

Bennelong Kardinia Absolute Return Fund

Performance report | 30 November 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	2.50%	7.09%	(0.50%)	3.11%	1.49%	7.94%
Benchmark ²	0.40%	1.98%	3.07%	2.53%	2.07%	3.29%

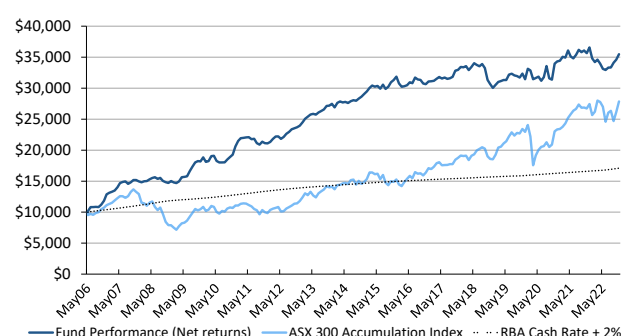
Performance figures are net of fees and expenses.

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
Inception date ³	1 May 2006
Unit price: daily series	0.9803
Unit price: monthly series	1.1513
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.94%
Total return since inception	254.79%
Annualised standard deviation	7.63%
Sharpe ratio (RFR=RBA cash)	0.61
Percentage of positive months since inception	66.33%

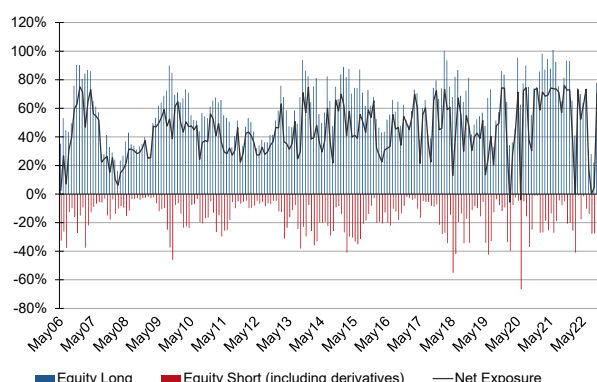
Historical performance²



Largest holdings

Holding	Sector	Weight
NAB	Financials	7.0%
BHP Group	Materials	5.5%
South32	Materials	5.4%
ANZ	Financials	5.1%
Northern Star	Gold	5.0%
Macquarie Group	Financials	4.4%
AMP	Financials	4.1%
Qantas	Industrials	4.0%
Hub24	Financials	3.7%
Challenger Group	Financials	3.4%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +2.50% in November, with the market also up strongly (S&P/ASX300 Accum Index +6.49%). Global markets rallied hard (MSCI Asia ex Japan +13.5%, Euro Stoxx 50 +9.7%, FTSE 100 +7.1%, S&P500 +5.6%).

The strength in the market over the past two months has been driven by favourable inflation data which suggests that a pivot in monetary policy (from tightening to neutral) is closer than previously anticipated. Australian headline CPI data for October was +6.9% year on year (below market expectations of +7.6%) while US CPI for October was +7.7% year on year (down from +8.2% in September).

During the month, the Reserve Bank of Australia raised the cash rate target for the seventh month in a row (by 25bp to 2.85%). The total increase in rates over that period has been +275bp). The US Federal Reserve increased the federal funds rate by 75bp to 3.75%-4.00% with Chairman Powell commenting that the time for moderating the pace of rate increases could come as soon as the December meeting.

It will be interesting to observe whether the recent trend of lower inflation continues such that it returns to target ranges (Australia 2-3%, US 2%) or whether inflation bottoms out at a higher level such that the market must readjust its assumption of a benign rate rise path from here.

The best sectors for the month were Utilities (+20.8%), Materials (+16.3%) and Health Care (+6.0%), while Communication Services (+2.1%), Financials (+2.5%) and Energy (+2.7%) lagged.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
BHP	+100	Select Harvests	-44
Webjet	+66	Pilbara Minerals	-39
AMP	+44	Short Book	-26
Northern Star	+31	Life360	-23
Macquarie	+31	Santos	-15

BHP was up 22%, driven by the strong rally in commodities prices. The company also raised its takeover offer for Oz Minerals to \$28.25/share (from \$25.00/share) with the target company's Board saying it intended to recommend the bid after a 4-week period of due diligence.

Webjet rose 22% after reporting a strong 1H23 profit result ahead of market expectations. Bookings are back at pre-pandemic levels with a cost base that is 16% lower than pre-pandemic levels. The company expects its WebBeds business to exceed pre-pandemic profitability in FY23 driven by market share gains, while group earnings are expected to exceed pre-pandemic levels in FY24 as the recovery in travel continues.

AMP rose 8% for the month on minimal news flow, although the company's \$350m on-market buyback continued during the month and a new CFO was announced at the end of the month.

Select Harvests fell 17% following a disappointing 2022 profit result caused by lower almond pricing, adverse weather (rain), biosecurity impacts on bee supply and a fire at the company's Carina West processing facility.

Pilbara Minerals was caught in a lithium sector selloff during the month after data showed that battery electric vehicle registrations in China fell 21% in October from the previous month.

Commodity prices were stronger with iron ore +26% to US\$103/t as China eased some of its strict COVID lockdown policies following significant street protests. Copper was +11% to US\$3.74/lb. Brent oil fell 10% to US\$85/bbl as speculation grew that a production cut at the next OPEC meeting was unlikely. Gold broke a seven-month downtrend to be +8% to US\$1768/oz. The A\$/US\$ rose 6% to US\$0.68.

Outlook & Positioning

We lifted our net exposure by 4.3% during November to 74.2% by the end of the month (long 88.7%, short 14.5%). Key changes included higher weightings in Northern Star, Atlas Arteria, South32 and Aussie Broadband and the sale of Select Harvests following a disappointing 2022 profit result. We have also lifted the exposure to Technology sector as the pace of future central bank rate rises appears to be slowing (at least in the short-term).

Key themes within the portfolio include:

- Long Resources
- Long Banks
- Long Technology

Looking forward to 2023, we remain of the view that we are likely to see both earnings downgrades (caused by slowing demand due to interest rate rises) and PE multiple contraction amongst non-financial stocks. While the contraction in PE multiples is already well progressed, we are yet to see meaningful earnings downgrades across the broader Australian market. We expect the next move in our net exposure will be down, likely early in 2023.

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%	1.47%	+2.50%		-3.00%
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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