

Bennelong Kardinia Absolute Return Fund

Monthly performance report

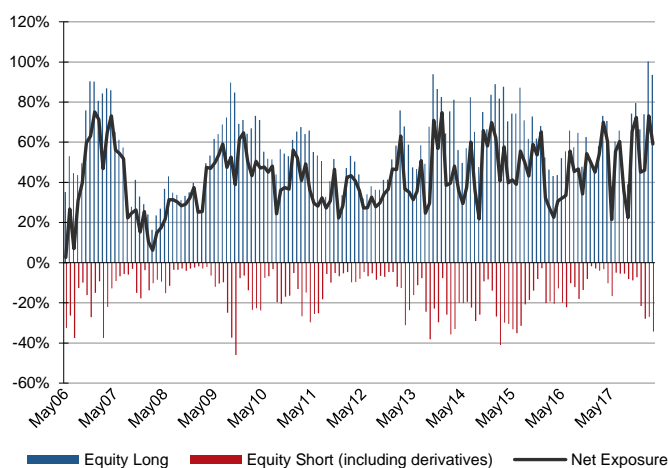
As at 31 March 2018

Fund at a glance

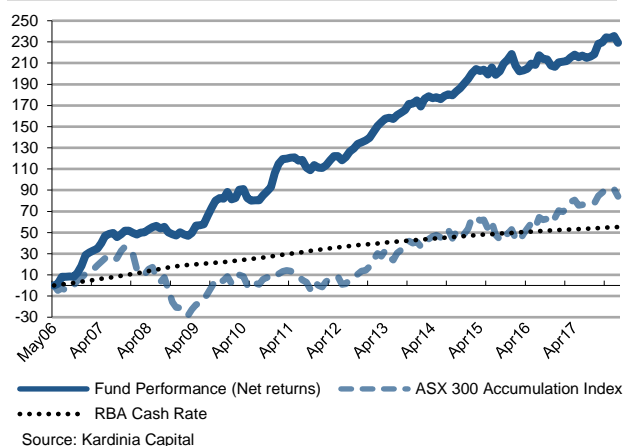
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 197.7 million
Inception date	1 May 2006
Unit price: daily series	1.1797
Unit price: monthly series	1.3922
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.51%
Total return since inception	229.17%
Annualised standard deviation	6.98%
Sharpe ratio (RFR=RBA cash)	0.97
Percentage of positive months since inception	71.33%

Fund in review

Portfolio exposure analysis



Fund performance



Timeframe	Fund return	Benchmark	Value added
1 month	(1.90%)	0.13%	(2.03%)
3 months	(1.52%)	0.37%	(1.89%)
6 months	3.43%	0.75%	2.68%
1 year	4.42%	1.51%	2.91%
3 years p.a.	2.66%	1.72%	0.93%
5 years p.a.	5.31%	2.06%	3.25%
Since inception p.a.	10.51%	3.76%	6.76%

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	5.5%
Macquarie Group	Financials	5.4%
Qantas	Industrials	4.4%
Aristocrat Leisure	Consumer Discr.	4.1%
Boral	Materials	4.0%
ANZ	Financials	4.0%
Bluescope	Materials	4.0%
Westpac	Financials	4.0%
The Star Ent.	Consumer Discr.	3.4%

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Market and fund commentary

The Australian market was weak in March (S&P/ASX300 Accumulation Index -3.73%), driven by concerns over the potential for a US-China trade war and the negative impact on the banks of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Australian index underperformed its global peers (S&P500 -2.5%, FTSE 100 -2.0%, MSCI Asia ex Japan -1.9%).

Economic data was mixed in Australia but remained solid in the US and Europe, while China surprised to the upside. However, this was overshadowed by US President Donald Trump's move to impose a 25% tariff on steel imports and a 10% tariff on aluminium imports, as well as a 25% tariff on US\$50b of Chinese imports. China responded with tariffs on US\$3b worth of US exports.

Oil was stronger (Brent +7% to US\$69.33/bbl), but bulk commodities were weaker (iron ore -17% to US\$65.40/t, met coal -16% to US\$198/t, thermal coal down 11% to US\$92/t). Base metals were also weak (aluminium -6%, copper -3%, nickel -4%, zinc -5%) while gold rose 1% to US\$1,325/oz. The AUD/USD fell 1% to US\$0.768.

The best sectors for the month were REITs (+0.1%), Utilities (-0.8%) and Industrials (-1.1%), while Telcos (-6.1%), Financials ex REITs (-5.8%) and Materials (-4.3%) lagged.

The Bennelong Kardinia Absolute Return Fund fell 1.90% in March.

A short position in Share Price Index Futures (+96 basis points contribution for the month) was the biggest contributor given the fall in the market. Bellamy's (+28bp)

continued its strong run following a profit upgrade in February and inclusion in the S&P/ASX 200 Index. Alumina (+16bp) benefited from a rise in the alumina price (+22%) driven by an outage at Alunorte, the world's largest alumina refinery located in Brazil. Lynas (+11bp) reported a record interim result, driven by production growth and a recovery in rare earths prices as well as ongoing deleveraging of the balance sheet.

The short book made a solid contribution for the month, with individual stock short positions in telcos, financial services, infrastructure and consumer staples comprising five of the top eight stock contributors for the month.

ANZ (-44 basis points contribution for the month) and Westpac (-40bp) suffered from the negative headlines coming out of the Royal Commission and the potential for tighter regulation. Bluescope (-25bp) reversed some of the gains of the previous month as the US granted exemptions from the steel import tariffs to an increasing number of countries, reducing the potential upside to US steel spreads. CSL (-24bp) fell on limited newsflow after a very strong run in the share price in recent months. Birimian (-22bp) fell despite announcing good drill results and significant transport cost savings for its Mali lithium project, as the market grew concerned over the potential for an oversupply of lithium. Other negative contributors included Independence Group (-22bp) and Janus Henderson (-22bp).

Net equity market exposure (including derivatives) was reduced from 73.2% to 59.1% (93.5% long and 34.4% short), largely driven by an increased short position in Share Price Index Futures and lower weightings in ANZ and Westpac.

Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-0.16%	0.56%	-1.90%										-1.52%
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), or a range of platforms.

Platforms

AMP: Elements Investment, Elements Pension, North, My North, PPS, Portfolio Care, Portfolio Care eWrap, Weathview eWrap Inv.	Hub 24: Super, IDPS
Asgard: Master Trust, eWrap, Employee Super, Infinity	IOOF: SuperWrap
BT: Wrap, Super Wrap, Panorama	Macquarie Wrap: IDPS, Super, Accumulator
CFS: First Choice, FirstWrap	Netwealth: Super Service, Wrap Service
Credit Suisse	Oasis: Wealthtrac, Dominion
Federation	Powerwrap: Super, Pension, Smartwrap

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. A complete and detailed list of performance results including a presentation is available upon request.
6. 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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