

Bennelong Kardinia Absolute Return Fund

Performance report | 31 August 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	0.05%	(2.56%)	(7.89%)	1.31%	1.07%	7.65%
Benchmark ²	0.32%	1.38%	2.44%	2.21%	1.91%	3.27%

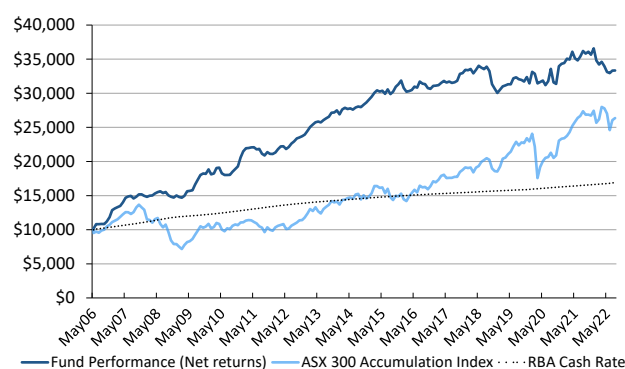
Performance figures are net of fees and expenses.

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	0.9215
Unit price: monthly series	1.0821
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.65%
Total return since inception	233.46%
Annualised standard deviation	7.66%
Sharpe ratio (RFR=RBA cash)	0.57
Percentage of positive months since inception	65.82%

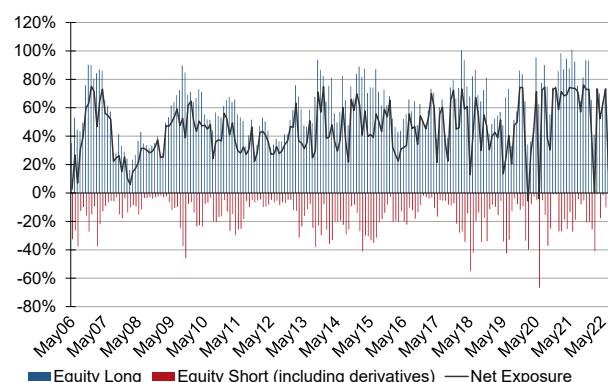
Historical performance



Largest holdings

Holding	Sector	Weight
QBE Insurance	Financials	3.5%
Tabcorp	Cons Discr	2.9%
CSL	Health Care	2.6%
Resmed	Health Care	2.3%
Santos	Energy	2.3%
The Lottery Corp	Cons Discr	2.3%
ANZ	Financials	2.1%
Vicinity Centres	REITs	1.5%
BHP Group	Materials	1.5%
Select Harvests	Consumer Staples	1.5%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +0.05% in August, while the market was also up (S&P/ASX300 Accumulation Index +1.18%). The Australian market outperformed global indices with the focus largely on the domestic profit reporting season, where more companies beat expectations than missed by a factor of 3:2. Margins are holding for now, with higher costs largely being passed on but labour shortages continue to be an issue.

Global markets were weak (Euro Stoxx 600 -5.1%, S&P500 down 4.1%, FTSE 100 -1.1%, MSCI Asia ex Japan +0.4%). This was driven by hawkish commentary from the US Fed at the annual Jackson Hole symposium. The Reserve Bank of Australia increased the cash rate by 50bp to 1.85%.

The best sectors for the month were Energy (+7.8%), Materials (+4.4%) and Communication Services (+2.5%), while REITs (-3.5%), Consumer Staples (-1.8%) and Utilities (down 1.6%) lagged.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Pilbara	+33	IDP Education	-27
Proteomics	+20	Lynas	-20
Santos	+17	Resmed	-15
QBE Insurance	+16	Nickel Mines	-13
Select Harvests	+10	Vicinity Centre	-11

Pilbara rallied strongly in August (+32%) despite missing consensus profit forecasts. The company has a strong cash balance, is growing production significantly and is enjoying the benefits of very strong lithium prices.

Proteomics announced a binding letter of intent with Sonic Healthcare USA regarding entering into an exclusive licence for use of the company's PromarkerD diabetic kidney disease test in the US. The target date for the licence agreement is 31 December 2022. This is an important catalyst for the company, with delays in commercialisation

of the test seeing the share price largely tread water over the past year. The company also raised \$8m from the equity market to assist with inventory build and implement US sales and marketing.

Santos reported a 300% rise in underlying profit and record free cash flow of US\$1.7b driven by significantly higher oil and LNG prices as well as the Oil Search merger. The company upsized its buyback from US\$250m to US\$350m. The company also announced FID for its Pikka development in Alaska and flagged up to US\$16-\$27b in cash for capital returns and further growth between 2022 and 2030.

IDP Education was weak leading up to its result however the profit result itself was good despite student placement volumes and IELTS test volumes being below expectations. Lynas reported an in line result including forward capex guidance of \$1.2b over FY23/24 related to Kalgoorlie and the Mt Weld expansion.

Resmed fell 6% despite reporting an in line result. The company did not see any operating leverage with EBIT growing in line with revenue. Resmed did not provide forward guidance but expects sequential improvement in device revenue. The window is still very much open for Resmed to continue to take market share from Philips and lift prices with no clear signs that things are improving post a recent product recall for Philips.

Commodity prices were noticeably weaker with iron ore -16% to US\$99/t and copper -2% to US\$3.52/lb as the market grew concerned over the risk of a recession. Brent oil fell 12% to US\$97/bbl. Gold was down 3% to US\$1711/oz. The A\$/US\$ fell 2% to US\$0.68.

Outlook & Positioning

We have cut our net exposure to the market to be market neutral at the end of August. We have done this by both cutting the size of our long book and increasing the size of our short book. Within the long book, we are also positioned more defensively, with key exposures being healthcare, energy and stocks that do well when interest rates rise such as QBE Insurance.

Within the short book, our positions are dominated by high multiple or lossmaking stocks that do poorly when the discount rate rises, with the most shorted sector being Technology. We are also short some consumer discretionary names which we believe will come under pressure if the US Fed is successful in putting consumer demand to the sword.

With such volatility, multiple turns in markets is highly likely before year end. We expect to remain defensively positioned but are also alert to opportunities to acquire quality businesses at cheaper prices in any market sell off. We are looking to add to our exposure to the high cash flow energy sector. We will also look to add resources exposure to the portfolio in the event of a more comprehensive stimulus program in China. At the same time, we will likely take profits in more defensive "recession proof" holdings that are beginning to look expensive.

Fund performance⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-4.80%	-1.72%	1.17%	-1.93%	-2.43%	-0.55%	1.15%	0.05%					-8.83%
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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