

Bennelong Kardinia Absolute Return Fund

Performance report | 31 December 2021

Net client returns (after fees and expenses)

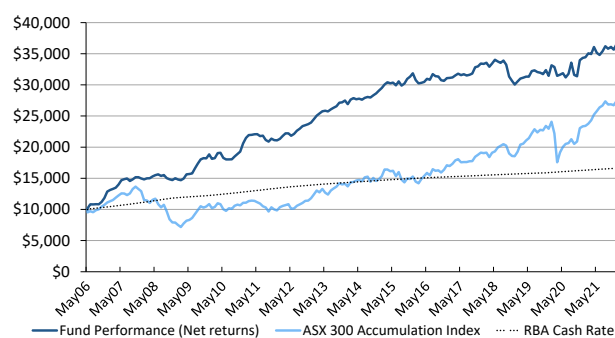
	1 mth	6 mths	1 year	3 years p.a.	5 years p.a.	Since inception ³ p.a.
Fund ¹	2.58%	5.06%	6.58%	6.78%	3.31%	8.63%
Benchmark ²	0.18%	1.06%	2.12%	1.93%	1.76%	3.30%

Performance figures are net of fees and expenses.
Past performance is not indicative of future performance.

The 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
Investment objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 82.4 million
Inception date ³	1 May 2006
Unit price: daily series	1.0604 (cum distribution)
Unit price: monthly series	1.2460 (cum distribution)
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	8.63%
Total return since inception	265.75%
Annualised standard deviation	7.59%
Sharpe ratio (RFR=RBA cash)	0.70
Percentage of positive months since inception	67.02%

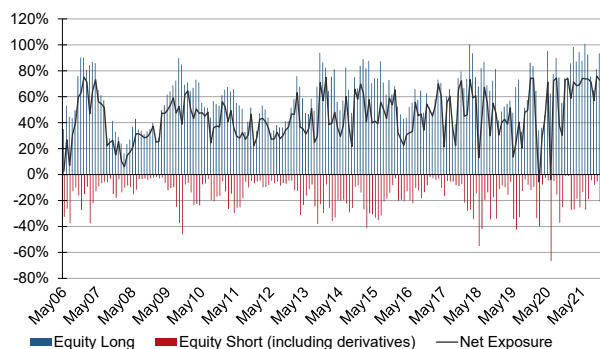
Historical performance



Largest holdings

Holding	Sector	Weight
Commonwealth Bank	Financials	9.7%
National Australia Bank	Financials	9.5%
Bank of Queensland	Financials	9.4%
ANZ	Financials	9.4%
Proteomics	Health care	4.1%
East 33	Consumer Staples	3.8%
Centuria Capital	REITs	3.0%
Charter Hall	REITs	2.8%
Macquarie Group	Financials	2.8%
Breville Group	Consumer Discr.	2.6%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +2.58% in December, with the market also rising (S&P/ASX300 Accum Index +2.65%) as concerns over the Omicron COVID-19 variant eased, with more studies suggesting Omicron was more contagious but causing milder symptoms. Optimism prevailed despite the rapid spread of Omicron across the country, with State and Federal Governments ruling out further lockdowns.

Economic data reported during the month was better than expected (3Q real GDP -1.9% versus consensus -2.7%, unemployment 4.6% with 366k jobs created).

Global markets were also strong (S&P500 +4.4%, Euro Stoxx 600 +5.4%, FTSE 100 +4.6%, MSCI Asia ex Japan +1.7%).

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
CBA	+77	Nexus Minerals	-83
Bank of Queensland	+57	Share Price Index Futures (short)	-34
NAB	+52	Dubber	-20
Pilbara Minerals	+28	Aussie Broadband	-18
Centuria Capital	+29	City Chic	-14

The banks were the strongest contributors to returns over the month, with improving growth in the business lending segment and continued strong growth in housing credit. With c.\$21bn in excess capital on the banks' balance sheet we are optimistic that further capital returns to shareholders is likely.

