

Bennelong Kardinia Absolute Return Fund

Monthly performance report

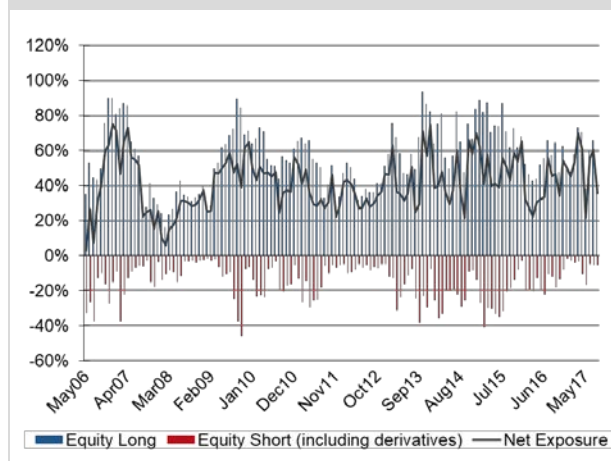
As at 31 August 2017

Fund at a glance

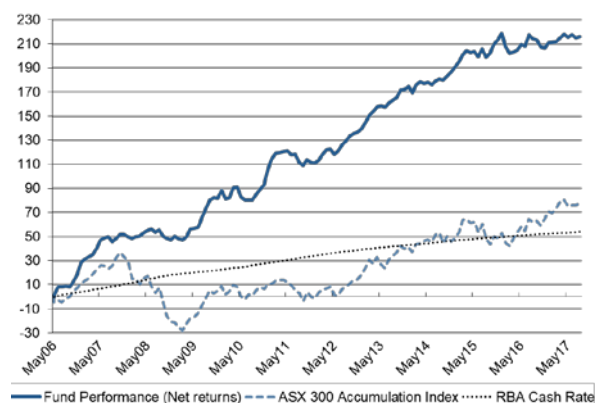
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 262.8 million
Inception date	1 May 2006
Unit price: daily series	1.1429
Unit price: monthly series	1.3496
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.69%
Total return since inception	216.18%
Annualised standard deviation	7.06%
Sharpe ratio (RFR=RBA cash)	0.97
Percentage of positive months since inception	71.32%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	0.34%	0.13%	0.22%
3 months	0.17%	0.38%	(0.21%)
6 months	1.34%	0.76%	0.58%
1 year	0.68%	1.51%	(0.83%)
3 years p.a.	4.06%	1.91%	2.15%
5 years p.a.	6.62%	2.26%	4.37%
Since inception p.a.	10.69%	3.87%	6.82%

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.

Largest holdings	Sector	%
Amcors	Materials	3.2%
Costa Group	Consumer Staples	2.3%
Computershare	Info Tech	2.1%
BHP	Materials	2.1%
Rio Tinto	Materials	2.1%
Aristocrat Leisure	Consumer Discretionary	2.1%

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Market and fund commentary

The Australian market was focused on profit reporting season in August, with the S&P/ASX 300 Accumulation Index rising 0.75%. Global equity markets posted modest gains (S&P500 +0.3%) despite ongoing geopolitical tensions due to North Korean missile tests.

Global economic data was generally positive, suggesting a period of synchronised global growth. US and European activity indices were strong. China manufacturing PMIs remained in expansion territory, but Chinese industrial production and export data lost momentum. The OECD noted that all 45 countries it follows were on track to grow this year.

The broad-based rally in commodities continued during the month, with very strong gains in base metals prices (copper +7%, nickel +15%, zinc +13%, aluminium +10%) as well as solid gains in iron ore, coal and steel prices. The AUD/USD fell 0.7% to US\$0.795.

The best sectors for the month were Energy (+5.7%), Consumer Staples (+5.3%) and Industrials (+4.6%); while Telcos (-7.4%), Financials ex REITs (-2.2%) and Consumer Discretionary (-1.5%) lagged.

The Bennelong Kardinia Absolute Return Fund increased 0.34% in August, with strong profit results from several key holdings driving positive performance.

Costa Group (+22 basis points for the month) reported a very strong result (net profit +37%), driven by robust growth in berries, tomatoes and a maiden profit in China (12 months ahead of schedule). The BHP (+17bp) result was mixed, but the market reacted

positively to near-record free cash flow (US\$12.6b) and the proposed divestment of its US onshore shale business. The Rio Tinto (+17bp) result was slightly below market expectations, but solid cash flow and a very strong balance sheet allowed the company to announce a US\$1b increase to the buyback. Both BHP and RIO benefited from gains in commodity prices during the month. Orora (+17bp) was weak leading into the result on concerns over higher electricity prices, but rallied strongly after the company reported earnings per share growth of 15% driven by cost initiatives and strong results in both the Australasian and North American businesses.

Bluescope Steel (-50bp for the month) reported a result generally in line with expectations, but weak guidance took the market by surprise. The outlook was impacted by lower steel spreads and higher coal and energy costs. CBA (-23bp) reported a solid result (cash NPAT +5%), but the result was overshadowed by the legal action taken by AUSTRAC alleging past and ongoing contraventions of anti-money laundering and counter-terrorism financing laws. JB Hi-Fi (-17bp) reported a solid result and trading update, but the stock was sold down as the market focused on the risks associated with Amazon's entry into Australia. Boral (-13bp) reported a solid result, but guidance was for only modest earnings growth in the Australian business for FY18.

The short book performed well, with Telstra, Scentre Group and Westfield all making solid contributions.

Net equity market exposure, including derivatives, fell from 60.4% to 35.8% (41.2% long and 5.4% short) as we sold our holdings in CBA and Bluescope Steel, and reduced our position size in a number of other stocks, including the major banks.

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%	-0.65%	0.34%					1.71%
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 Service
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 has applied 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 10.69%; annualised compound benchmark return is 3.87%.
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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