

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

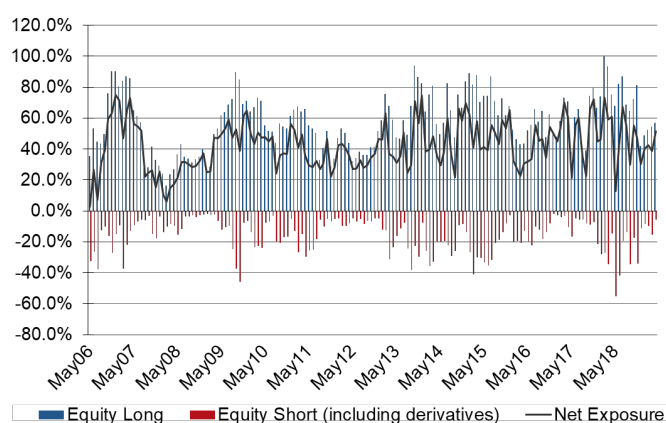
As at 30 April 2019

### Fund at a glance

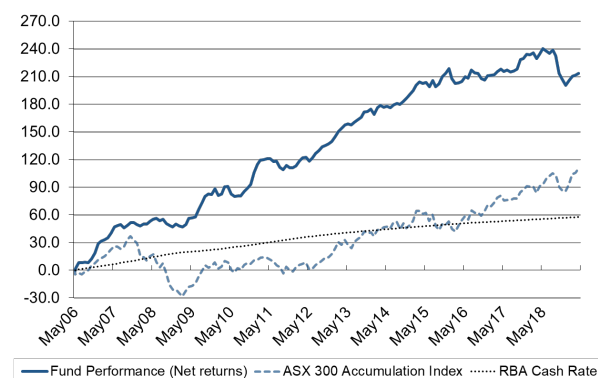
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve returns in excess of 10% per annum through an investment cycle, with an overarching philosophy of capital protection*
FUM	AUD 148.2 million
Inception date	1 May 2006
Unit price: daily series	1.1074
Unit price: monthly series	1.3058
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	9.18%
Total return since inception	213.27%
Annualised standard deviation	7.10%
Sharpe ratio (RFR=RBA cash)	0.79
Percentage of positive months since inception	69.87%

### Fund in review

#### Portfolio exposure analysis



### Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	0.55%	0.12%	0.42%
3 months	2.57%	0.37%	2.21%
6 months	(0.06%)	0.75%	(0.80%)
1 year	(6.29%)	1.51%	(7.80%)
3 years p.a.	0.92%	1.53%	(0.61%)
5 years p.a.	2.50%	1.82%	0.68%
Since inception p.a.	9.18%	3.57%	5.61%

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	4.4%
CSL	Health Care	4.3%
Rio Tinto	Materials	3.7%
A2 Milk	Consumer Staples	2.5%
James Hardie	Materials	2.4%
Tabcorp	Cons. Discr.	2.3%
CBA	Financials	2.2%
Bluescope Steel	Materials	2.1%
Goodman Group	Real Estate	2.1%
Charter Hall	Real Estate	2.0%

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### Market and fund commentary

The Australian equity market was up for a fourth straight month in April (S&P/ASX300 Accumulation Index +2.46%) although it generally underperformed global markets (Euro Stoxx 50 +5.5%, S&P500 +4.0%, MSCI Asia ex Japan +2.4%, FTSE 100 +2.3%).

Key global macro news included a six month extension to Brexit to 31 October, while domestically the Australian Federal Election was announced for 18 May and the 2019-20 Commonwealth Budget was delivered, upgrading the underlying cash balance to a larger surplus of \$7.1b.

US economic activity indicators were mixed (manufacturing ISM and non-farm payrolls beat expectations, but average hourly earnings softened and CPI was weak). Chinese data showed early signs of a trough, but European economic activity data continued to weaken. Australian economic data was mixed, with dwelling prices down 7.2% year on year (the worst since February 2009) and business conditions softer, but retail sales, employment and residential building approvals were all better than market expectations. Underlying CPI fell to a record low (+0.2% quarter on quarter, +1.2% year on year), increasing the prospect of a rate cut by the Reserve Bank of Australia.

