

Bennelong Kardinia Absolute Return Fund

Performance report | 28 February 2022

Net client returns (after fees and expenses)

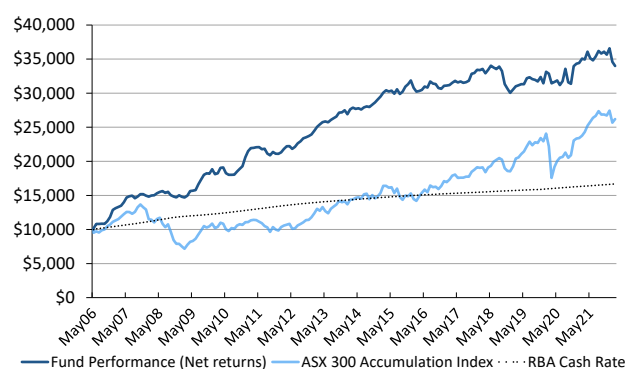
	1 mth	6 mths	1 year	3 years p.a.	5 years p.a.	Since inception ³ p.a.
Fund ¹	(1.72%)	(6.10%)	(3.08%)	3.10%	1.73%	8.03%
Benchmark ²	0.16%	1.05%	2.12%	1.97%	1.78%	3.28%

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 74.4 million
Inception date ³	1 May 2006
Unit price: daily series	0.9857
Unit price: monthly series	1.1580
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	8.03%
Total return since inception	239.92%
Annualised standard deviation	7.73%
Sharpe ratio (RFR=RBA cash)	0.61
Percentage of positive months since inception	66.32%

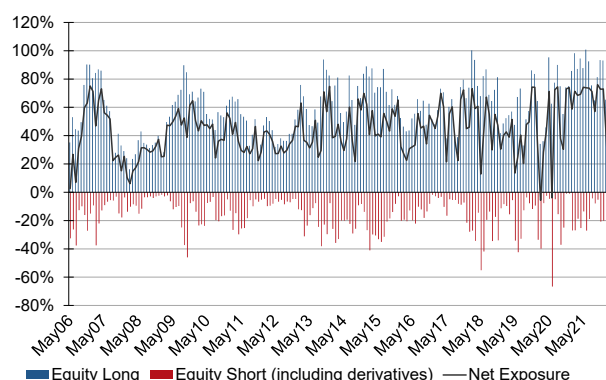
Historical performance



Largest holdings

Holding	Sector	Weight
Proteomics	Health Care	4.9%
Commonwealth Bank	Financials	4.3%
Centuria Capital	REITs	2.4%
Worley	Energy	2.2%
Charter Hall	REITs	2.2%
Santos	Energy	2.2%
East 33	Consumer Staples	2.1%
Macquarie Group	Financials	2.0%
ANZ	Financials	1.9%
Sandfire Resources	Materials	1.5%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 1.72% in February, while the market rebounded (S&P/ASX300 Accum Index +2.09%). This was despite the Russian invasion of Ukraine and the spectre of rising interest rates on the horizon. The Fund underperformed due to a low net market exposure and stock specific holdings (discussed below).

The Australian profit reporting season was a positive one, with results overall beating market expectations. Supply chain issues, elevated inventory and higher labour costs were consistent themes across the ASX300 universe.

The best sectors for the month were Energy (+8.6%), Consumer Staples (+5.6%) and Materials (+5.2%). Information Technology (-6.6%), Consumer Discretionary (down 5.0%) and Communication Services (-2.2%) lagged.

Global markets were weak (Euro Stoxx 600 -5.9%, S&P500 down 3.0%, MSCI Asia ex Japan -2.1%, FTSE 100 +0.3%).

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Proteomics	+90	East 33	-138
NAB	+36	City Chic	-69
Aussie Broadband	+20	Uniti Group	-56
ANZ	+18	Mineral Resources	-31
Vicinity Centre	+14	Aristocrat Leisure	-18

Proteomics has announced the completion of the 'pre-assessment' phase of its application to have PromarkerD included on the Australian Medicare Benefit Schedule (MBS). The inclusion on the schedule would see eligible patients receive a Medicare rebate for PromarkerD in Australia and represents a key milestone for commercialising the test domestically.

NAB released its quarterly trading update which highlighted strong operating performance in the first quarter of FY21.

We believe that improving franchise momentum and a better-than-peer margin outcome should support its valuation. NAB has completed c.A\$1.7bn of its current A\$2.5bn on-market buyback. We believe capacity for a further A\$4bn of buybacks is possible in the coming years.

Aussie Broadband's first half results were strong with better than expected profit and cash flow. Management re-stated guidance upwards for a materially higher second half performance. The existing business and enterprise segment continues to grow rapidly.

Mineral Resources' first half result was weak due to higher costs (mostly freight) and the weaker than expected realised iron ore price. The attraction of MIN is the multiple medium term growth projects the Company has in both iron ore and lithium. These growth projects should position the company as a significant producer in both commodities by FY23.

East 33 released weak operating results for the half as its growth ambitions have been delayed by COVID. Labour shortages across their ponds restricted the ability to harvest expected oyster volumes. Pleasingly demand for oysters continues to remain robust as Australia emerges from lock down. We will continue to monitor the company closely.

The key concern coming out of the City Chic result was their elevated inventory position. Management highlight that higher inventory is needed because sales are growing, and logistics issues require it. Elevated inventory is vulnerable to stock obsolesce and discounting. We are comforted by the quality of management and will continue to monitor closely.

Commodity prices were generally solid with iron ore down 5% to US\$137/t (after a strong couple of months) but Brent oil up 11% to US\$101/bbl driven by the Russian invasion of Ukraine and global supply concerns. Copper rose 3% to US\$4.45/lb. Gold was up 6% to US\$1910/oz due to geopolitical tensions. The A\$/US\$ rose 3% to US\$0.73.

Outlook & Positioning

We cut our net exposure further from 40.1% to flat in the face of increasingly worrying geo-political risks. The invasion of Ukraine and targeted sanctions being rapidly imposed upon Russia will have real implications on global credit and equity markets. During these times we believe it prudent to maintain a lower net in order to protect investors capital. Key changes being a significant reduction in our major bank holdings and an increase in the size of our short book, with several new shorts in lower quality high multiple technology stocks and a larger short in Share Price Index Futures.

The largest exposures for the Fund continue to be 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 continue to form the bulk of our Short Book. We believe a potential tapering of quantitative easing by the US Federal Reserve and possible interest rate rises is the key issue for markets in calendar year 2022.

Fund performance⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-5.44%	-1.72%											-7.06%
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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