

Bennelong Kardinia Absolute Return Fund

Performance report | 31 July 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	1.15%	(4.29%)	(6.41%)	0.79%	0.99%	7.64%
Benchmark ²	0.28%	1.22%	2.29%	2.13%	1.87%	3.26%

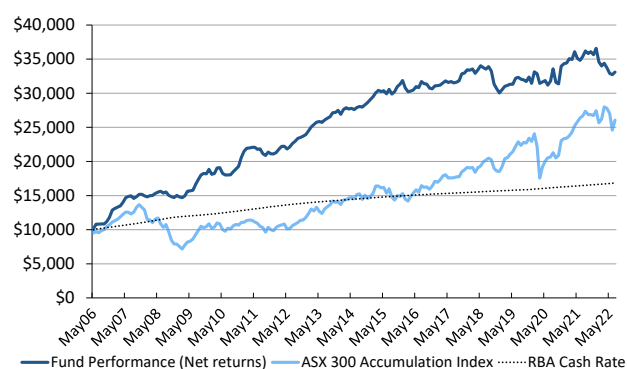
Performance figures are net of fees and expenses.

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 62.1 million
Inception date ³	1 May 2006
Unit price: daily series	0.9210 ex distribution
Unit price: monthly series	1.0815 ex distribution
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.64%
Total return since inception	231.05%
Annualised standard deviation	7.70%
Sharpe ratio (RFR=RBA cash)	0.57
Percentage of positive months since inception	65.64%

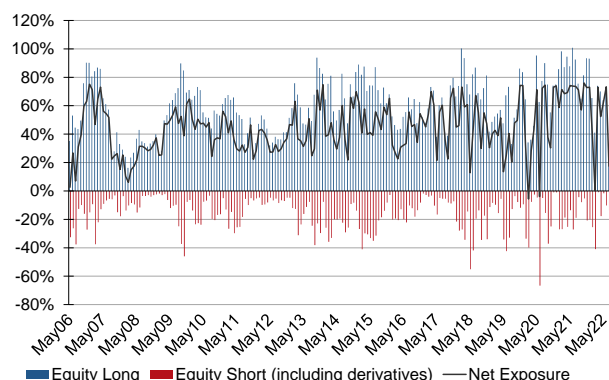
Historical performance



Largest holdings

Holding	Sector	Weight
QBE Insurance	Financials	3.3%
Uniti Group	Comm Services	3.1%
Tabcorp	Cons Discr	2.9%
CSL	Health Care	2.6%
Resmed	Health Care	2.4%
The Lottery Corp	Cons Discr	2.3%
Proteomics	Health Care	2.2%
Santos	Energy	2.1%
ANZ	Financials	2.0%
Vicinity Centres	REITs	1.6%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +1.15% in July, while the market rebounded from its -8.97% fall last month (S&P/ASX300 Accumulation Index +5.95%). During the month US CPI came in above expectations, hitting a 40 year high of 9.1% (year on year).

The US Fed raised the Fed Funds Rate by 75bp to a range of 2.25-2.50% while the Reserve Bank of Australia increased the cash rate by 50bp to 1.35%. Despite this, markets rallied due to a positive US reporting season and a 2Q US GDP decline of 0.9% which lowered expectations of the pace and extent of future rate rises.

Global markets also participated in the rally (S&P500 +9.2%, Euro Stoxx 600 +7.5%, FTSE 100 +3.7%, MSCI Asia ex Japan down 0.1%).

The best sectors for the month were Information Technology (+15.2%), REITs (+11.9%) and Financials (+9.3%), while Materials (-0.7%), Energy (+2.1%) and Utilities (+3.1%) lagged.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Wisetech	+49	Proteomics	-47
Xero	+38	Tabcorp	-30
Resmed	+38	BHP	-28
SPI Futures	+37	Ansell (short)	-24
James Hardie	+30	QBE	-18

Towards the end of June Kardinia switched its short position in Wisetech to a long position. In July, Wisetech upgraded FY22 EBITDA guidance to \$315m at the mid-point from \$285m, reflecting strong top line growth and cost efficiencies ahead of expectations.

The sharp selloff in Xero seen this calendar year saw a 21% reversal this month as the tech sector rebounded. There was little stock specific news to justify the rally.

Major Resmed competitor Philips lowered its sales guidance for 2022 as inflationary pressures, supply-chain troubles and Covid lockdowns in China cut earnings by more than half in the second quarter. The window is still very much open for Resmed to continue to take market share and lift prices with no clear signs that things are improving post a recent product recall for Philips.

PIQ fell 5% despite a positive announcement of a potential breakthrough blood test for Endometriosis.

Post the Tabcorp demerger, news flow this month was limited. Tabcorp represents a stable, mature business which the market used as a funding source to rotate into higher beta positions. Fundamentally the business has not changed with a focused management team now in place to manage the business turnaround going forward. Furthermore, the process to level the playing field with the key 'Corporate' bookmakers via more even tax regimes will see the company continue to improve its position.

BHP's quarterly release indicated it expects increased production of commodities including copper and coal in the year ahead after output last fiscal year was hampered by wet weather and labour constraints. However, an uncertain macroeconomic outlook and fears of a synchronised global downturn kept investors cautious.

Ansell's circa 20% fall this calendar year tempted shareholders back into the stock. Kardinia was stopped out of a short position as the stock rallied 17.5% during the month.

QBE is one of the few shares which has actually rallied this calendar year. QBE has genuine leverage to rising bond yields and the business has also demonstrated leverage to rising premium rates. Again, a number of outperformers this year were sold as investors rotated into underperformers.

Commodity prices were generally weaker with iron ore -4% to US\$118/t and copper -4% to US\$3.57/lb as the market grew concerned over the risk of a recession. Brent oil fell 4% to US\$110/bbl. Gold was down 2% to US\$1766/oz. The A\$/US\$ rose 1% to US\$0.70.

Outlook & Positioning

We believe we are in the midst of a bear market rally which will be cut short by negative earnings revisions as weaker economic conditions caused by tighter monetary policy take hold.

We reduced our net exposure from 73.3% to 17.5% (31.4% long and 13.9% short) during the month, with most of the decrease due to the sale or reduction in size of our long book and a modest increase in our short book. We believe our portfolio is relatively defensive with no major sector overweights. Our largest sector exposures are Health Care, Energy and Resources.

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%	1.15%						-9.49%
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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