The oil price had a positive month (Brent +6% to US\$72/bbl), while bulk commodities were solid (iron ore +9% to US\$95/t, met coal flat at US\$206/t, thermal coal +3% to US\$84/t). Base metals were weak (nickel -5%, aluminium -5%, zinc -2%, copper -1%) and gold was also softer (-1% to US\$1,285/oz). The AUD/USD fell 1% to US\$0.71.

The best sectors were Consumer Staples (+7.3%), IT (+7.3%) and Consumer Discretionary (+5.0%), while REITs (-2.6%), Materials (-2.0%) and Utilities (-0.5%) lagged.

The Bennelong Kardinia Absolute Return Fund returned 0.55% in April.

A2 Milk (+35 basis point contribution for the month) was the biggest positive contributor, rising 17% after the market grew more confident on A2M's market share gains and pricing in China. The company also reiterated FY19 profit guidance during the month. Magellan (25bp) rose 22% after reporting strong growth in funds under management in March, with net inflows of \$1.2b taking total funds under management to \$79.4b, an increase of 4.5% on the prior month.

Polynovo (+23bp), which manufactures a biodegradable skin regeneration polymer for severe burns and wounds, was up 38% for the month after presenting excellent clinical outcomes to the America Burn Association's annual meeting in the US.

Afterpay (+17bp) rose 22% as app download and website visitation data indicated that momentum in the key US growth market was better than expectations. Macquarie Group (+16bp) benefited from its strong recent operational performance and the rally in the market, as there was little stock specific newsflow.

Northern Star (-15 basis point contribution for the month) was the biggest detractor, driven by a lower gold price and a softer than expected quarterly production report (lower production and higher costs due to a transitional quarter at the Pogo mine in Alaska). Independence Group (-14bp) fell 8% despite reporting a solid quarterly production report, as the stock fell in line with weaker base metals prices. Charter Hall (-14bp) fell for the first time in five months on limited newsflow.

Fortescue Metals (-12bp) and Rio Tinto (-10bp) were weaker after competitor Vale SA received judicial approval to resume the use of tailings dams at a large iron ore mine. This overshadowed a reasonable quarterly production report for Fortescue that showed better than expected price realisation for iron ore, although tonnes shipped missed expectations and costs were slightly higher due to cyclone impacts. Rio Tinto also reduced guidance for FY19 iron ore tonnes shipped. Oz Minerals (-10bp) reported a relatively in line quarterly production report with its Carrapateena development project on track, but the stock was impacted by the weaker copper price.

The short book (-46bp) made a negative contribution for the month, with shorts in financials and Share Price Index Futures the key detractors.

Net equity market exposure was increased from 38.9% to 51.5% (57.0% long and 5.6% short), with the key changes being new positions in Commonwealth Bank, Fortescue and Rhippe, increased weightings in Macquarie Group, A2 Milk and Polynovo, and a reduction in several short positions, including Share Price Index futures contracts.

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### Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.66%	1.55%	0.46%	0.55%									4.27%
2018	-0.16%	0.56%	-1.90%	1.56%	1.78%	-0.77%	-0.68%	1.08%	-1.93%	-5.71%	-2.18%	-2.02%	-10.12%
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%

### 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)

### 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: 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

Wealth O2

\* There is no guarantee that this objective will be achieved and it is only an indication of the intended target return.

### 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, and the above performance data relates to this strategy. Bennelong Funds Management Ltd (Bennelong) assumed responsibility as replacement trustee on 16 August 2011 – for performance history relating to this date, please contact Client Services on 1800 895 388 (AU) or 0800 442 304 (NZ) or [client.services@bennelongfunds.com](mailto:client.services@bennelongfunds.com). 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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