

Bennelong Kardinia Absolute Return Fund

Monthly performance report

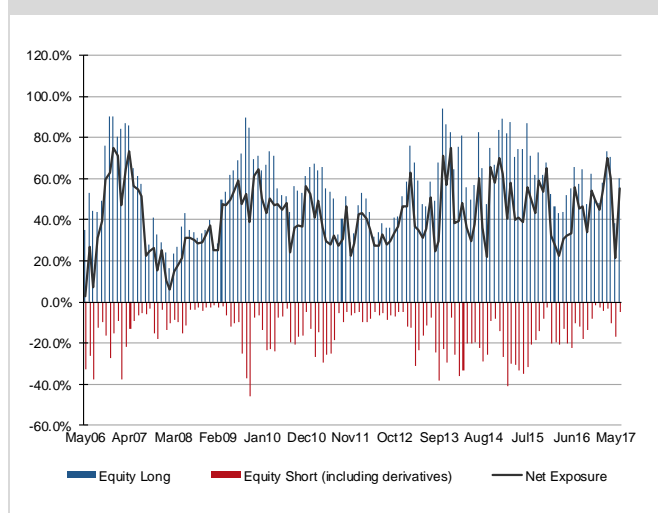
As at 30 June 2017

Fund at a glance

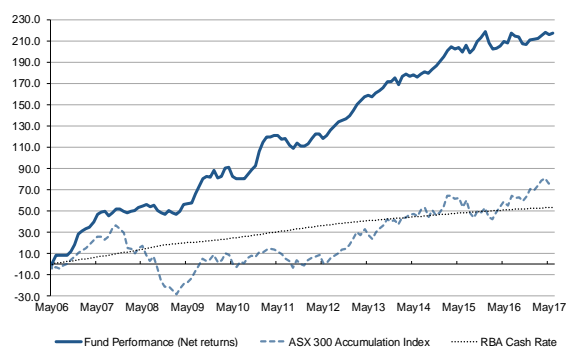
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 306.7 million
Inception date	1 May 2006*
Unit price: daily series	1.2171 cum distribution
Unit price: monthly series	1.4378 cum distribution
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.89%
Return since inception	217.16%
Annualised standard deviation	7.10%
Sharpe ratio (RFR=RBA cash)	0.99
Percentage of positive months	71.64%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	0.48%	0.12%	0.36%
3 months	0.61%	0.37%	0.24%
6 months	2.03%	0.75%	1.28%
1 year	2.91%	1.53%	1.38%
3 years p.a.	4.73%	1.97%	2.76%
5 years p.a.	7.47%	2.32%	5.14%
Since inception p.a.	10.89%	3.91%	6.98%

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	%
Commonwealth Bank	Banks	5.0%
NAB	Banks	4.9%
Rio Tinto	Materials	4.1%
Aristocrat Leisure	Consumer Services	3.5%
Boral	Materials	3.3%
Amcor	Materials	3.1%

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Market and fund commentary

The Australian market was volatile in June but ended largely flat. The S&P/ASX 300 Accumulation Index rose 0.22%, modestly underperforming the US S&P500 index which rose 0.6%.

Australian bond yields followed global bond yields higher after several central banks suggested that monetary policy would become less accommodative; this had a negative impact on rate sensitive sectors during the month.

The iron ore price reached a one year low mid-month but then rallied to finish US\$5.50/Mt higher at US\$63.50/Mt. Oil fell US\$2.39/bbl to US\$47.92/bbl on rising US inventories as US shale production continued to ramp up. The Australian dollar added 2.3c to US\$0.767.

The best sectors for the month were Health Care (+6.1%), Financials ex REITs (+1.6%) and Materials (+0.5%), whilst Energy (-6.9%), REITs (-4.8%) and Utilities (-2.7%) lagged.

The Bennelong Kardinia Absolute Return Fund increased 0.48% in June. Bluescope Steel (+27bp) was the largest contributor to performance driven by increased confidence in the outlook for US steel

spreads. Other key contributors included Amcor (+17bp) which rose after a North American investor tour highlighted significant growth opportunities, both organic and inorganic and Costa Group (+14bp) which benefited from rising avocado prices and increased citrus export demand. Short positions in retail REITs and rate sensitive stocks were also effective.

The key negative contributors included AGL (-13bp) which fell on concerns that wholesale power prices might have peaked. NAB (-11bp) and Macquarie Group (-8bp) underperformed the other major banks which finished in positive territory for the month despite Moody's downgrading the credit rating of the major four banks (due to concerns over the Australian housing market and high household debt levels) and the announcement of a state-based bank levy by the South Australian Government. BHP (-8bp) fell despite the bounce in the iron ore price.

Net equity market exposure including derivatives increased from 21.5% to 55.4% (60.4% long and 4.9% short) as we added holdings in three of the four major banks, increased our resources exposure (principally BHP, RIO and S32) and closed out a short position in SPI Futures.

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%	0.48%							2.03%
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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Asset allocation

Asset Type	Fund
Australian Listed Equities	55.4%
Exchange – traded derivatives	0.00%
Cash & cash equivalents	44.6%

Liquidity profile

We reasonably expect that the Fund will be able to realise 93% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's net asset value, within five business days.

Maturity profile of liabilities

Given the highly liquid nature of the assets the Fund

invests in, the Fund expects to be able to realise sufficient assets to meet the maturity profile of its liabilities.

Leverage ratio

The Fund is not leveraged.

Key services providers

Service	Service provider
Registry	Custom House Fund Services (Australia) Pty Ltd
Administrator	Custom House Fund Services (Australia) Pty Ltd
Custodian/Prime Broker	UBS AG Australia Branch
Derivative Counterparty	UBS AG Australia Branch
Cash Custodian	RBC Investor & Treasury Services Pty Ltd
Auditor	Deloitte Touche Tohmatsu

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

Footnote:

* 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.

Notes:

- Kardinia Capital is an investment manager that invests solely in Australian and New Zealand securities.
- 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 10.89%; annualised compound benchmark return is 3.91%.
- 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.

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