00
Percentage of positive months	71.76%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	1.04%	0.13%	0.91%
3 months	1.41%	0.37%	1.04%
6 months	0.59%	0.75%	(0.16%)
1 year	3.97%	1.62%	2.35%
3 years p.a.	4.19%	2.05%	2.14%
5 years p.a.	7.25%	2.44%	4.81%
Since inception p.a.	11.09%	3.96%	7.13%

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

Top holdings	Sector	%
NAB	Banks	9.9%
ANZ	Banks	9.6%
CBA	Banks	7.6%
Westpac	Banks	5.1%
AGL Energy	Utilities	3.6%
Rio Tinto	Materials	3.5%

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Market and fund commentary

Australian equities continued to rally in March with the S&P/ASX 300 Accumulation Index returning 3.28%, generally outperforming global equity markets, with the exception of Europe, which benefited from better than expected economic data.

Following a strong run over recent months, US equities underperformed in March as President Trump's failure to secure enough support for proposed healthcare reforms raised concerns about his ability to achieve proposed tax cuts and infrastructure investment. With a backdrop of strong economic data, the US Federal Reserve raised rates by 25bp mid-month as expected, although its outlook was more dovish than anticipated. The broader S&P500 index rose 0.1% for the month.

Commodity prices were generally weaker during the month, particularly iron ore (down US\$11.00/Mt to \$81.00/Mt) and oil (down US\$2.76/bbl to US\$52.83/bbl). The Australian dollar fell modestly to US\$0.763 in line with softer commodity prices.

All sectors recorded positive performance led by Utilities (+6.3%), Health Care (+5.5%) and Consumer Staples (+5.4%), whilst Telcos (+0.2%), Materials (+0.4%) and REITs (+0.6%) lagged.

The Bennelong Kardinia Absolute Return Fund rose 1.04% in March. AGL Energy (+36bp) was the largest contributor to performance driven by rising wholesale electricity prices, which contribute 65% of group earnings. The Banks (NAB, ANZ, CBA, WBC) were also solid contributors to performance (combined +82 basis point contribution) driven by out of cycle rate rises and seasonal effects. Other key positive contributors included Aristocrat Leisure (+16bp) which lifted full year profit guidance late in the previous month.

The key negative contributors included a short position in Spotless Group (-23bp), which received a takeover offer from Downer Group at a 59% premium to the last closing share price, and a short position in SPI Futures (-19bp) due to the positive return for the market. Resources (RIO, MIN, BHP, MGX) also detracted (combined -42bp) due to the fall in the iron ore price.

Net equity market exposure increased from 53.9% to 69.9% (73.1% long and 3.2% short). We increased our exposure to both the Banks and Materials sectors during the month, with these sectors remaining our largest two exposures.

Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.12%	0.25%	1.04%										1.41%
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)	UBS
Federation Managed Accounts	

Contact details

For more information, contact Client Services on 1800 895 388 (AU) or 0800 442 304 (NZ), or visit 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 11.09%; annualised compound benchmark return is 3.96%.
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) to request your performance history.

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