

Bennelong Kardinia Absolute Return Fund

Performance report | 30 June 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 | (0.55%) | (10.52%) | (6.00%) | 0.54% | 0.63% | 7.61% |
| Benchmark ² | 0.22% | 1.12% | 2.19% | 2.07% | 1.84% | 3.26% |

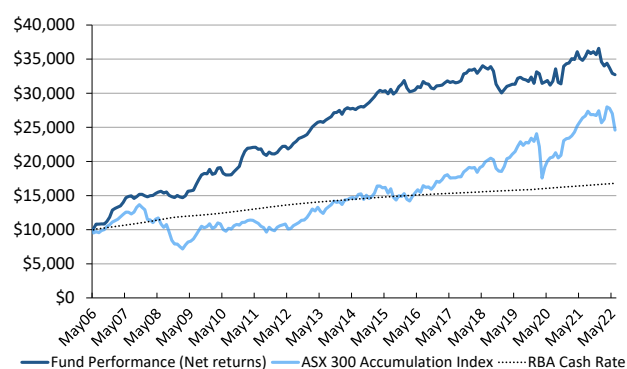
Performance figures are net of fees and expenses.

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 61.6 million |
| Inception date ³ | 1 May 2006 |
| Unit price: daily series | 0.9494 |
| Unit price: monthly series | 1.1149 |
| Fund managers | Kristiaan Rehder, CFA® Stuart Larke, CFA® |
| Investment specialist | Mark Burgess, CFA® |
| Annualised return | 7.61% |
| Total return since inception | 227.27% |
| Annualised standard deviation | 7.72% |
| Sharpe ratio (RFR=RBA cash) | 0.56 |
| Percentage of positive months since inception | 65.46% |

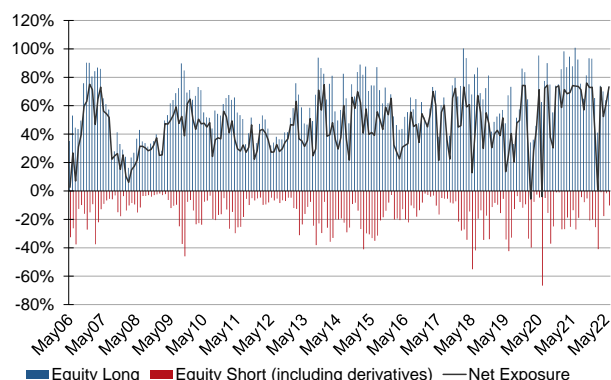
Historical performance



Largest holdings

| Holding | Sector | Weight |
|-------------------|-------------|--------|
| SPI Futures | Index | 10.7% |
| NAB | Financials | 9.1% |
| ANZ | Financials | 5.4% |
| Tabcorp | Cons Discr | 4.5% |
| Pilabara Minerals | Materials | 4.2% |
| James Hardie | Materials | 3.9% |
| Wisetech | Technology | 3.9% |
| Xero | Technology | 3.7% |
| CSL | Health Care | 3.6% |
| QBE Insurance | Financials | 3.5% |

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 0.55% in June, outperforming the market which fell heavily (S&P/ASX300 Accumulation Index -8.97%). The weakness was caused by persistently high inflation levels, aggressive central bank tightening and concern over a potential global recession. The Reserve Bank of Australia increased the cash rate by 50bp to 0.85%.

Global markets were also very weak (Euro Stoxx 600 -8.7%, S&P500 -8.3%, FTSE 100 -5.5%, MSCI Asia ex Japan -1.9%).

The best sectors for the month were Consumer Staples (+0.2%), Energy (-0.3%) and Health Care (-3.1%), while Materials (-12.4%), Financials (-11.9%) and Information Technology (-11.0%) lagged.

Key contributors and detractors for the month:

| Positive contributors | Basis points | Negative contributors | Basis points |
|-----------------------|--------------|-----------------------|--------------|
| Short Book | +376 | carsales | -50 |
| Tabcorp | +54 | Santos | -45 |
| Resmed | +11 | Pilbara Minerals | -43 |
| NAB | +10 | ANZ | -44 |
| QBE Insurance | +11 | BHP | -42 |

The Short Book was the strongest contributor to returns in May, adding 376bp in performance. The Short Book during the month was concentrated in high multiple technology stocks, consumer discretionary stocks and those exposed to high inflation/rates.

Tabcorp Holdings' demerger of its Lottery business traded as a separately listed entity on a normal basis on 2 June. Tabcorp also received favourable news from the Queensland Government whereby fees and taxes under Tabcorp's retail licenses will be scrapped in favour of a higher industry wide point of consumption tax, leveling the playing field for Tabcorp.

Resmed's key competitor Philips provided an update on its recalled devices. Data shows the device didn't pass certain

toxicity testing (ongoing). The recall remains in place. Resmed also made an US\$1bn acquisition of a leading provider of software solutions and services to care and therapy providers. Resmed expects to fund with its existing credit facilities.

Carsales fell 8% following its announcement that it was acquiring the remaining 51% of Trader Interactive, a US digital marketplace business, for A\$1.17b, funded by a A\$1.21b equity raising at a 12% discount. Carsales expects the acquisition to be low double digit earnings per share accretive in the first year although we believe the acquisition price is full at an EV/EBITDA multiple of 21x.

Santos experienced very volatile energy prices over the month as recession fears took hold. Demand destruction due to elevated prices as well as with lower expected economic activity saw prices trend downwards over the month.

Pilbara Minerals released a production and sales update, with strong production, prices and cashflow. However costs were an area of weakness, with operating costs rising fast. Nevertheless, high prices are more than covering this, resulting in significant cash generation. We continue to hold.

BHP and Mineral Resources offer an attractive cashflow and dividend yield as both businesses generate significant cash. However their share prices fell as underlying commodity prices fell as global economic indicators continue to weaken.

Following a 0.25% RBA cash rate rise in May and 0.50% on 8 June 2022, economic fears continue to build. ANZ fell 12% for the month. There was little by way of company specific news. This was partly offset by a positive contribution from NAB.

Commodity prices were generally weaker with iron ore -12% to US\$123/t and copper -14% to US\$3.71/lb as the market grew concerned over the risk of a recession. Brent oil fell 6% to US\$115/bbl. Gold was down 2% to US\$1807/oz. The A\$/US\$ fell 4% to US\$0.69.

Outlook & Positioning

We see risk of a continuing selloff as the market tests the resolve of central banks to raise interest rates at a rapid pace in order to contain rising inflation. Our Short Book proved itself to be a powerful contributor to returns during the month. We have reduced the size of many of these positions in the short-term and our net exposure has increased from 62.2% to 73.3% (83.6% long and 10.3% short) during the month, with the addition of some technology stocks that we believe have been oversold.

Key exposures in our Long Book are Banks, Technology and Resources, with large caps favoured over small caps.

We believe a tapering of quantitative easing by the US Federal Reserve and faster than expected interest rate rises remains 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% | 1.17% | -1.93% | -2.43% | -0.55% | | | | | | | -10.52% |
| 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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