

Bennelong Kardinia Absolute Return Fund

Monthly performance report

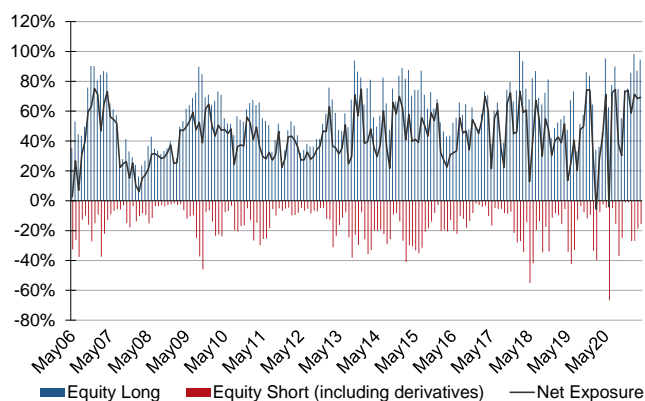
As at 30 April 2021

Fund at a glance

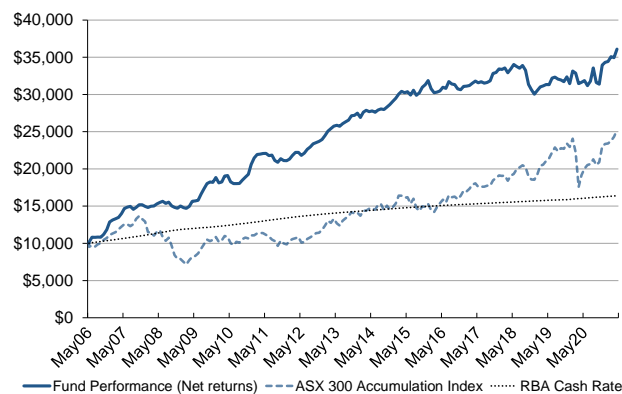
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 93.0 million
Inception date	1 May 2006
Unit price: daily series	1.1863
Unit price: monthly series	1.3947
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.93%
Total return since inception	260.86%
Annualised standard deviation	7.64%
Sharpe ratio (RFR=RBA cash)	0.73
Percentage of positive months since inception	67.78%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	3.26%	0.17%
6 months	15.01%	1.05%
1 year	14.04%	2.19%
3 years p.a.	2.58%	1.80%
5 years p.a.	3.44%	1.70%
Since inception p.a.	8.93%	3.35%

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	8.2%
Commonwealth Bank	Financials	5.2%
James Hardie	Materials	4.1%
Fenix Resources	Materials	3.9%
Cyprium Metals	Materials	3.9%
Bluescope Steel	Materials	3.9%
Fortescue Metals	Materials	3.8%
Macquarie Group	Financials	3.6%
Flight Centre	Cons. Discretionary	3.2%
BHP	Materials	3.1%

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Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +3.26% in April, with the market up for the seventh consecutive month (S&P/ASX300 Accumulation Index +3.70%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Fenix Resources	+152	Short Book	-113
Pentanet	+79	Beach Energy	-86
Cyprium Metals	+55	Harvest Technologies	-38
Uniti Group	+54	Galena Mining	-37
Adairs	+45	Flight Centre	-24

Fenix Resources operates the small high grade Iron Ridge iron ore mine in Western Australia. It is a simple open pit operation with direct shipping ore transported 490km by road to the Geraldton Port. The company has offtake agreements with Sinosteel for 50% of production and Atlas Iron (a subsidiary of Hancock Prospecting) for the other 50%. The management team have done an excellent job navigating the permitting and native title processes to get the mine into operation and are now reaping the rewards of a very strong iron ore price.

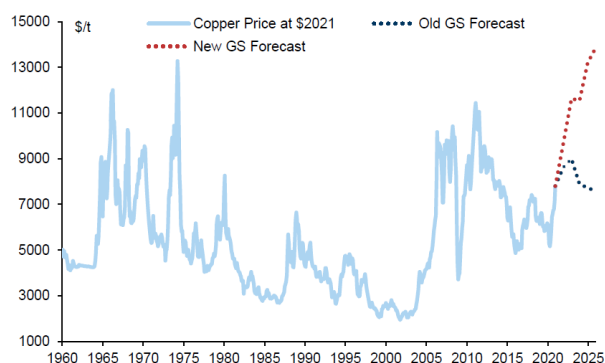
Beach fell after announcing a larger than expected downgrade to the size of its western flank 2P reserves while a short position in Share Price Index Futures was the major contributor to the negative performance for the Short Book this month.

The best sectors for the month were Information Technology (+9.7%), Materials (+6.8%) and Industrials (+4.3%). Energy (-4.9%), Consumer Staples (-2.5%) and Utilities (-1.2%) lagged.

Commodity Price Strength Continues

We wrote in our February monthly report that we believed the copper bull market had further to run. Since then the copper price has risen 9% to US\$4.47/lb. The copper price is benefiting from strong demand (as Government and central bank stimulus drives a recovery in global growth) and weak supply (due to years of underinvestment). With a tight market and a very low starting point for inventories, we believe the copper bull market has further to run. Indeed, Goldman Sachs believe that copper's critical role in decarbonization will force the price to US\$15,000/t (US\$6.80/lb) by 2025, 50% higher than the current price.

Historical and forecasted copper price at \$2021



Source: World Bank, Goldman Sachs Global Investment Research

Copper is not the only commodity that is seeing strong price growth as can be seen from the table below:

Commodity	1 Year Price Change	CY21 YTD Price Change
Oil	+152%	+39%
Iron Ore	+128%	+18%
Copper	+90%	+29%
Thermal Coal	+78%	+16%
Zinc	+51%	+7%
Nickel	+44%	+6%
Gold	+5%	-7%
Coking Coal	-2%	+4%
Uranium (spot)	-13%	-4%

Source: Iress, Bloomberg, Cameco, UBS

We believe the uranium price is set to move higher given significant mine closures and production cuts over the past decade. On the demand side we are seeing purchases in the spot market from both uranium producers and investment funds. As the market tightens, we expect utilities to sign new contracts in the term market at prices significantly higher than those of today. We have exposure to this thematic via Paladin and Boss Energy.

We kept our net market exposure relatively steady at 69.2% (94.5% long and 25.3% short) with new positions including CSL and Northern Star offset by the sale of Beach Energy. We expect the Federal Budget to be materially better than earlier Government forecasts, increasing the likelihood of further fiscal stimulus. We maintain a bias towards stocks that benefit from a re-opening of economies scenario, with Resources and Offshore Earners 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%	1.86%	-0.36%	3.26%									5.15%
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 Experience 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	
Asgard: Master Trust, eWrap, Employee Super, Infinity	Macquarie Wrap: IDPS, Super
BT: Wrap, Super Wrap, Assemble	Netwealth: Super Service, Wrap Service, IDPS
CFS: FirstChoice, FirstWrap, IX	Oasis: Dominion
Hub 24: Super, IDPS	Powerwrap: Super, Pension, Smartwrap
Asgard: Master Trust, eWrap, Employee Super, Infinity	Wealthtrac
IOOF: Portfolio Services	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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