

Bennelong Kardinia Absolute Return Fund

Monthly performance report

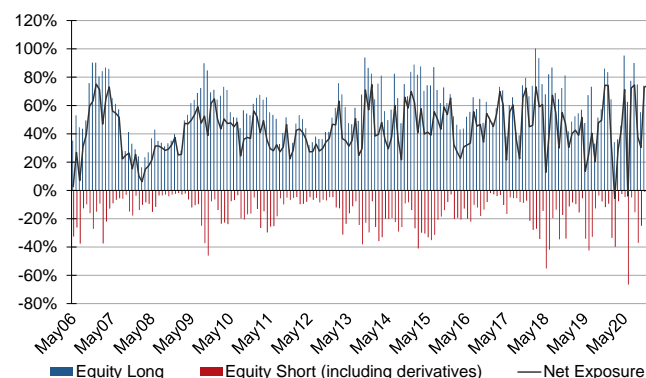
As at 31 December 2020

Fund at a glance

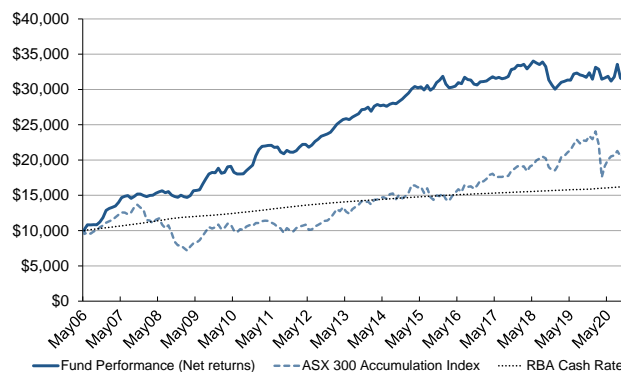
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 134.2 million
Inception date	1 May 2006
Unit price: daily series	1.1358 (cum-distribution)
Unit price: monthly series	1.3348 (cum-distribution)
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.77%
Total return since inception	243.18%
Annualised standard deviation	7.69%
Sharpe ratio (RFR=RBA cash)	0.70
Percentage of positive months since inception	67.61%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	1.07%	0.19%
6 months	10.04%	1.14%
1 year	9.13%	2.37%
3 years p.a.	0.88%	1.74%
5 years p.a.	1.50%	1.69%
Since inception p.a.	8.77%	3.38%

Note: Performance results are presented 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 inception date of the Fund is 1 May 2006.

*The Performance Fee Hurdle is the RBA cash rate plus 2%. Prior to 2 December 2019 it was the RBA Cash Rate.

Largest holdings	Sector	%
National Aust Bank	Financials	5.1%
Commonwealth Bank	Financials	4.1%
Boral	Materials	3.6%
Downer	Industrials	3.5%
Pointsbet	Cons Discr	3.1%
Xero	Info Tech	3.0%
Worley	Energy	2.8%
CSL	Health Care	2.7%
REA Group	Comm. Services	2.7%
Harvest Technology	Info Tech	2.3%

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Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +1.07% in December, with the market also up (S&P/ASX300 Accumulation Index +1.32%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Fenix Resources	+57	Worley	-45
Fortescue Metals	+39	Flight Centre	-44
Harvest Technology	+32	Ardent Leisure	-32
MACA	+30	Qantas	-30
Xero	+23	Short Book	-26

Iron ore stocks were the biggest contributors for the month due to the significant rise in the iron ore price (+22%). Travel stocks suffered due to an outbreak of COVID-19 in the northern beaches region of New South Wales that led to lockdowns and border closures and which subsequently spread to other States.

For the calendar year to 31 December 2020, the Kardinia Fund has returned +9.13%, outperforming the market (S&P/ASX300 Accumulation Index +1.73%). It was a tale of two halves with the Kardinia Fund successfully protecting capital during the large drawdown in February/March and also participating in the upside in the second half of the year. The top contributors for the year were Fortescue Metals, Commonwealth Bank, James Hardie, Harvest Technology and JB Hi-Fi. The biggest detractors included Virgin Money UK, Atlas Arteria, Austal, Beach Energy and City Chic.

