

Bennelong Kardinia Absolute Return Fund

Performance report | 31 May 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	(2.43%)	(7.71%)	(6.33%)	1.66%	0.84%	7.69%
Benchmark ²	0.20%	1.07%	2.14%	2.03%	1.82%	3.27%

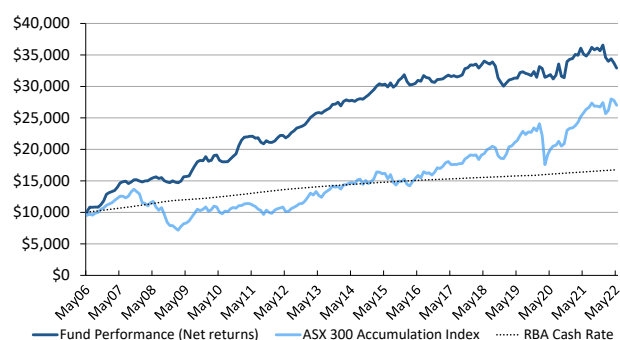
Performance figures are net of fees and expenses.

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 64.8 million
Inception date ³	1 May 2006
Unit price: daily series	0.9545
Unit price: monthly series	1.1211
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.69%
Total return since inception	229.07%
Annualised standard deviation	7.74%
Sharpe ratio (RFR=RBA cash)	0.57
Percentage of positive months since inception	65.80%

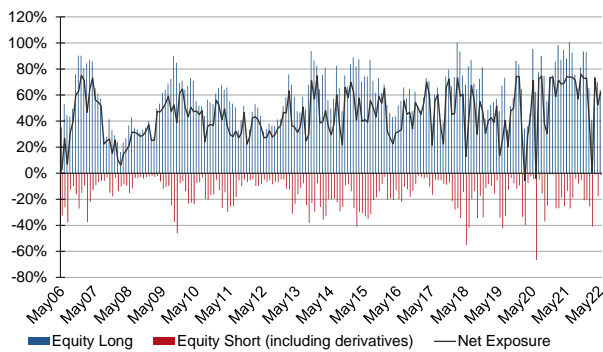
Historical performance



Largest holdings

Holding	Sector	Weight
SPI Futures	Index	32.3%
Uniti Group	Comm Services	9.3%
BHP	Materials	4.9%
Santos	Energy	4.5%
ANZ	Financials	4.4%
Pilbara Minerals	Materials	4.3%
AGL	Utilities	4.3%
Mineral Resources	Materials	3.8%
Tabcorp	Cons Discr	3.8%
Proteomics	Health Care	3.5%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 2.43% in May, while the market also fell (S&P/ASX300 Accumulation Index -2.76%). The Reserve Bank of Australia raised rates for the first time since 2010, increasing the cash rate by 25bp to 0.35%. According to Bloomberg, consensus expectations are for the cash rate to rise by 233bp to 2.68% by the end of this calendar year. With these increases likely to be passed straight through to home mortgage rates, we believe consumer discretionary spending will come under significant pressure, particularly as fixed rate mortgages roll off over the next 18 months

Global markets were mixed (Euro Stoxx 600 +1.3%, FTSE 100 +1.1%, S&P500 +0.2%, MSCI Asia ex Japan -2.8%).

The best sectors for the month were Materials (+0.1%), Utilities (-0.2%) and Industrials (-0.5%), while REITs (-8.7%), Information Technology (-8.7%) and Consumer Staples (down 6.6%) lagged.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Short Book	+134	Aussie Broadband	-53
BHP	+20	Share Price Index Futures	-46
Mineral Resources	+15	IPL	-39
Pilbara Minerals	+13	Woolworths	-38
The Lottery Corp	+11	ANZ	-38

The Short Book was the strongest contributor to returns in May, adding 134bp in performance. This contribution was significantly higher two days before month-end, however the end of month rally in the market saw many of our short positions rise sharply, reducing the size of the contribution.

It was difficult to find positive returns in the market during May, with all sectors negative apart from Materials, which was only up 0.1%. Our top three stock contributors came

from that sector, with BHP, Mineral Resources and Pilbara Minerals adding a combined 48bp of performance.

Outside the Materials sector, we had a positive contribution from The Lottery Corporation, which was demerged from Tabcorp Holdings during the month. This business is the leading Australian lotteries and Keno business, with brands including Powerball, Oz Lotto, Saturday Lotto, Keno and Instant Scratch-Its. The company has exclusive and long duration licences and a dominant position in the market. Lottery ticket sales are resilient and defensive to the economic cycle. We believe these “infrastructure-like” cash flows deserve to trade at a high multiple.

Aussie Broadband, which provides broadband services to residential and business customers, fell 25% after providing a trading update that was modestly below market expectations. Subscriber numbers were slightly lower (580-585k versus previous guidance 580-590k) and EBITDA guidance for the core business (pre-Over the Wire acquisition) was 3.5% below previous guidance. We exited the position as it went through our 15% stop loss limit.

Incitec Pivot fell 9% after reporting a surprisingly weak result given the strong rise in fertiliser prices. The miss was due to a material increase in manufacturing costs at Phosphate Hill. The company also announced its intention to demerge into two businesses, Dyno Nobel explosives and Incitec Pivot Fertilisers.

Commodity prices were generally weaker with iron ore -3% to US\$139/t and copper -3% to US\$4.30/lb. Brent oil rose 12% to US\$123/bbl due to the European Commission’s decision to adopt a complete import ban on Russian seaborne crude oil and petroleum products, which covers 90% of the EU’s current oil imports from Russia, by the end of the year. Gold was down 3% to US\$1838/oz. The A\$/US\$ rose 2% to US\$0.72.

Outlook & Positioning

We see risk of a disorderly selloff as the market tests the resolve of central banks to raise interest rates at a rapid pace in order to contain rising inflation. Our Short Book has proven itself to be a powerful contributor to returns during the month, but also a big detractor during the late month rally. We increased our net exposure from 52.3% to 62.2% during the month, with the majority of the increase due to a long Share Price Index Futures position which was introduced as a partial hedge to our Short Book in order to protect the portfolio against “bear market rallies”.

Key exposures in our Long Book are Resources, Energy and Health Care, with large caps favoured over small caps.

We believe a tapering of quantitative easing by the US Federal Reserve and faster than expected interest rate rises remains the key issue for markets in calendar year 2022.

Fund performance⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-5.44%	-1.72%	1.17%	-1.93%	-2.43%								-10.03%
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

AMP (Elements Investment, Elements Pension, My North, North, Portfolio Care, Portfolio Care eWrap, PPS, Weathview eWrap Inv)	IOOF (Portfolio Services)
BT Asgard (Master Trust, Employee Super, Infinity eWrap)	Macquarie Wrap (IDPS, Super)
BT (Panorama)	Mason Stevens
CFS (FirstChoice, FirstWrap, IX (PIS))	Netwealth (Super Service, Wrap Service, IDPS)
Hub 24 (Super, IDPS)	Oasis (Wealthtrac)
	Powerwrap (Super, Pension, Smartwrap)
	Wealthtrac
	Wealth O2

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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