

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

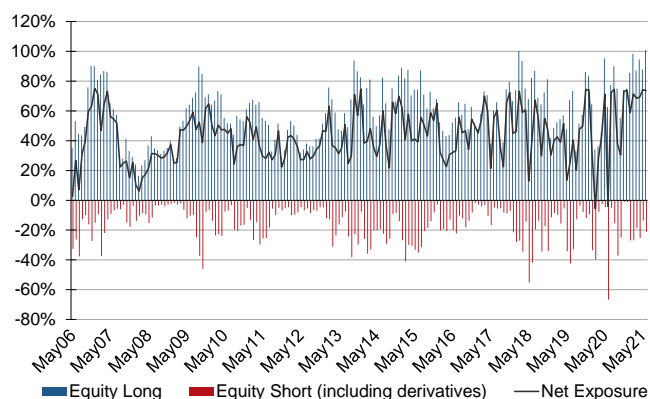
As at 30 June 2021

### Fund at a glance

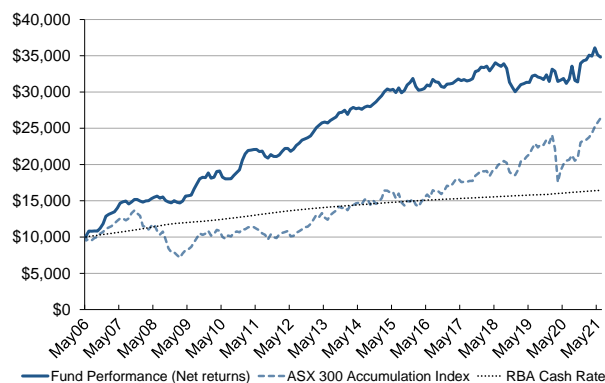
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 90.7 million
Inception date	1 May 2006
Unit price: daily series	1.1458 cum distribution
Unit price: monthly series	1.3456 cum distribution
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.57%
Total return since inception	248.14%
Annualised standard deviation	7.66%
Sharpe ratio (RFR=RBA cash)	0.68
Percentage of positive months since inception	67.03%

### Fund in review

#### Portfolio exposure analysis



### Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	(0.90%)	0.17%
6 months	1.45%	1.05%
1 year	11.63%	2.17%
3 years p.a.	1.03%	1.83%
5 years p.a.	2.47%	1.71%
Since inception p.a.	8.57%	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	%
Charter Hall	REITs	4.6%
Afterpay	Info Tech	4.5%
Fenix Resources	Materials	4.2%
Aristocrat Leisure	Cons. Discr.	4.2%
Pilbara Minerals	Materials	3.9%
Commonwealth Bank	Financials	3.6%
Boral	Materials	3.4%
Worley	Energy	3.4%
REA Group	Comm. Services	3.0%
James Hardie	Materials	3.0%

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### Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 0.90% in June, with the market up for the ninth month in a row (S&P/ASX300 Accum Index +2.25%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Afterpay	+83	Cyprium Metals	-84
Centuria Capital	+39	Proteomics	-71
Fenix Resources	+37	Northern Star	-39
Uniti Group	+34	Short SPI	-32
A2 Milk	+23	loneer	-22

The Fund was again impacted by negative performances in some of our small cap positions. We remain positive on the outlook for these companies, with many having near-term catalysts.

Proteomics is a medical technology company that has begun the commercialisation of its novel diabetic kidney disease test, ProMarkerD, which promises to accurately detect diabetic kidney disease up to four years in advance. The company has a very large addressable market and is collaborating with Janssen, a US pharmaceutical company. Proteomics has secured CE Mark registration for the EU and has signed licensing deals in Mexico, Dominican Republic, Spain, Italy and Israel. Cash burn is low due to income from its analytical business. During the month the company presented the findings of an economic health benefit study at the American Diabetes Association conference which should assist in achieving a unique reimbursement code in the US to ensure the cost of the ProMarkerD test is reimbursed by insurance companies and other payors.

We are witnessing a coordinated recovery in all key lithium consuming markets including the automotive market, driven by electric vehicle ("EV") growth, consumer electronics (home computing demand) and industrial applications (global GDP recovery from 2020 low base). This is expected to drive ~35% lithium consumption growth this year. It is the EV's which are really the main game in town when it comes to lithium demand, so it makes sense to pay attention to what the world's global automotive manufacturers are doing and they are all moving in the same direction, including GM, Tesla and the German automotive giants. We are expecting global EV new car sales penetration to grow from 5% currently to close to 20% by 2025.

