

Bennelong Kardinia Absolute Return Fund

Monthly performance report

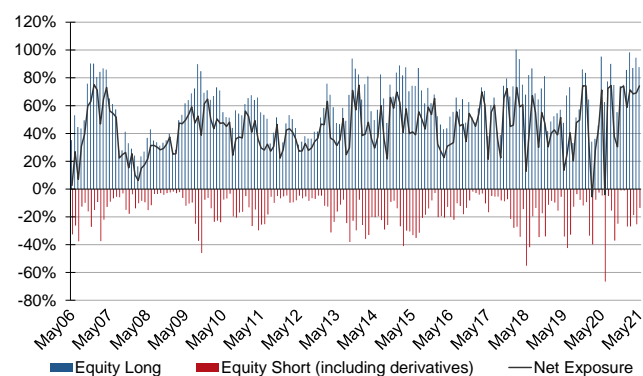
As at 31 May 2021

Fund at a glance

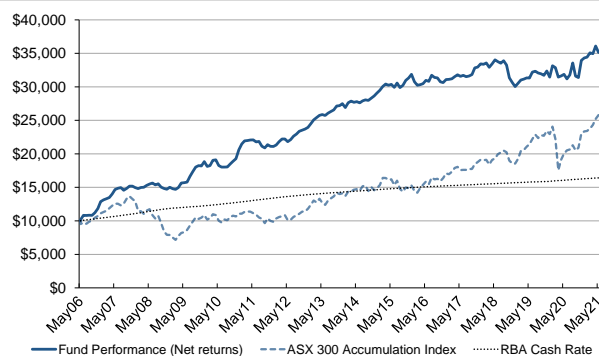
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 91.9 million
Inception date	1 May 2006
Unit price: daily series	1.1561
Unit price: monthly series	1.3578
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.69%
Total return since inception	251.32%
Annualised standard deviation	7.67%
Sharpe ratio (RFR=RBA cash)	0.70
Percentage of positive months since inception	67.40%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	(2.64%)	0.18%
6 months	3.47%	1.05%
1 year	10.23%	2.18%
3 years p.a.	1.07%	1.82%
5 years p.a.	2.56%	1.70%
Since inception p.a.	8.69%	3.34%

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 inception date of the Fund is 1 May 2006.

*The Performance Fee Hurdle is the RBA cash rate plus 2%. Prior to 2 December 2019 it was the RBA Cash Rate.

Largest holdings	Sector	%
CSL	Health Care	5.0%
Cyprus Metals	Materials	4.3%
Commonwealth Bank	Financials	4.2%
Fenix Resources	Materials	4.2%
Macquarie Group	Financials	3.6%
Uniti Group	Comm. Services	3.5%
Afterpay	Info Tech	3.3%
Proteomics	Health Care	3.2%
James Hardie	Materials	3.2%
Northern Star	Materials	3.2%

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 May 2021

Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 2.64% in May, with the market up for the eighth month in a row (S&P/ASX300 Accum Index +2.31%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Cyprium Metals	+71	Short Book	-80
Commonwealth Bank	+35	Fenix Resources	-68
Paladin Energy	+33	Pentanet	-57
Uniti Group	+25	Strike Energy	-54
CSL	+19	Flight Centre	-43

The Fund was impacted by negative performances in some of our small cap positions. We remain positive on the outlook for these companies, with many having near-term catalysts.

Fenix Resources operates the small high grade Iron Ridge iron ore mine in Western Australia. It is a simple open pit operation with direct shipping ore transported 490km by road to the Geraldton Port. The company has offtake agreements with Sinosteel for 50% of production and Atlas Iron (a subsidiary of Hancock Prospecting) for the other 50%. The management team have done an excellent job navigating the permitting and native title processes to get the mine into operation and are now reaping the rewards of a very strong iron ore price. In its recent March quarterly cash flow report, the Company reported operating cash flow of \$22m and a net cash position of \$27m (versus a market capitalisation of \$155m). We expect an even stronger result for the June quarter given the 22% increase in the iron ore price to US\$201.50/Mt since the end of last quarter.

Strike Energy's West Erregulla gas discovery was one of the largest onshore conventional gas discoveries made in Australia. We believe drilling of WE4 and WE5 continues to derisk the West Erregulla gas project however the share price was impacted during the month by a 2-3 week delay in the WE4 flow test due to sand in the well. We expect the share price to recover once the flow test is complete and the company updates its resources and provides a maiden reserve. There is further upside from the company's 100% owned South Erregulla. The company has a strong balance sheet following an \$85m equity raise in April.