The best market sectors in CY20 were Information Technology (+52%) and Materials (+19%) while Energy (-27%) and Utilities (-16%) lagged.

Market Performance

The Australian equity market rose in December with the S&P/ASX300 Accumulation Index up 1.32%. The market was buoyed by emergency use approvals given to the Pfizer and Moderna COVID-19 vaccines and the announcement of rollout plans in many countries, with ~10m doses administered globally in December. The positive news was offset somewhat by the NSW

outbreak and the emergence of a mutated version of the virus ("UK strain") that is 70% more transmissible.

Australian economic data was generally better than expected with 3Q GDP +3.3% quarter on quarter, retail sales and employment solid and consumer confidence at ten-year highs. US economic data was generally in line with expectations while Chinese and European economic data was mixed.

Global markets were generally strong (MSCI Asia ex Japan +6.0%, S&P500 +3.8%, FTSE 100 +3.3%, Euro Stoxx 50 +1.8%). Bond yields rose (US 10yr +7bp to 0.92%, Australia 10yr +7bp to 0.97%). The AUD/USD rose 5% to US\$0.77.

Commodity prices were stronger with iron ore up US\$28.50 to US\$158.50/t and Brent oil up 8% to US\$52. Copper was up 3% to US\$3.52/lb while gold rose 7% to US\$1898/oz. The best sectors were Information Technology (+9.5%), Materials (+8.8%) and Consumer Staples (+2.3%) while Utilities (-5.4%), Health Care (-4.9%) and Industrials (-2.7%) lagged.

We kept our net market exposure relatively stable at 74.0% (75.0% long and 1.0% short) with the key changes being increased weightings in Downer, Pointsbet and Xero, new positions in MACA and Bluescope and the sale of Qantas. We maintain a bias towards stocks that benefit from a re-opening of economies scenario.

Central Bank Support

A key contributor to the equity market's performance in CY20 has been global central bank monetary policy, including interest rate cuts and quantitative easing by the RBA. We expect this policy support to continue in CY21.



Source: Macquarie Research

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Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%

Contact details

For more information, contact Client Services on 1800 895 388 (AU) or 0800 442 304 (NZ), or visit kardiniacapital.com.au

How to invest

The Fund is open to investors directly via the PDS (available at kardiniacapital.com.au), or a range of platforms.

Platforms

AMP: Elements Investment, Elements Pension, My North, North, Portfolio Care, Portfolio Care eWrap, PPS, Weathview eWrap Inv

AON IOOF: Portfolio Services

Asgard: Master Trust, eWrap, Macquarie Wrap: IDPS, Employee Super, Infinity Super

BT: Wrap, Super Wrap, Netwealth: Super Service, Assemble Wrap Service, IDPS

CFS: FirstChoice, FirstWrap, IX Oasis: Dominion

Credit Suisse Powerwrap: Super, Pension, Smartwrap

Federation Wealthtrac

Hub 24: Super, IDPS Wealth O2

Notes:

1. Kardinia Capital is an investment manager that invests solely in Australian and New Zealand securities.
2. The Bennelong Kardinia Absolute Return Fund (Fund) was launched on 1 May 2006 by another trustee, and the above performance data relates to this strategy. Bennelong Funds Management Ltd (Bennelong) assumed responsibility as replacement trustee on 16 August 2011 – for performance history relating to this date, please contact Client Services on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.services@bennelongfunds.com. Mark Burgess and Kristiaan Rehder were employed by the previous trustee and became employees of Kardinia Capital Pty Limited (Kardinia), which has been engaged by Bennelong to manage the Fund, in August 2011. Kardinia has applied the same investment philosophy and strategy in respect of the Fund. Past performance is not a reliable indicator of future performance.
3. Valuations are computed and stated in Australian dollars and are provided by independent service provider Apex Fund Services (Sydney) Pty Limited (Apex).
4. Performance results are presented 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.
5. A complete and detailed list of performance results including a presentation is available upon request.
6. Please note that performance data for the Fund is historical data based on the main series using a monthly unit pricing methodology. For those who are invested in the daily series please contact Client Services (1800 895 388 or client.services@bennelongfunds.com) to request your performance history.

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