

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

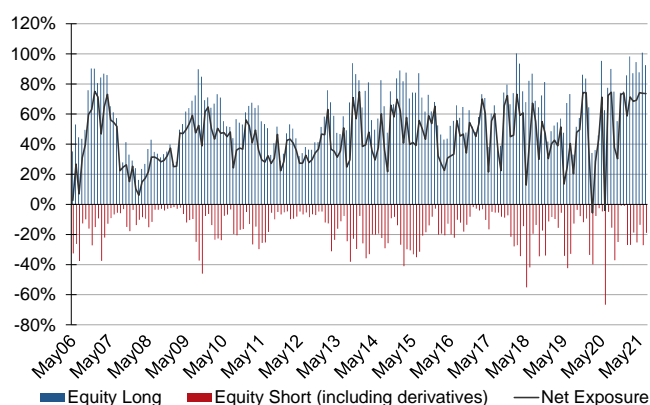
As at 31 July 2021

### Fund at a glance

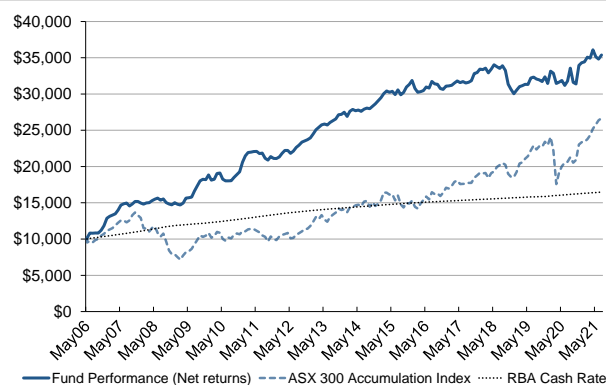
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 88.5 million
Inception date	1 May 2006
Unit price: daily series	1.0262 ex distribution
Unit price: monthly series	1.2050 ex distribution
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.64%
Total return since inception	253.71%
Annualised standard deviation	7.64%
Sharpe ratio (RFR=RBA cash)	0.69
Percentage of positive months since inception	67.21%

### Fund in review

#### Portfolio exposure analysis



### Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	1.60%	0.18%
6 months	2.74%	1.05%
1 year	11.29%	2.16%
3 years p.a.	1.79%	1.85%
5 years p.a.	2.20%	1.71%
Since inception p.a.	8.64%	3.33%

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	%
Commonwealth Bank	Financials	6.9%
NAB	Financials	4.5%
Fenix Resources	Materials	4.3%
Charter Hall	REITs	4.3%
East 33	Consumer Staples	3.9%
Proteomics	Health Care	3.9%
Fortescue Metals	Materials	3.4%
Pilbara Minerals	Materials	3.3%
Afterpay	Info Tech	3.1%
REA Group	Comm. Services	2.7%

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### Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +1.60% in July, with the market up for the tenth month in a row (S&P/ASX300 Accum Index +1.11%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Proteomics	+83	Afterpay	-46
East 33	+72	Pointsbet	-34
Pilbara Minerals	+63	Zip Co	-23
Fenix Resources	+49	Worley	-22
Neometals	+37	Aristocrat Leisure	-16

The Fund had a solid month driven by a rebound in the performance of some of our small cap positions. We remain positive on the outlook for these companies, with many having near-term catalysts.

Three of the stocks we wrote about last month were in our top five contributors this month: Proteomics, Pilbara Minerals and NeoMetals.

Proteomics, which is commercialising its novel diabetic kidney disease test, ProMarkerD, made two significant announcements during the month. Firstly, the company released the findings of an independent economic health benefit study which suggested its ProMarkerD test could save US payers US\$384b over 10 years. Secondly, the company reported the results of a collaborative study with Janssen Research & Development which showed that the diabetes drug canagliflozin lowered the ProMarkerD risk score in patients with type 2 diabetes.

Pilbara Minerals released a solid quarterly report with record shipments (above guidance), strong pricing and a significant reduction in inventories. The company also announced the results of its inaugural spodumene concentrate auction held via its Battery Material Exchange with Pilbara accepting a US\$1,250/dmt bid for a spot 10,000dmt cargo, a very strong result.

NeoMetals also saw strong newsflow, announcing positive metallurgical results from its Mt Edwards Nickel Project, its intention to demerge the Mt Edwards Nickel Project and the commissioning of its lithium battery recycling demonstration plant in Germany (in conjunction with its JV partner SMS Group). Also noteworthy during the month was the US\$700m raising by private battery recycler Redwood Materials in order to triple the size of its Nevada facilities.

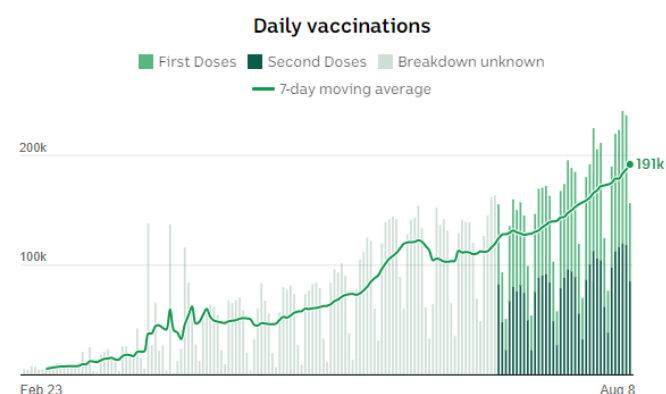
These three stocks were joined by two other small cap stocks to round out the top five contributors for the month: East 33 and Fenix Resources.

East 33 produces and supplies Sydney rock oysters and was recently floated on the ASX. The company is trading close to net tangible asset backing, which mainly comprises water rights in many of the best locations across NSW. East 33 has 25% market share of the Sydney rock oyster market and we expect this to grow strongly towards 50% by the end of FY22 following a number of acquisitions.

Fenix Resources operates the small high grade Iron Ridge iron ore mine in Western Australia and has been reaping the rewards of a very strong iron ore price. The company recently put in place hedging arrangements for 45% of its production out to September 2022 which is sufficient to cover its operating costs over the period. We expect the company to announce its capital management policy by the time the company releases its full year profit results in August.

The best sectors for the month were Materials (+7.1%), Industrials (+4.2%) and Utilities (+1.6%). Information Technology (-6.9%), Energy (-2.5%) and Financials (down 1.4%) lagged.

The Delta strain led to a surge of COVID-19 cases globally during the month (+15 million to 196 million) and lockdowns in NSW, Victoria and South Australia. More than 4 billion COVID vaccines have now been administered globally. After a slow start due to supply issues, vaccinations in Australia are now accelerating with ~23% of the population over 16 years old now fully vaccinated and this number growing by ~2.5% per week.



Dates refer to the reporting date (usually the day following vaccination), not the vaccination date.

Source: ABC

Dwelling prices are booming (+2.3% month on month) and employment remains strong (unemployment down 0.2% to 4.9%). Copper rose 5% to US\$4.48/lb while iron ore fell 11% to US\$191/Mt. Brent oil rose 2% to US\$76/bbl.

We kept our net market exposure steady during the month at 73.6% (92.5% long and 18.9% short). Key exposures are resources, technology and banks.

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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%	-2.64%	-0.90%	1.60%						3.07%
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](http://kardiniacapital.com.au)

### How to invest

The Fund is open to investors directly via the PDS (available at [kardiniacapital.com.au](http://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
IOOF: Portfolio Services	Wealthtrac
	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](mailto: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](mailto:client.services@bennelongfunds.com)) to request your performance history.

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