

Bennelong Kardinia Absolute Return Fund

Monthly performance report

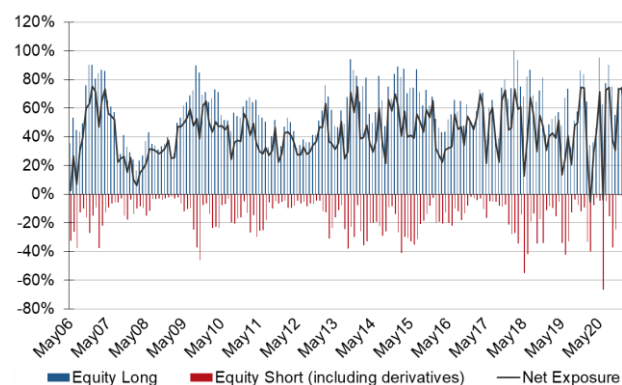
As at 31 January 2021

Fund at a glance

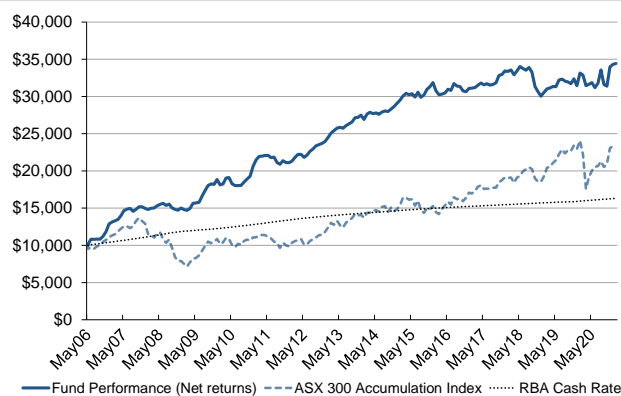
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 133.2 million
Inception date	1 May 2006
Unit price: daily series	1.1324
Unit price: monthly series	1.3307
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.74%
Total return since inception	244.29%
Annualised standard deviation	7.66%
Sharpe ratio (RFR=RBA cash)	0.70
Percentage of positive months since inception	67.80%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	0.32%	0.18%
6 months	8.33%	1.10%
1 year	3.87%	2.29%
3 years p.a.	1.05%	1.75%
5 years p.a.	2.27%	1.69%
Since inception p.a.	8.74%	3.37%

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	8.1%
Commonwealth Bank	Financials	4.1%
Downer	Industrials	3.5%
Fortescue Metals	Materials	3.4%
Harvest Technology	Info Tech	3.0%
Charter Hall	REITs	2.8%
REA Group	Comm. Services	2.7%
CSL	Health Care	2.7%
Xero	Info Tech	2.7%
MACA	Materials	2.6%

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Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +0.32% in January, in line with the market return (S&P/ASX300 Accumulation Index +0.33%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Pointsbet	+75	Polynovo	-58
Harvest Technology	+70	Xero	-37
Z1P Group	+32	Charter Hall	-29
Aussie Broadband	+28	Fortescue	-26
BHP	+22	Perseus	-25

Market Performance

The Australian equity market rose in January with the S&P/ASX300 Accumulation Index up 0.33%.

Global COVID cases passed 100m in January with global vaccinations now also around 100m. To date, Israel is leading the vaccination charge with around 35% of the population having received one dose (and 20% having received the second dose) and we are watching COVID cases and COVID-related deaths in Israel with interest. By comparison, vaccination progress in the UK sits at 14% and the US at 8%. Australia appears likely to begin vaccinating high priority patients in February/March, with the Federal Government hoping to have the entire population vaccinated by October.

Success with the global vaccination program will see a gradual re-opening of borders and the portfolio maintains a bias to stocks that benefit from a re-opening of economies. These stocks include Flight Centre, Pointsbet and Xero.

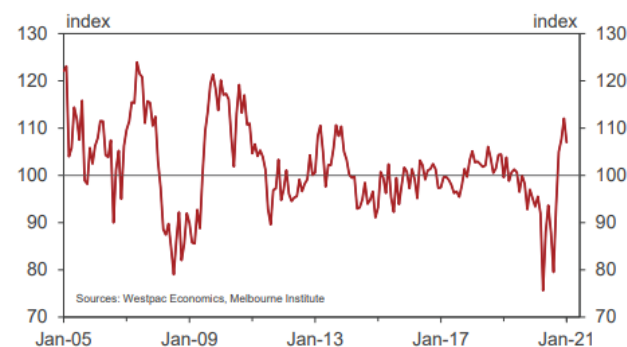
Flight Centre has been operating at only ~12% of pre-COVID levels, however sales will benefit as borders open, first domestically and then internationally. The speed of the recovery will depend on the pace of the vaccine rollout and its efficacy however Flight Centre is well-placed to weather the short-term given \$1.3b of liquidity (up to 24 months cash flow coverage). Short interest has fallen from 15.7% to 9.8% of free float over the last month.

Pointsbet should benefit from fewer COVID-related disruptions to sporting events. The company is well capitalised following the announcement in August 2020 of a 5-year media partnership with NBCUniversal and accompanying capital raise. With US State budgets under pressure from the COVID-induced downturn in

economic activity, we believe the opening up of sports betting (and associated tax revenues) across the United States is likely to accelerate.

Xero is highly exposed to the small and medium enterprise business sector. Any improvement in economic conditions is likely to see a slowdown in small business closures and potentially a pickup in new business formations.

Australian economic data was generally better than expected with house prices continuing to rise (+0.7% month on month in January) and home loans surging (+8.6% month on month) to record levels. Consumer sentiment is near ten-year highs.



US economic data showed signs of improvement, China economic data was mixed while European data was stronger than expected.

Global markets were mixed (MSCI Asia ex Japan +4.5%, FTSE 100 -0.8%, S&P500 -1.0%, Euro Stoxx 50 -1.8%). Bond yields rose (US 10yr +14bp to 1.06%, Australia 10yr +12bp to 1.09%). The AUD/USD fell 1% to US\$0.76.

Commodity prices were resilient with iron ore flat at US\$158/t and Brent oil up 8% to US\$56 (after a surprise Saudi oil supply cut). Copper was up 1% to US\$3.56/lb while gold fell 3% to US\$1849/oz. The best sectors were Consumer Discretionary (+4.7%), Communication Services (+2.7%) and Financials (+2.2%). REITs (-4.1%), Industrials (-3.0%) and Health Care (-1.8%) lagged.

We reduced our net market exposure from 74.0% to 58.7% (85.7% long and 27.0% short) with a new short position in Share Price Index Futures offsetting increased weightings in NAB, Charter Hall, Fortescue Metals and Flight Centre. We maintain a bias towards stocks that benefit from a re-opening of economies scenario, with Technology, Resources and Banks the largest sector weights.

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Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.32%												0.32%
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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