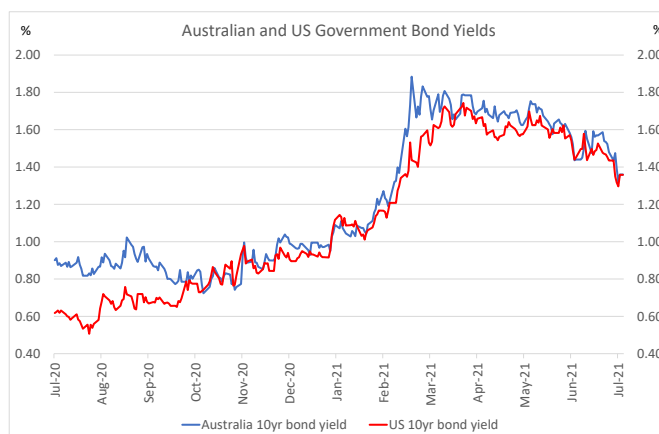
There are a number of ways to play the strong lithium thematic, but our research has identified 2 very interesting companies operating at either end of the lithium supply chain.

Firstly, Pilbara Minerals (PLS), which operates a hard rock lithium mine in Australia. The company has a long mine life (20+ years), is open pit at surface and is in the mining jurisdiction of Port Hedland. The mine was commissioned in 2018 but was put on care and maintenance after the lithium price fell from \$1,000/t to \$150/t. Since then, PLS has acquired its neighbour Altura and now operates on the lowest quartile of the cost curve, with plans to triple production from the existing 330ktpa to over 1mtpa. In addition, PLS has an option with its industry partner and offtaker in the project, POSCO, to invest up to 30% equity in POSCO's next hydroxide plant in South Korea.

Secondly, NeoMetals (NMT), which is developing technology to recycle lithium-ion batteries once they reach the end of their life. The company has partnered with German equipment supplier SMS Group and has an initial footprint in Europe aiming to extract lithium, nickel, copper and cobalt from used batteries, which have an average life of 8 years. The company could potentially be the lowest cost nickel sulphate producer by 2025. A demonstration scale plant is due for commissioning in the coming months, with FID for a subsequent commercial starter plant (20ktpa capacity) due in early CY22. The company's technology allows for the recycling of 90% of the carbon footprint.

The best sectors for the month were Information Technology (+13.4%), Communication Services (+5.5%) and REITs (+5.5%). Financials (-0.2%), Materials (+0.3%) and Health Care (+2.2%) lagged.

The Australian labour market report for May was very strong with measured employment up 115k and the unemployment rate down 0.4% to 5.1%. Copper fell 8% to US\$4.29/lb while iron ore rose 7% to US\$215.50/Mt. Interestingly, bond yields retraced during the month with the US 10-year Government bond yield falling 13bp to 1.44% and the Australian 10-year bond yield falling 12bp to 1.51%.



We kept our net market exposure steady during the month at 73.7% (100.8% long and 27.1% short).

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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%							1.45%
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%

### Asset allocation

Asset Type	Fund
Australian Listed Equities	97.8%
Exchange – traded derivatives	-24.1%
Cash & cash equivalents	2.2%

### Liquidity profile

We reasonably expect that the Fund will be able to realise 98% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's net asset value, within 10 business days.

### Maturity profile of liabilities

Given the highly liquid nature of the assets the Fund invests in, the Fund expects to be able to realise sufficient assets to meet the maturity profile of its liabilities.

### Key service providers

Service	Service provider
Registry	Apex Fund Services (Sydney) Pty Ltd
Administrator	Apex Fund Services (Sydney) Pty Ltd
Custodian/Prime Broker	UBS Nominees Pty Ltd/UBS AG Australia Branch
Derivative Counterparty	UBS AG Australia Branch
Cash Custodian	Citigroup Pty Ltd
Auditor	Deloitte Touche Tohmatsu

### Leverage ratio

The Fund is not leveraged.

### 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
Asgard: Master Trust, eWrap, Employee Super, Infinity	Wealthtrac
IOOF: Portfolio Services	Wealth O2

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### 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.

Disclaimer: This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Bennelong Kardinia Absolute Return Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, [bennelongfunds.com](http://bennelongfunds.com), or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at the date of this report. Kardinia Capital (ABN 20 152 003 186) is a Corporate Authorised Representative of Bennelong Funds Management Ltd (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.