

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

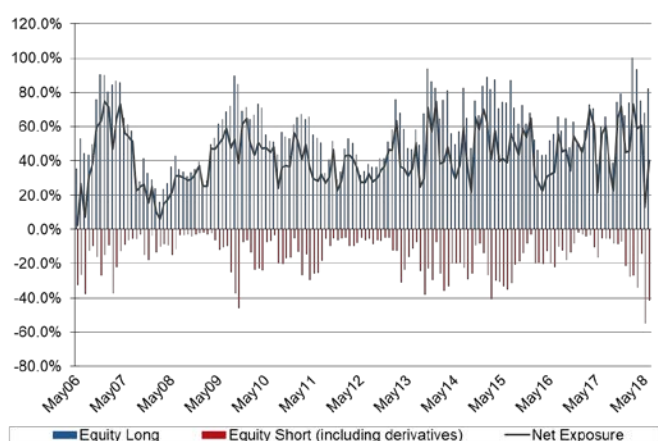
As at 30 June 2018

### Fund at a glance

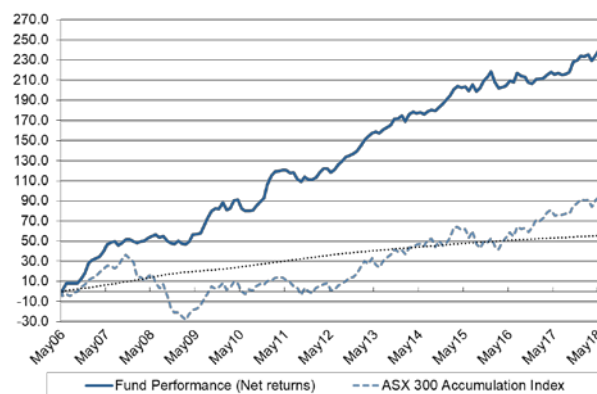
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 194.3 million
Inception date	1 May 2006
Unit price: daily series	1.2100 cum distribution
Unit price: monthly series	1.4280 cum distribution
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.52%
Total return since inception	237.64%
Annualised standard deviation	6.93%
Sharpe ratio (RFR=RBA cash)	0.98
Percentage of positive months since inception	71.23%

### Fund in review

#### Portfolio exposure analysis



#### Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	(0.77%)	0.12%	(0.89%)
3 months	2.58%	0.37%	2.20%
6 months	1.02%	0.75%	0.27%
1 year	6.46%	1.51%	4.95%
3 years p.a.	4.11%	1.67%	2.44%
5 years p.a.	5.58%	1.99%	3.59%
Since inception p.a.	10.52%	3.71%	6.81%

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	%
ANZ	Financials	9.2%
Westpac	Financials	8.1%
CSL	Health Care	5.4%
Macquarie Group	Financials	4.5%
Rio Tinto	Materials	4.0%
Orora	Materials	3.4%
Seven Group	Industrials	3.3%
Whitehaven Coal	Energy	3.3%
Aristocrat Leisure	Consumer Discr.	3.3%

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#### Market and fund commentary

The Australian equity market was strong in June (S&P/ASX300 Accumulation Index +3.19%), driven by Energy, Consumer Staples, Utilities and Financials.

The local index outperformed global markets significantly (S&P500 +0.6%, FTSE 100 -0.2%, MSCI Asia ex Japan -3.6%, Euro Stoxx 50 -0.2%). This was partly driven by fund flow from emerging markets into developed markets due to weakness in Chinese economic data, USD strength and increasing rhetoric around the US/China trade war.

Economic data was generally solid, with Australian 1Q GDP rising an above trend 3.1% year on year and US and European activity indicators positive, however weaker than expected Chinese economic data prompted the People's Bank of China to ease liquidity by cutting the reserve requirement ratio for some banks by 50bp.

Oil was stronger (Brent +2% to US\$79/bbl), as were bulk commodities (met coal +6% to US\$201/t, thermal coal +7% to US\$120/t, iron ore flat at US\$64/t). Base metals were weak (aluminium -7%, copper -3%, nickel -2%, zinc -8%), while gold fell 4% to US\$1,255/oz. The AUD/USD fell 2% to US\$0.741.

