

# Bennelong Kardinia Absolute Return Fund

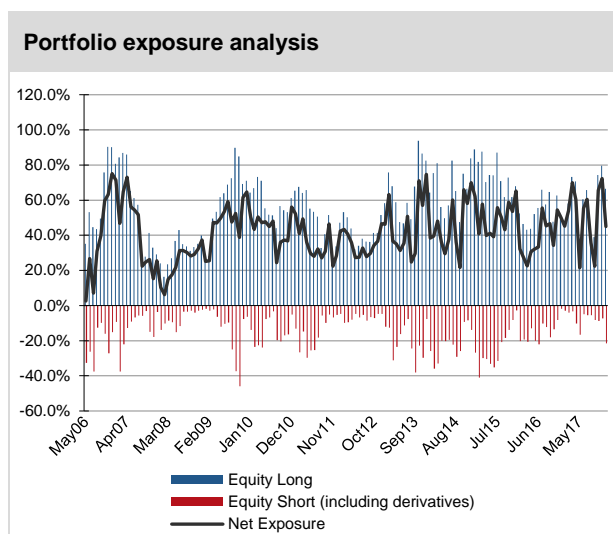
## Monthly performance report

As at 31 December 2017

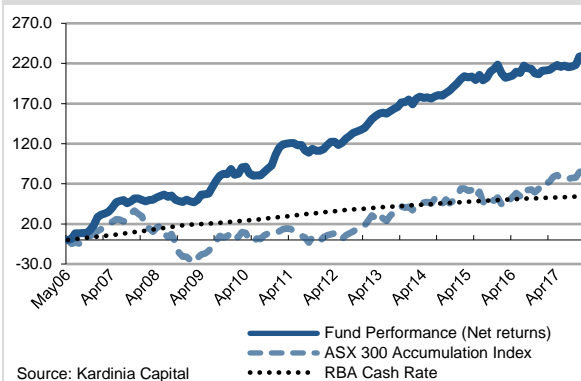
### Fund at a glance

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 225.5 million
Inception date	1 May 2006
Unit price: daily series	1.1971 (ex-distribution)
Unit price: monthly series	1.4137 (ex-distribution)
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.90%
Total return since inception	234.24%
Annualised standard deviation	7.00%
Sharpe ratio (RFR=RBA cash)	1.02
Percentage of positive months since inception	72.14%

### Fund in review



### Fund performance



Timeframe	Fund return	Benchmark	Value added
1 month	1.43%	0.13%	1.30%
3 months	5.02%	0.38%	4.64%
6 months	5.38%	0.76%	4.63%
1 year	7.53%	1.51%	6.02%
3 years p.a.	4.76%	1.79%	2.96%
5 years p.a.	6.89%	2.14%	4.76%
Since inception p.a.	10.90%	3.80%	7.09%

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	%
CSL	Health Care	3.9%
Boral	Materials	3.1%
Costa Group	Consumer Staples	3.1%
Macquarie Group	Financials	3.0%
Ancor	Materials	3.0%
Alumina	Materials	2.9%
Independence Group	Materials	2.4%
Challenger	Financials	2.4%
CYBG Group	Financials	2.3%

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#### Market and fund commentary

The Australian market posted a solid gain in December (S&P/ASX 300 Accumulation Index +1.86%), outperforming US markets (S&P500 +1.0%, Dow Jones +1.8%).

Domestic economic data was generally positive (62k jobs added in November, unemployment steady at 5.4%), although the NAB Survey of Business Conditions fell from its all-time high of +21 to +12 and household consumption was weak (+0.1% quarter on quarter).

In the US, President Trump signed into law the tax reform bill that cuts the corporate tax rate from 35% to 21%. The US Federal Reserve increased interest rates by 25bp to a target range of 1.25-1.50%. This was the fifth hike of the current cycle and the third hike in 2017.

Eurozone economic indicators remained strong (manufacturing leading economic indicators are at 17-year highs) and China data was solid (retail sales +10.2%, manufacturing PMI 51.6).

Bulk commodities were generally strong (iron ore +7% to US\$74.35/t) and Brent oil rose 6% to US\$66.61. Base metals also rallied (nickel +15%, aluminium +11%, copper +7%, zinc +5%). The AUD/USD rose 3% to US\$0.78.

The best sectors for the month were Energy (+6.4%), Materials (+6.2%) and Telcos (+5.5%), while Utilities (-5.2%), Industrials (-2.1%) and REITs (-1.3%) lagged.

The Bennelong Kardinia Absolute Return Fund returned 1.43% in December.

Birimian (+39bp contribution for the month) rallied after good drilling results at its lithium project in Mali. Netwealth (+37bp), an independent investment platform, has been a strong performer since listing in late November. Whitehaven Coal (+30bp) rallied after coal prices recorded strong gains (thermal coal +8%, met coal +23%). Independence Group (+29bp) benefited from a 15% rise in the nickel price during the month. Alumina (+25bp) rose on the back of Chinese capacity cuts, despite the alumina price falling 14% during the month.

New Century Zinc (-26bp for the month) gave up last month's gains despite limited newsflow and a 5% increase in the zinc price. European Cobalt (-24bp) fell after releasing drill results that disappointed market expectations. Clean TeQ (-18bp) was weaker as the market turned its attention to the financing of its A\$1b nickel and cobalt project in NSW. AGL (-8bp) fell after the company confirmed a preference for growth (and hence capex) over capital management at its strategy day. A short position in Telstra (-8bp) detracted from performance, despite the company lowering profit guidance due to NBN Co announcing fewer activations and disconnections over the next six to nine months.

Net equity market exposure (including derivatives) was lowered from 72.3% to 45.0% (66.5% long and 21.5% short) as we sold positions in BHP, CBA, NAB and RIO and added a short position in 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%	3.18%	0.35%	1.43%	7.53%
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) 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](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 10.90%; annualised compound benchmark return is 3.80%.
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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