

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

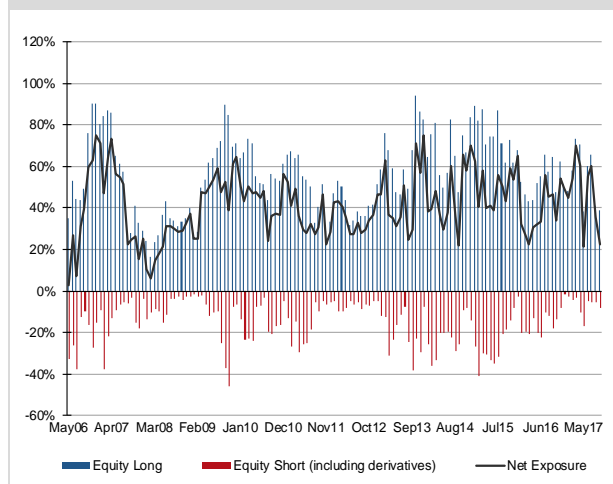
As at 30 September 2017

### Fund at a glance

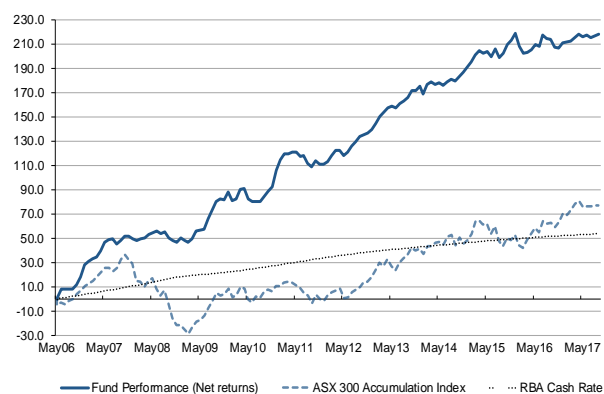
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 245.1 million
Inception date	1 May 2006
Unit price: daily series	1.1507
Unit price: monthly series	1.3585
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.67%
Total return since inception	218.26%
Annualised standard deviation	7.04%
Sharpe ratio (RFR=RBA cash)	0.97
Percentage of positive months since inception	71.53%

### Fund in review

#### Portfolio exposure analysis



### Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	0.66%	0.12%	0.53%
3 months	0.34%	0.38%	(0.03%)
6 months	0.96%	0.75%	0.21%
1 year	1.56%	1.51%	0.05%
3 years p.a.	4.39%	1.88%	2.51%
5 years p.a.	6.37%	2.22%	4.15%
Since inception p.a.	10.67%	3.86%	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	%
Ancor	Materials	2.9%
Costa Group	Consumer Staples	2.4%
Aristocrat Leisure	Consumer Discretionary	2.2%
Rio Tinto	Materials	2.2%
Boral	Materials	2.2%
BHP	Materials	2.1%

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#### Market and fund commentary

The Australian market was relatively flat in September (S&P/ASX 300 Accumulation Index +0.04%), underperforming global equity markets (S&P500 +2.1%, DJ Euro Stoxx 50 +5.2%, Nikkei 225 +4.3%). Global markets benefited from the release of US President Trump's tax framework, which proposed a reduction in the corporate tax rate from 35% to 20%, and the victory of German Chancellor Merkel's alliance in the German election. Late in the month the US Federal Reserve announced it would begin balance sheet normalisation.

Domestic economic data was generally solid, with business conditions and employment data strong. Global economic activity surveys were positive in the US, China and Eurozone, although actual economic data was weaker than expected in the US and China.

Commodities were generally weaker during the month (iron ore -20%, nickel -11%, copper -5%, gold -3%), driven by a stronger USD and impending steel production cuts in China as Chinese authorities seek to reduce pollution during the four-month winter heating period that begins mid-November. The key exception was oil (Brent +7%), as US refiners resumed operations post-hurricane and the International Energy Agency increased its forecast for oil demand. The AUD/USD fell 1.4% to US\$0.784.

The best sectors for the month were Health Care (+2.2%), Energy (+1.2%) and Financials ex REITs (+1.1%), while Telcos (-4.6%), Utilities (-3.7%) and Consumer Staples (-1.9%) lagged.

The Bennelong Kardinia Absolute Return Fund increased 0.66% in September, with most stocks in the portfolio providing positive performance.

South32 (+22bp basis point contribution for the month) was the largest contributor, despite weaker coal prices as the company began executing its upsized US\$750m buyback. RCR Tomlinson (+19bp) rallied after its recent capital raising left it well-placed to execute on a record order book and large pipeline of opportunities in solar and other infrastructure projects. Costa Group (+15bp) continued to rally after its recent strong result (net profit +37%), driven by robust growth in berries, tomatoes and a maiden profit in China (12 months ahead of schedule).

Amcor (-12bp for the month) was weaker following speculation regarding a potential acquisition of Bemis. Any such acquisition would likely be earnings per share accretive but potentially returns dilutive and accompanied by a large equity raising. BHP (-9bp) fell in line with softer commodities prices. Evolution (-9bp) was also weaker after the fall in the gold price, despite selling its lower quality Edna May gold mine.

The short book performed well, with Fortescue and Telstra the key contributors adding 20 basis points for the month.

Net equity market exposure, including derivatives, was reduced from 35.8% to 22.4% (39.0% long and 16.5% short) as we sold our holdings in ANZ and National Australia Bank and added short positions in Fortescue and Share Price Index 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%	-0.65%	0.34%	0.66%				2.38%
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 at [kardiniacapital.com.au](http://kardiniacapital.com.au)), or 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](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 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 10.67%; annualised compound benchmark return is 3.86%.
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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