

Bennelong Kardinia Absolute Return Fund

Monthly performance report

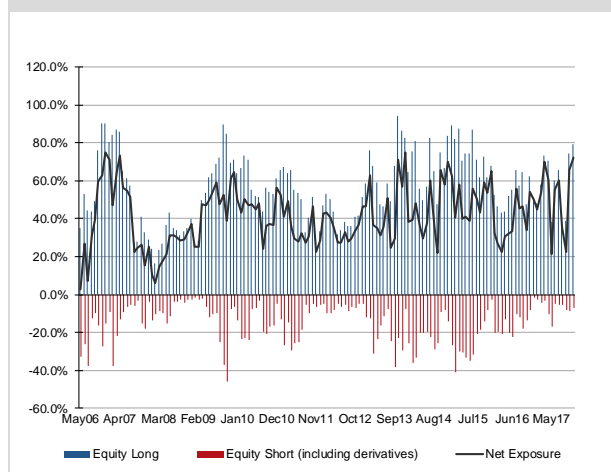
As at 30 November 2017

Fund at a glance

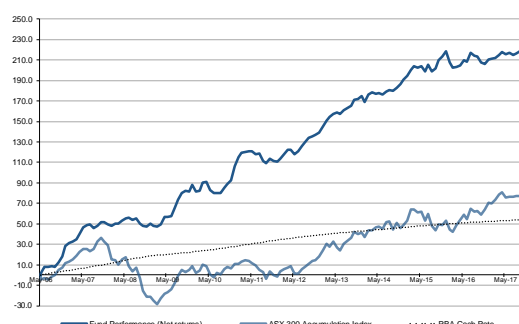
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 226.7 million
Inception date	1 May 2006
Unit price: daily series	1.1911
Unit price: monthly series	1.4066
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.84%
Total return since inception	229.54%
Annualised standard deviation	7.02%
Sharpe ratio (RFR=RBA cash)	1.00
Percentage of positive months since inception	71.94%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	0.35%	0.12%	0.23%
3 months	4.22%	0.37%	3.85%
6 months	4.40%	0.75%	3.64%
1 year	7.55%	1.51%	6.04%
3 years p.a.	4.79%	1.82%	2.97%
5 years p.a.	6.82%	2.16%	4.66%
Since inception p.a.	10.84%	3.82%	7.02%

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	%
Commonwealth Bank	Financials	5.1%
NAB	Financials	5.0%
CSL	Health Care	4.0%
Ancor	Materials	3.0%
Macquarie Group	Financials	3.0%
Boral	Materials	3.0%
Costa Group	Consumer Staples	2.9%
Alumina	Materials	2.6%
Challenger	Financials	2.4%

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Market and fund commentary

The Australian market posted a solid gain in November (S&P/ASX 300 Accumulation Index +1.7%), although it lagged US markets (S&P500 +3.1%). US markets benefited from a better than expected reporting season and potential tax cuts.

Domestic economic data was mixed. The NAB Survey of Business Conditions reached an all-time high (October +21.1 points) and construction data was strong (October residential building approvals +0.9% month on month to an annualised 229k, 3Q construction work done +30.1% year on year to a record high). However, September retail sales were much weaker than expected (flat month on month) and wage growth remained subdued (3Q wage price index +0.5% quarter on quarter).

Global economic data was generally positive. US activity surveys and hard data were both strong (3Q real GDP +3.3% annualised, October Industrial Production +0.9%) and Eurozone activity surveys hit record highs (November flash composite PMI +57.5). However, China data was mixed with both October Industrial Production (+6.2% year on year) and October retail sales (+10.0% year on year) weaker than expectations.

Both iron ore (+US\$10.00 to US\$68.50) and oil (Brent +4% to US\$63.57) had a solid month, but base metals gave up some of their recent strong gains (nickel -10%, aluminium -5%, zinc -3%, copper -1%). The AUD/USD fell 1% to US\$0.76.

The best sectors for the month were REITs (+5.3%), Energy (+4.1%) and Consumer Staples (+3.2%), while Telcos (-1.6%), Financials ex REITs (+0.0%) and Consumer Discretionary (+0.9%) lagged.

The Bennelong Kardinia Absolute Return Fund returned 0.35% in November.

New Century Zinc (+21bp contribution for the month) rallied after it raised \$53m for the restart of its zinc tailings project and released a positive feasibility study (base case post-tax IRR 270%). Mineral Resources (+19bp) had a strong month after raising guidance for lithium direct shipping ore sales and announcing further growth in crushing capacity at its AGM. REA Group (+15bp) reported its 1Q18 result, which showed improving growth driven by a better listings environment (particularly in Sydney and Melbourne) and higher growth from Asia. Boral (+14bp) announced an upgrade to its Australian division, aided by dry weather in New South Wales and Queensland. Janus Henderson (+13bp) reported its 3Q17 results highlighting improved investment performance, a turnaround in net flows (now positive) and an upgrade to merger synergies.

ALS Limited (-20bp for the month) was the largest detractor, after reporting a 1H18 result that was below market expectations due to a slower recovery in Life Science and Geochem earnings. Aristocrat Leisure (-18bp) suffered a late sell-off despite reporting a very strong FY17 result (EPSA +36% driven by North America market share gains and Digital) as the market queried the US\$990m acquisition of Big Fish Games, a global digital game developer. RCR Tomlinson (-16bp) fell despite winning several solar and mining contracts whilst Alumina (-14bp) fell in line with the fall in the alumina price. BWX (-12bp) gave up some of its recent strong gains as the market digested its \$100m entitlement offer to fund the acquisition of Andalous Naturals in the US.

Net equity market exposure (including derivatives) was increased from 65.5% to 72.3% (79.5% long and 7.2% short) as we increased our position size in CSL and added 10 new stocks to the portfolio including Commonwealth Bank, Star Entertainment, Netwealth and Santos.

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%	3.18%	0.35%		6.01%
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), 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) Federation Managed Accounts	UBS

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 10.84%; annualised compound benchmark return is 3.82%.
 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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