

Bennelong Kardinia Absolute Return Fund

Monthly performance report

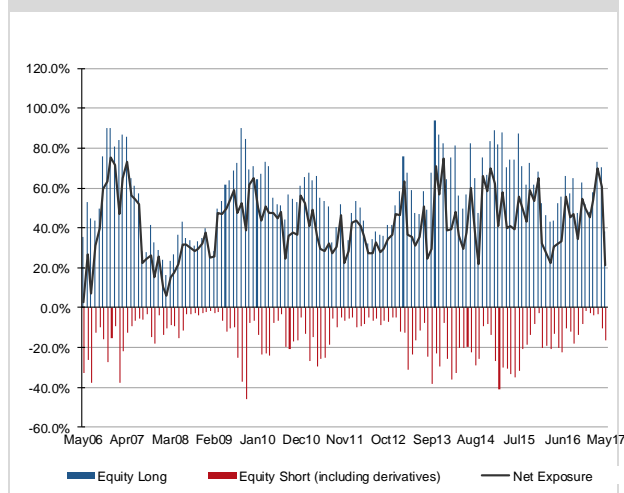
As at 31 May 2017

Fund at a glance

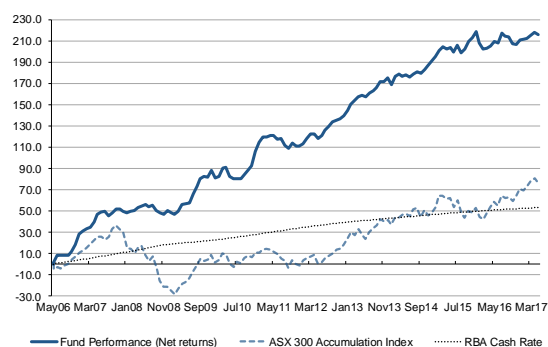
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 305.8 million
Inception date	1 May 2006
Unit price: daily series	1.2112
Unit price: monthly series	1.4309
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.93%
Return since inception	215.65%
Annualised standard deviation	7.13%
Sharpe ratio (RFR=RBA cash)	0.99
Percentage of positive months	71.43%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	(0.75%)	0.13%	(0.88%)
3 months	1.17%	0.38%	0.79%
6 months	3.02%	0.75%	2.27%
1 year	1.94%	1.55%	0.39%
3 years p.a.	4.34%	1.99%	2.34%
5 years p.a.	7.66%	2.36%	5.30%
Since inception p.a.	10.93%	3.93%	7.00%

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	%
Aristocrat Leisure	Consumer Services	3.4%
Boral	Materials	3.3%
Rio Tinto	Materials	3.1%
Ancor	Materials	3.0%
AGL Energy	Utilities	3.0%
Challenger	Diversified Financials	2.4%

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 May 2017

Market and fund commentary

The Australian market significantly underperformed overseas markets in May with the S&P/ASX 300 Accumulation Index falling 2.74%, driven by heavy selling in the banks. The Banks index fell 9.8% over the month after a weaker than expected reporting season, concern over the housing market outlook and the surprise announcement in the Federal Budget of a levy to be imposed on the major banks.

Overseas markets performed strongly following Emmanuel Macron's victory in the French election and strong US and European reporting seasons. The US market (S&P500 index) reached new record highs, closing +1.4% for the month while the UK market (FTSE 100 index) closed +4.9%.

Rising inventories and a strong supply outlook saw the iron ore price fall US\$9.50/Mt to US\$58.00/Mt, following last month's fall of US\$13.50/Mt. Oil also fell US\$1.42/bbl to US\$50.31/bbl. The Australian dollar fell 0.3c to US\$0.744.

The best sectors for the month were Industrials (+4.7%), Telcos (+3.4%) and Energy (+2.0%), whilst Financials ex REITs (-7.7%), Health Care (-2.1%) and REITs (-1.1%) lagged.

The Bennelong Kardinia Absolute Return Fund fell 0.75% in May. Aristocrat Leisure (+35bp) was the largest contributor to performance after a strong result driven by standout North American gaming and digital performance. Share Price Index Futures (+23bp) hedging long positions added value given the fall in the market. Other key contributors included RCR Tomlinson (+19bp) which rose after announcing several new solar farm contracts and Boral (+11bp) following the completion of its Headwaters acquisition. Short positions in retailers, retail REITs and banks were also effective.

The key negative contributors included NAB (-32bp) and ANZ (-27bp) although these positions were exited early in the month. Incitec Pivot (-22bp) reported its interim result, which was in line with expectations but suffered from falling fertilizer prices. CSR (-14bp) reported a weaker than expected result and was sold off on concerns the housing market has peaked.

Net equity market exposure including derivatives reduced from 60.3% to 21.5% (38.1% long and 16.6% short) as we moved from a significant long exposure to the four major banks to a net short position.

Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.12%	0.25%	1.04%	0.89%	-0.75%								1.54%
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%

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 May 2017

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 10.93%; annualised compound benchmark return is 3.93%.
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.

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 Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). 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 31 May 2017. 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.