

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

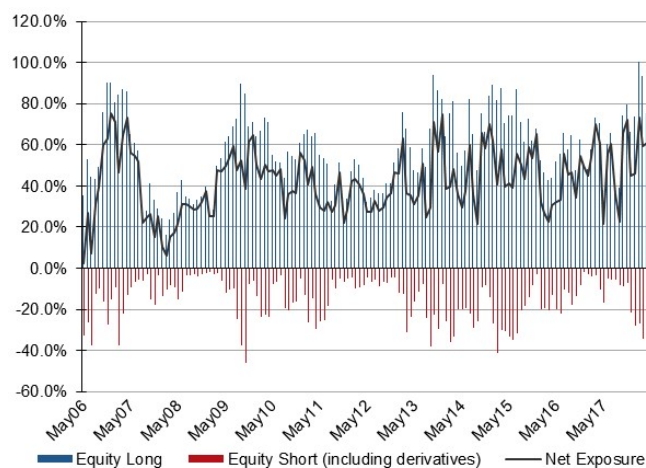
As at 30 April 2018

### Fund at a glance

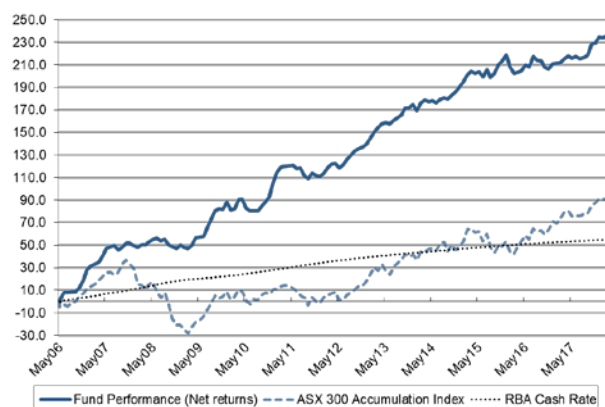
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 194.7 million
Inception date	1 May 2006
Unit price: daily series	1.1982
Unit price: monthly series	1.4139
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.58%
Total return since inception	234.30%
Annualised standard deviation	6.96%
Sharpe ratio (RFR=RBA cash)	0.98
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	1.56%	0.12%	1.44%
3 months	0.18%	0.37%	(0.18%)
6 months	1.80%	0.75%	1.06%
1 year	5.12%	1.51%	3.61%
3 years p.a.	3.39%	1.70%	1.69%
5 years p.a.	5.36%	2.04%	3.32%
Since inception p.a.	10.58%	3.74%	6.84%

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	%
Macquarie Group	Financials	5.4%
Qantas	Industrials	4.2%
CSL	Health Care	3.9%
CYBG PLC	Financials	3.3%
Orora	Materials	3.2%
Seven Group	Industrials	3.1%
Bluescope	Materials	3.0%
Rio Tinto	Materials	2.9%
Origin Energy	Energy	2.6%

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#### Market and fund commentary

The Australian market was strong in April (S&P/ASX300 Accumulation Index +3.78%), driven by higher base metal and oil prices. The Financials sector was impacted by the revelations emerging from the Royal Commission, but still ended the month modestly higher (+0.2%).

The Australian index outperformed US and Asian markets (S&P500 +0.4%, MSCI Asia ex Japan +1.5%), but underperformed European equities (FTSE 100 +6.8%, Euro Stoxx 50 +5.8%).

Economic data was mixed in Australia (flat dwelling prices, improved retail sales, lower but still high housing approvals and business conditions). US 1Q GDP grew at a 2.3% annual rate, beating market expectations for growth of 2.0%, although activity indicators were mixed. Chinese economic data was modestly weaker than market expectations – however, 1Q GDP rose at 6.8% year on year which was in line with market expectations.

Oil was stronger (Brent +8% to US\$74.68/bbl), while bulk commodities were mixed (iron ore +4% to US\$65/t, met coal -9% to US\$180/t, thermal coal +10% to US\$101/t). Base metals were generally stronger (aluminium +11%, copper +3%, nickel +4%, zinc -5%) while gold fell 1% to US\$1,316/oz. The AUD/USD fell 2% to US\$0.753.

The best sectors for the month were Energy (+10.8%), Materials (+7.6%) and Health Care (+7.4%), while Financials ex REITs (+0.2%), Telcos (+2.0%) and Utilities (+2.3%) lagged.

The Bennelong Kardinia Absolute Return Fund returned 1.56% in April.

CSL (+40 basis points contribution for the month) was the biggest individual stock contributor, driven by continuing strong growth in demand for immunoglobulin and other specialty products. Bluescope (+38bp) recovered from last month's selloff as steel spreads remained persistently high due to strong global demand and constrained Chinese supply. Other solid contributors for the month came from the Materials sector (Alumina +37bp, Independence Group +32bp and BHP +20bp) and the Energy sector (Origin Energy +28bp, WorleyParsons +27bp and Santos +26bp). Alumina benefited from the strong rise in the alumina price following US-imposed sanctions on UC Rusal. Santos rose after a \$6.50 takeover offer from Harbour Energy. Macquarie Group (+29bp) rallied in anticipation of a strong full year result, which was delivered after month end.

A short position in Share Price Index Futures (-88 basis point contribution for the month) was the biggest detractor given the rise in the market. Boral (-31bp) fell after issuing a weak trading update caused by operational issues and poor weather in both Australia and North America. Bellamy's (-18bp) fell 9% for the month, after rising 90% in the March quarter following a profit upgrade in February and inclusion in the S&P/ASX 200 Index.

The short book made a negative contribution for the month given the strong market.

Net equity market exposure (including derivatives) was kept steady at 60.7% (75.1% long and 14.4% short), with the addition of Rio Tinto and the buyback of part of our short position in SPI Futures contracts offsetting the sale of ANZ, BHP and Westpac and a reduction in the size of some key holdings including Boral, Star Entertainment, Janus Henderson, Aristocrat and CSL.

#### Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-0.16%	0.56%	-1.90%	1.56%									0.02%
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: Elements Investment, Elements Pension, My North, North, Portfolio Care, Portfolio Care eWrap, PPS, Weathview eWrap Inv

AON	Hub 24: Super, IDPS
Asgard: Master Trust, eWrap, Employee Super, Infinity	IOOF: SuperWrap
BT: Wrap, Super Wrap, Panorama, Assemble	Macquarie Wrap: IDPS, Super, Accumulator
CFS: FirstWrap, IX	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](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. 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](mailto:client.services@bennelongfunds.com)) to request your performance history.

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