

# Bennelong Kardinia Absolute Return Fund

Performance report | 31 December 2022

## Net client returns (after fees and expenses)

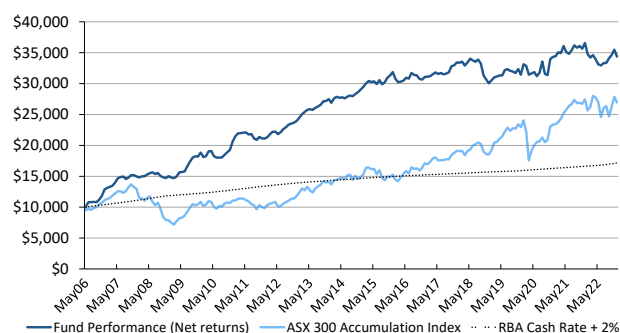
	1 mth	6 mths	1 year	3 years p.a.	5 years p.a.	Since inception <sup>3</sup> p.a.
Fund <sup>1</sup>	(3.10%)	4.34%	(6.01%)	3.01%	0.56%	7.69%
Benchmark <sup>2</sup>	0.43%	2.19%	3.33%	2.60%	2.13%	3.30%

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 <sup>3</sup>	1 May 2006
Unit price: daily series	0.9499 (cum distribution)
Unit price: monthly series	1.1156 (cum distribution)
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.69%
Total return since inception	243.78%
Annualised standard deviation	7.66%
Sharpe ratio (RFR=RBA cash)	0.57
Percentage of positive months since inception	66.00%

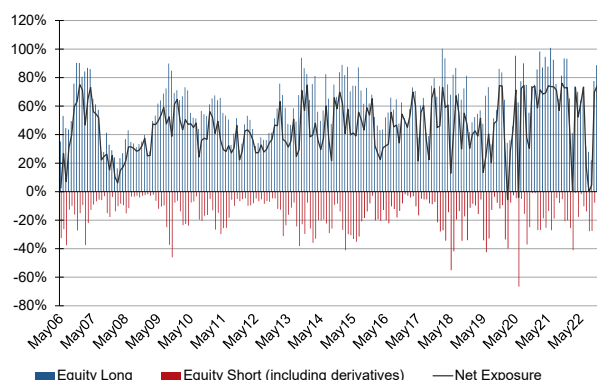
## Historical performance<sup>2</sup>



## Largest holdings

Holding	Sector	Weight
ANZ	Financials	9.3%
Oz Minerals	Materials	6.0%
Westpac	Financials	3.3%
Atlas Arteria	Industrials	3.3%
Medibank	Financials	3.1%
Challenger Group	Financials	2.1%
BHP	Materials	2.1%
Qantas	Industrials	2.1%
South 32	Materials	2.1%
Northern Star	Gold	2.0%

## Portfolio exposure analysis



## Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 3.10% in December, with the market also down (S&P/ASX300 Accum Index -3.29%). Global markets were also weak (S&P500 down 5.8%, Euro Stoxx 50 -4.3%, FTSE 100 -1.5%, MSCI Asia ex Japan -0.8%).

The market grew concerned that a pivot in monetary policy (from tightening to neutral) may take longer than expected after US 3Q GDP (+3.2% year on year) printed stronger than expected.

During the month, the Reserve Bank of Australia raised the cash rate target for the eighth month in a row (by 25bp to 3.10%). The total increase in rates over that period has been +300bp). The US Federal Reserve increased the federal funds rate by 50bp to 4.25%-4.50%.

The best sectors for the month were Materials (-0.9%), Utilities (-1.2%) and Consumer Staples (-1.8%), while Consumer Discretionary (-7.0%), Information Technology (down 5.4%) and Industrials (-4.9%) lagged.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Short Book	+28	CBA	-33
Northern Star	+16	Wisotech	-32
Challenger	+15	NAB	-32
QBE Insurance	+7	ANZ	-29
BHP	+7	Macquarie	-28

The Short Book made a positive contribution, with a broad range of contributors across consumer discretionary, housing-related and oil sectors.

During the month Northern Star took a 10% stake in PolarX, an Australian listed gold company with assets in the US. The gold price continues to strengthen with the US dollar weakening as the market looks for more signals the Fed's hawkish stance will start to ease.

A substantial shareholder notice filed during the month showed Apollo lifted its stake in Challenger from c.18% to c.19%. The market continues to speculate whether Apollo will seek to acquire the entire company via a takeover.

There was no stock specific news relating to QBE Insurance during the month, however improving underwriting performance, leverage to rising interest rates and valuations at 9.0x one-year forward P/E (consensus) continues to represent attractive value.

BHP's A\$9.6b takeover of OZL received unanimous support from OZL's Board, with a signed Scheme Implementation Deed in place. BHP has the capacity to acquire OZL for cash at the current offer price while maintaining a solid balance sheet. BHP also rallied during the month after China eased Covid restrictions and announced meaningful stimulus.

There was little stock specific news relating to the banks (CBA, NAB, ANZ, Macquarie Group), however a fragile macro backdrop including heightened interest rates and concerns in relation to its impact on the domestic property market, led the entire banking sector to fall during the month.

Wisotech's share price fell as continued macro uncertainty is leading some to expect volume weakness and downward pressure on freight rates across sea and air.

Commodity prices were stronger with iron ore +14% to US\$118/t as the Chinese Government announced infrastructure stimulus. Copper was +2% to US\$3.81/lb. Brent oil rose 1% to US\$86/bbl. Gold built on last month's gains to be +3% to US\$1824/oz. The A\$/US\$ was flat at US\$0.68.

## Outlook & Positioning

We reduced our net exposure during December to 12.7% by the end of the month (long 50.6%, short 37.9%).

Key changes included more conservative weightings in the banks, resources and technology sectors.

We have also increased the size of the Short Book as 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.

Key themes within the portfolio include:

- Long Resources
- Long Bond Proxies
- Short Technology

## Fund performance<sup>4</sup>

	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%	-3.10%	-6.01%
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](mailto:client.experience@bennelongfunds.com)) to request your performance history.

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