The best sectors for the month were Financials (+5.7%), Consumer Discretionary (+3.5%) and Health Care (+3.5%). Information Technology (-9.9%), Utilities (-6.6%) and Energy (-1.8%) lagged.

Inflation

Markets and commentators alike are fixated on inflation, as signs suggest it is coming and will be

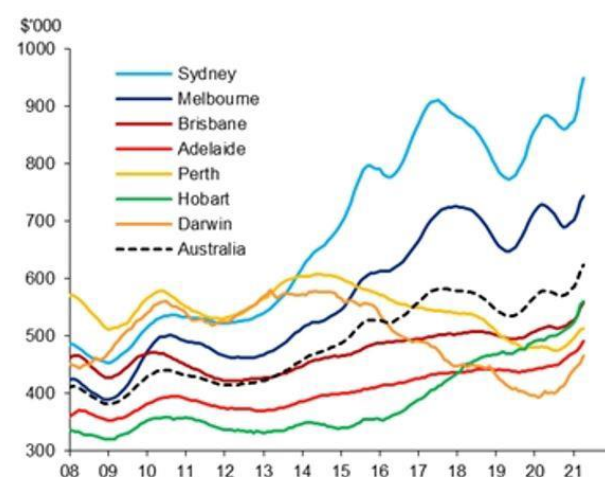
anything but transitory. Meanwhile, most central banks – including the Reserve Bank of Australia – are of the view that any up-tick in inflation will only be temporary. The bond market, however, has already begun to price in an increase in inflation, with the US 10-year Treasury yield rising 67bp to 1.58% for the calendar year to 31 May and the Australian 10-year bond yield rising 68bp to 1.66%.

Warren Buffett made the following comments regarding inflation at the recent Berkshire Hathaway AGM: *"We're seeing very substantial inflation ... We're raising prices. People are raising prices to us, and it's being accepted we really do a lot of housing. The costs are just up, up, up. Steel costs, just every day they're going up ... it's red hot. And we weren't expecting it."*

Just as Warren Buffett didn't expect to see inflation, we don't believe consumers are expecting it either. Inflation expectations have fallen significantly since the GFC, but the winds of change are here.

There are certain parallels between the economic and political backdrop of today and that of the 1970s. Housing and commodities were two of the few asset classes that acted as effective inflation hedges then, and we suspect they will similarly perform strongly today. Right now, with inflation rising, borrowing costs reasonable and the supply of homes quite low in some Australian states, the stage is set for homes to once again become an inflation hedge. The housing market in the US and Australia has leapt, and we believe is still in the early stages of this rally.

Median dwelling prices (hedonic series, seasonally adjusted)



Source: CoreLogic, Macquarie Macro Strategy

We believe higher inflation and higher global debt are here to stay. However in the short-term, we believe the US Federal Reserve will maintain an easy monetary setting, giving the equity market plenty to cheer about. The day of reckoning is still some way off.

We lifted our net market exposure during the month by 5.0% to 74.2% (87.7% long and 13.5% short).

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 May 2021

Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.32%	1.86%	-0.36%	3.26%	-2.64%								2.37%
2020	5.40%	-0.86%	-4.32%	0.63%	0.73%	-2.15%	1.90%	5.63%	-5.88%	-0.70%	8.21%	1.07%	9.13%
2019	1.66%	1.55%	0.46%	0.55%	-0.03%	2.82%	0.42%	-0.83%	-0.35%	-0.73%	2.04%	-2.84%	4.68%
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 Experience on 1800 895 388 (AU) or 0800 442 304 (NZ), or visit kardiniacapital.com.au

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

Asgard: Master Trust, eWrap, Employee Super, Infinity

Macquarie Wrap: IDPS, Super

BT: Wrap, Super Wrap, Assemble

Netwealth: Super Service, Wrap Service, IDPS

CFS: FirstChoice, FirstWrap, IX

Oasis: Dominion

Hub 24: Super, IDPS

Powerwrap: Super, Pension, Smartwrap

Asgard: Master Trust, eWrap, Employee Super, Infinity

Wealthtrac

IOOF: Portfolio Services

Wealth O2

Notes:

- Kardinia Capital is an investment manager that invests solely in Australian and New Zealand securities.
- 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. 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.
- Valuations are computed and stated in Australian dollars and are provided by independent service provider Apex Fund Services (Sydney) Pty Limited (Apex).
- 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.
- A complete and detailed list of performance results including a presentation is available upon request.
- 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.

Disclaimer: This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Kardinia Absolute Return Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at the date of this report. Kardinia Capital (ABN 20 152 003 186) is a Corporate Authorised Representative of Bennelong Funds Management Ltd (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.