Pilbara Minerals rose 23% during the month despite lowering FY22 production guidance to 400-450kt of spodumene concentrate (from 460-510kt). The key driver of the strong return for the month was pricing, with the average price received in the December quarter expected to be at the high end of prior guidance (US\$1650-1800/dmt). Pilbara owns one of the largest hard rock lithium deposits in

the world with a very long mine life (more than 20 years) and has strong exposure to the emerging electrification of the global economy.

Nexus Minerals fell sharply after reporting disappointing drilling results in the eastern goldfields of Western Australia. Diamond hole DDH4 reported no significant gold intercepts. This was a negative surprise versus market expectations given previous strong drilling results. The company has a solid and fully funded drilling program throughout 2022.

Dubber, which operates a cloud-based call recording and voice artificial intelligence service, announced a partnership with UK-based BT to embed Dubber as the default recording and conversational intelligence solution in BT Meetings on Microsoft Teams, Zoom and Cisco Webex. The company has a very strong balance sheet with cash of \$128m however we believe the stock has been impacted by rising bond yields given the long-dated nature of earnings.

Aussie Broadband announced that organic net additions for the quarter would be at the top end of guidance but that there would be a shortfall in the migration of white label services (timing issue). City Chic fell 8% after competitor Torrid issued a profit warning due to Omicron-induced labour challenges at its US distribution centre and stores. We are optimistic on the long-term outlook for the business given the large market opportunity in plus size women's retail (US\$180b), strong online growth and market share gains.

Commodity prices were solid with iron ore up 20% to US\$120.00/t and copper up 4% to US\$4.46/lb. Brent oil rose 10% to US\$78/bbl. Gold was up 3% to US\$1829/oz. The A\$/US\$ rose 2% to US\$0.73.

The best sectors for the month were Utilities (+6.9%), Materials (+6.4%) and Financials (+4.3%). Information Technology (-5.4%), Consumer Staples (-2.4%) and Health Care (-2.4%) lagged.

Outlook & Positioning

Our net exposure remains relatively high at 73.0% as we looked through the short-term impact of Omicron. The largest exposures for the Fund are the major banks, resources and offshore earners. Given rising inflation and rising bond yields, we have lower exposure to rate-sensitive sectors, loss-making stocks and expensive lower quality technology companies. These stocks in fact form the bulk of our Short Book.

We believe Omicron will soon be in the rear-view mirror and that a potential tapering of quantitative easing by the US Federal Reserve and possible interest rate rises is of far greater importance for markets. We believe this will be a key focus during calendar year 2022.

Fund performance⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.32%	1.86%	-0.36%	3.26%	-2.64%	-0.90%	1.60%	2.35%	-1.08%	0.79%	-1.20%	2.58%	6.58%
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%

How to invest

The Fund is open to investors directly via the PDS (available on our [website](#)), or the following platforms.

Platforms

AMP (Elements Investment, Elements Pension, My North, North, Portfolio Care, Portfolio Care eWrap, PPS, Weathview eWrap Inv)	IOOF (Portfolio Services)
BT Asgard (Master Trust, Employee Super, Infinity eWrap)	Macquarie Wrap (IDPS, Super)
BT (Panorama)	Mason Stevens
CFS (FirstChoice, FirstWrap, IX (PIS))	Netwealth (Super Service, Wrap Service, IDPS)
Hub 24 (Super, IDPS)	Oasis (Wealthtrac)
	Powerwrap (Super, Pension, Smartwrap)
	Wealthtrac
	Wealth O2

Get in touch



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- Performance results are 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 plus 2%. Prior to 2 December 2019 it was the RBA cash rate.
- The inception date of the Fund is 1 May 2006. The Fund was launched by another trustee, and the performance data also relates to this strategy. Bennelong Funds Management Ltd assumed responsibility on 16 August 2011.
- Performance data is historical data based on the main series using a monthly unit pricing methodology. If you are invested in the daily series, please contact Client Experience (1800 895 388 or client.experience@bennelongfunds.com) to request your performance history.

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