

Bennelong Kardinia Absolute Return Fund

Performance report | 30 September 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	2.30%	(1.47%)	(4.74%)	2.20%	1.40%	7.76%
Benchmark ²	0.35%	1.56%	2.62%	2.30%	1.96%	3.27%

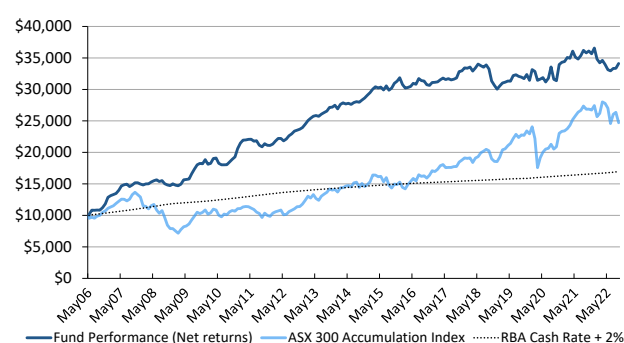
Performance figures are net of fees and expenses.

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 61.9 million
Inception date ³	1 May 2006
Unit price: daily series	0.9427
Unit price: monthly series	1.1069
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.76%
Total return since inception	241.12%
Annualised standard deviation	7.65%
Sharpe ratio (RFR=RBA cash)	0.59
Percentage of positive months since inception	65.99%

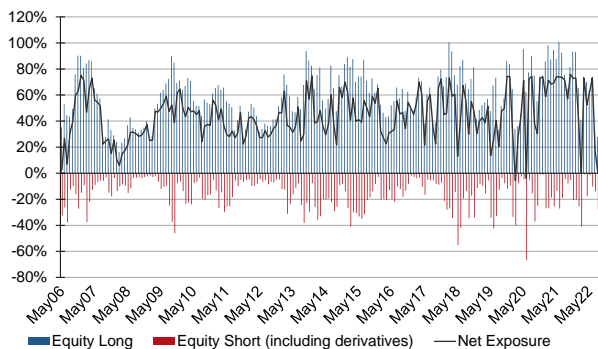
Historical performance²



Largest holdings

Holding	Sector	Weight
Tabcorp	Cons Discr	2.8%
CSL	Health Care	2.6%
Resmed	Health Care	2.4%
The Lottery Corp	Cons Discr	2.2%
ANZ	Financials	2.0%
Select Harvests	Consumer Staples	1.5%
QBE Insurance	Financials	1.4%
BHP Group	Materials	1.4%
Vicinity Centres	REITs	1.4%
Proteomics	Health Care	1.3%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +2.30% in September, strongly outperforming the market which fell significantly (S&P/ASX300 Accum Index -6.29%). Global markets were also weak (MSCI Asia ex Japan -10.5%, S&P500 -9.2%, Euro Stoxx 600 -5.5%, FTSE 100 -5.2%).

The weakness was driven by a hawkish US Fed, which raised the US Fed Funds Rate by 75bp to 3.00-3.25% and global recession fears. The Reserve Bank of Australia increased the cash rate target by 50bp to 2.35%.

All sectors of the market were negative during September. The best sectors were Materials (-2.3%), Energy (-3.8%) and Health Care (-4.4%), while Utilities (-13.8%), REITs (-13.6%) and Information Technology (-10.6%) lagged.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Short Book	+349	SPI Futures	-55
Resmed	+12	Vicinity Centres	-16
Select Harvests	+9	The Lottery Corp	-12
Proteomics	+7	Bapcor	-10
Pilbara Minerals	+5	QBE Insurance	-9

Returns in September were dominated by our Short Book which added 349bp for the month. The top three short contributors were a global consumer discretionary stock, a global information technology stock and a global bank.

Resmed rose 5%, largely reversing last month's fall. We believe 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 for Philips post a recent product recall.

Select Harvests rose 6% after providing a positive update on the FY23 almond crop. The company expects FY23 crop volume to be ~30,000 tonnes, up from the 28,800-29,200 tonnes in FY22. Select believes it will achieve adequate pollination of the crop despite hive shortages across the

industry due to biosecurity restrictions. The company also announced that market pricing has strengthened recently.

Proteomics rose 6% after announcing that a new test for oesophageal cancer demonstrated strong diagnostic performance. The company hopes to develop a simple blood test for the disease. This test forms part of the company's diagnostic development pipeline of tests for various health conditions. Pilbara rallied strongly in September (+25%) on the back of strong lithium prices.

A long position in Share Price Index Futures was the biggest detractor for the month. This position was used to partially hedge our short book in the event of a more favourable inflation print during the month.

Vicinity Centres was downgraded by Goldman Sachs, after the mall owner outperformed the benchmark index for Australian property companies by over 30% this year. Vicinity also announced the nomination of three new directors as part of a Board renewal. News flow for The Lottery Corp this month was limited however an uncertain macroeconomic outlook and fears of a synchronised global downturn kept investors cautious.

Commodity prices were weaker with iron ore -1% to US\$98/t and copper -3% to US\$3.41/lb as the market's worries over the possibility of a global recession grew. Brent oil fell 9% to US\$88/bbl. Gold was down 3% to US\$1661/oz. The A\$/US\$ fell 7% to US\$0.64.

Outlook & Positioning

Our net exposure to the market remains close to market neutral at the end of September (net long 4.6%). Whilst valuations have compressed over the past 9 months, we believe earnings forecasts remain too high. The risks that the global economy enters a recession over the next 6 months is very real. Consensus estimates remain too optimistic with US earnings per share forecast to increase 8% in CY23 and a further 9% in CY24. However, corporate earnings are starting to roll over. US company FedEx, which represents one of the best signposts for global growth, issued a profit warning late in the month. Dow Chemicals, Nike and Carnival Corp have also recently posted disappointing results. Historically whenever Fedex sells off to the extent recently seen, the US experiences a recession. During the last three US economic recessions, corporate earnings fell on average c.30%. Corporate earnings is something we are watching closely, as any broad based downgrade could see another leg down in this selloff.

We remain 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%	2.30%				-6.73%
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

BT Asgard (Master Trust, Employee Super, Infinity eWrap)	Netwealth (Super Service, Wrap Service, IDPS)
BT (Panorama)	Oasis (Wealthtrac)
CFS (FirstChoice, FirstWrap, IX (PIS))	Powerwrap (Super, Pension, Smartwrap)
Hub 24 (Super, IDPS)	Wealthtrac
Macquarie Wrap (IDPS, Super)	Wealth O2
Mason Stevens	

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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