

Bennelong Kardinia Absolute Return Fund

Monthly performance report

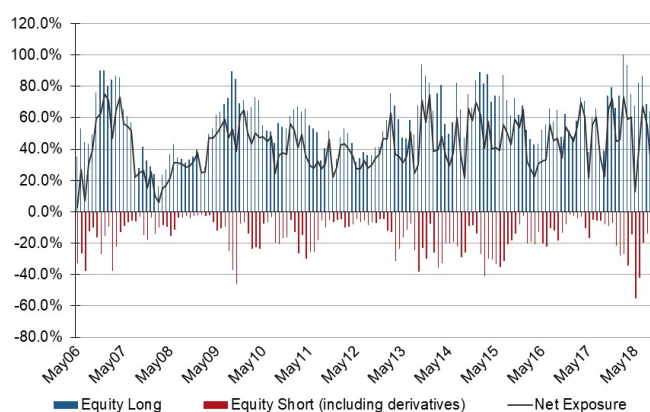
As at 30 September 2018

Fund at a glance

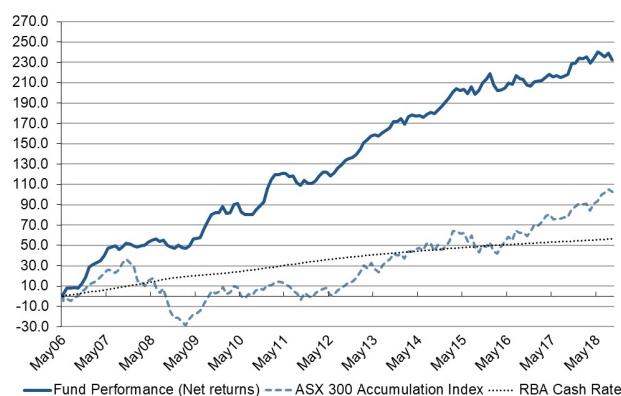
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 191.3 million
Inception date	1 May 2006
Unit price: daily series	1.1826
Unit price: monthly series	1.3954
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	10.16%
Total return since inception	232.44%
Annualised standard deviation	6.92%
Sharpe ratio (RFR=RBA cash)	0.94
Percentage of positive months since inception	70.47%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	(1.93%)	0.12%	(2.05%)
3 months	(1.54%)	0.38%	(1.92%)
6 months	1.00%	0.75%	0.24%
1 year	4.46%	1.51%	2.95%
3 years p.a.	3.23%	1.63%	1.60%
5 years p.a.	4.59%	1.94%	2.65%
Since inception p.a.	10.16%	3.66%	6.49%

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	%
Rio Tinto	Materials	5.5%
CSL	Health Care	3.9%
Seven Group	Industrials	3.4%
Tabcorp	Consumer Discr.	3.1%
CYBG	Financials	3.0%
BHP	Materials	3.0%
Macquarie Group	Financials	3.0%
Aristocrat Leisure	Consumer Discr.	3.0%
Whitehaven Coal	Materials	2.7%
Computershare	Info Tech	2.7%

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Market and fund commentary

The Australian equity market was weaker in September, with the S&P/ASX300 Accumulation Index falling 1.19%, underperforming most major markets (S&P500 +0.6%, FTSE 100 +1.2%, Euro Stoxx 50 +0.3%, MSCI Asia ex Japan -1.4%).

Australian economic data was generally solid (2Q GDP beat expectations and employment data was solid, although dwelling prices continued to fall, as did consumer and business confidence). US activity indicators (non-farm payrolls, manufacturing data) were robust and Chinese economic data was mixed (Caixin manufacturing PMI fell to 50.6), while European data softened from strong levels.

The oil price continued to strengthen (Brent +7% to US\$83/bbl), while bulk commodities were mixed (met coal +10% to US\$204/t, thermal coal -5% to US\$113/t, iron ore +5% to US\$69.50/t). Base metals were also mixed (aluminium -5%, copper +3%, nickel -4%, zinc +3%), while gold fell 1% to US\$1,196/oz. The AUD/USD was flat at US\$0.72.

The best sectors for the month were Energy (+4.3%), Materials (+4.2%) and Telcos (+2.7%), while Health Care (-7.7%), Consumer Discretionary (-4.2%) and Utilities (-3.3%) lagged.

The Bennelong Kardinia Absolute Return Fund fell 1.93% in September, hurt by significant holdings in CSL and Aristocrat which offset good performances from mining stocks.

Whitehaven Coal (+34 basis point contribution for the month) was the biggest individual stock contributor despite the fall in the thermal coal price as the market focused on the company's strong balance sheet and

cash flows. Seven Group (+30bp) continued to rally after delivering a result and guidance in August that were above consensus expectations. Lead indicators in mining and civil markets suggest the cyclical upswing in equipment capex and rental demand has some way to run. Rio Tinto (+29bp) rallied after announcing it would return a further US\$3.2b to shareholders via off-market and on-market buybacks. Computershare (+10bp) benefited from the prospect of continued rate rises in the US as well as a solid recent earnings track record. Independence Group (+9bp) bounced after recent weakness despite a further fall in the nickel price.

CSL (-60 basis point contribution for the month) was the biggest detractor, falling 12% for the month (after rising 16% in August driven by a strong profit result). The retracement was caused partly by concerns over the impact of potential competitor products on future immunoglobulin volume growth. Aristocrat Leisure (-41bp) fell 10% on limited newsflow, although several brokers downgraded earnings forecasts for the company's digital business based on industry data. Afterpay Touch (-24bp) fell heavily early in the month but recovered by the end of the month to be only 1% lower. This followed a 203% rise in the share price over the previous four months and after raising \$117m in August via an institutional placement to fund its international expansion strategy in the US and UK. Qantas (-17bp) fell largely as a result of the continued strength in the oil price.

Net equity market exposure was decreased from 55.2% to 29.9% (64.5% long and 34.5% short), with the key changes being the sale of Viva Energy and Afterpay Touch, a lower weighting in CSL, and new short positions in financial and infrastructure stocks and Share Price Index Futures.

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%	-0.68%	1.08%	-1.93%				-0.54%
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, 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: Portfolio Services
BT: Wrap, Super Wrap, Assemble	Macquarie Wrap: IDPS, Super
CFS: FirstChoice, FirstWrap, IX	Netwealth: Super Service, Wrap Service, IDPS
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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