The best sectors for the month were Energy (+7.8%), Consumer Staples (+6.2%) and Utilities (+6.0%), while Telcos (-5.8%), Industrials (+0.7%) and Materials (+1.8%) lagged.

The Bennelong Kardinia Absolute Return Fund fell 0.77% in June, hurt by our cautious positioning in response to escalating trade tensions.

Macquarie Group (+34 basis points contribution for the month) was the biggest individual stock contributor, driven by growing confidence in its ability to deliver earnings growth over the medium term. Whitehaven Coal (+29bp) continued to benefit from rising coal prices that are delivering strong cash flows. CYBG (+22bp)

announced that it had agreed terms for a recommended scrip takeover bid for Virgin Money.

ANZ (+19bp) rallied after announcing it had increased its on-market share buyback by \$1.5b to \$3b. CSL (+19bp) continued to rally after raising its profit guidance in May by ~8%, driven by higher than expected sales of new products Idelvion & Haegarda and a better than expected performance from the Seqirus flu business. Costa Group (+16bp) rose after positive feedback from an investor tour of its berry and avocado operations.

A short position in Share Price Index Futures (-152 basis point contribution for the month) was the biggest detractor for the month given the strong market. The individual short book (-38bp) also made a negative contribution, with shorts in energy, consumer and REIT stocks all detracting from performance.

Ausdrill (-50bp) fell 27% for the month after announcing that the scope of work at two contracts (Wodgina and Kalgoorlie Consolidated Gold Mines) had reduced significantly. Mineral Resources (-25bp) fell 13% after announcing it would slow direct shipping ore production and exports from its Wodgina lithium mine. APA Group (-21bp) was up 13% for the month following a takeover bid by a CK Infrastructure Holdings consortium at \$11.00 per share, a 33% premium to the share price before the bid. Netwealth (-17bp) fell on profit taking after a 26% rise in May.

Net equity market exposure (including derivatives) was increased late in the month from 12.9% to 40.3% (82.1% long and 41.8% short), with the addition of A2 Milk, ANZ, Magellan, Westpac and Xero and a reduction in our short position in Share Price Index Futures contracts, as well as some bond proxy and consumer stocks. This was partly offset by the sale of Ausdrill, Janus Henderson, Kidman Resources and RCR Tomlinson.

#### Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-0.16%	0.56%	-1.90%	1.56%	1.78%	-0.77%							1.02%
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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#### Asset allocation

Asset Type	Fund
Australian Listed Equities	71.2%
Exchange – traded derivatives	-30.9%
Cash & cash equivalents	59.7%

#### Liquidity profile

We reasonably expect that the Fund will be able to realise 98% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's net asset value, within five business days.

#### Maturity profile of liabilities

Given the highly liquid nature of the assets the Fund invests in, the Fund expects to be able to realise sufficient assets to meet the maturity profile of its liabilities.

#### Key service providers

Service	Service provider
Registry	Custom House Fund Services (Australia) Pty Ltd
Administrator	Custom House Fund Services (Australia) Pty Ltd
Custodian/Prime Broker	UBS AG Australia Branch
Derivative Counterparty	UBS AG Australia Branch
Cash Custodian	RBC Investor & Treasury Services Pty Ltd
Auditor	Deloitte Touche Tohmatsu

#### Leverage ratio

The Fund is not leveraged.

#### 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

ANZ: Grow, PortfolioOne Hub 24: Super, IDPS

AON IOOF: SuperWrap

Asgard: Master Trust, eWrap, Employee Super, Infinity Macquarie Wrap: IDPS, Super, Accumulator

BT: Wrap, Super Wrap, Panorama, Assemble Netwealth: Super Service, Wrap Service

CFS: FirstWrap, IX Oasis: Wealthtrac, Dominion

Credit Suisse Powerwrap: Super, Pension, Smartwrap

Federation

#### 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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