

Bennelong Kardinia Absolute Return Fund

Performance report | 30 November 2021

Net client returns (after fees and expenses)

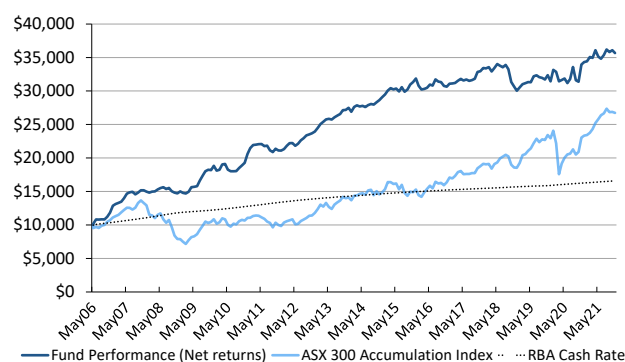
	1 mth	6 mths	1 year	3 years p.a.	5 years p.a.	Since inception ³ p.a.
Fund ¹	(1.20%)	1.49%	5.02%	5.16%	3.08%	8.50%
Benchmark ²	0.17%	1.06%	2.12%	1.92%	1.75%	3.30%

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 81.3 million
Inception date ³	1 May 2006
Unit price: daily series	1.0351
Unit price: monthly series	1.2147
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	8.50%
Total return since inception	256.57%
Annualised standard deviation	7.60%
Sharpe ratio (RFR=RBA cash)	0.68
Percentage of positive months since inception	66.84%

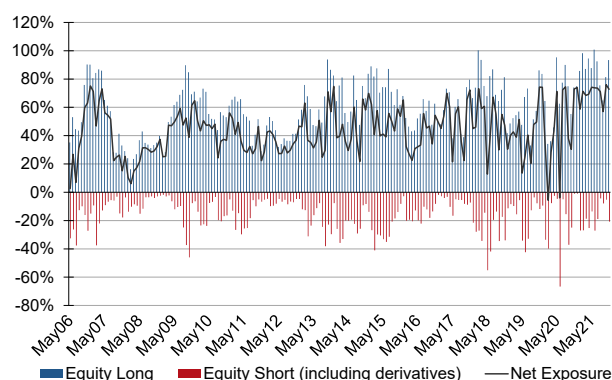
Historical performance



Largest holdings

Holding	Sector	Weight
ANZ	Financials	9.2%
National Australia Bank	Financials	9.1%
Commonwealth Bank	Financials	9.0%
Proteomics	Health care	4.1%
East 33	Consumer Staples	3.8%
Mineral Resources	Materials	3.7%
Nexus Minerals	Materials	3.1%
Centuria Capital	REITs	2.7%
Charter Hall	REITs	2.7%
Macquarie Group	Financials	2.6%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund fell 1.20% in November, with the market also falling (S&P/ASX300 Accum Index -0.53%).

Global markets were also weak (S&P500 -0.7%, Euro Stoxx 50 -4.3%, MSCI Asia ex Japan -3.4%) following the emergence of the Omicron variant of the COVID-19 virus.

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Proteomics	+74	Tyro Payments	-64
Pilbara Minerals	+39	CBA	-50
Mineral Resources	+33	Harvest Tech	-36
Dubber	+32	Oil Search	-36
Charter Hall	+24	Flight Centre	-35

The market was weak during the month due to the impact on “re-opening stocks” from the Omicron variant.

From our investigations, the fall in the market is not justified based on this new variant. We've spoken to several industry contacts including an infectious diseases specialist and a doctor at one of our portfolio companies and the initial feedback is that the new variant appears to be more contagious but have milder symptoms.

The optimistic view is that the Omicron variant could actually be the world's exit strategy from COVID as a major issue. The World Health Organisation and vaccine manufacturers have noted that it will be a couple more weeks before we know the answers though.

The reintroduction of some border closures, both domestically and offshore, saw travel stocks including Flight Centre, sold off during the month. Oil Search was also weaker due to a material drop in the oil price (down 16%).

Tyro Payments was the biggest underperformer for the month after providing a weaker than expected trading update at its AGM. The market's concern was that gross

profit grew less than total transaction value (TTV), suggesting a margin squeeze. We expect non-Bendigo sourced growth will help increase gross profits over time. We think there is a significant market opportunity for Tyro, with its current market share sitting at only 3.8% of total card payments.

Proteomics rose 24% after announcing the results of a study that showed its PromarkerD test for diabetic kidney disease outperformed current standard of care tests in predicting a decline in kidney function in patients with type 2 diabetes. We expect the next re-rating potential for the company will come once sales traction is demonstrated in the labs.

Dubber, which operates a cloud-based call recording and voice artificial intelligence service, rebounded 17% during the month. Post month end, the company announced a partnership with UK-based BT to embed Dubber as the default recording and conversational intelligence solution in BT Meetings on Microsoft Teams, Zoom and Cisco Webex. The company has a very strong balance sheet with cash of \$128m and we expect further acquisitions of voice recording services.

Commodity prices were weak with iron ore down US\$7.50/t to US\$100.00/t and copper down 2% to US\$4.28/lb. Brent oil fell 16% to US\$71/bbl. Gold was down 1% to US\$1774/oz. The A\$/US\$ fell 5% to US\$0.71.

The best sectors for the month were Materials (+6.3%), Communication Services (+5.2%) and REITs (+4.5%). Energy (-8.3%), Financials (-6.9%) and Information Technology (down 2.9%) lagged.

Outlook & Positioning

Our response to the emergence of Omicron has been cautious but measured. Our net exposure remains relatively high at 72.7%, but we have reduced the size of some of our larger positions with direct exposure to re-opening as we believe we could see a temporary pause in the outperformance of these stocks.

There is a lot of nervousness in the market due to potential tapering of quantitative easing by the US Federal Reserve and whether interest rates will rise sooner than the Fed is suggesting. We think this is of far greater importance than Omicron, particularly as many stocks in the market can no longer be considered cheap.

It appears at this stage that central banks seem relatively indifferent about Omicron, suggesting they will proceed with plans to withdraw monetary accommodation. However, we believe this will be a 2022 story and central banks will not move until we are certain that Omicron does not pose a material risk over and above what we are currently facing.

Fund performance⁴

	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%	2.35%	-1.08%	0.79%	-1.20%		3.90%
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, Dominion)
	Powerwrap (Super, Pension, Smartwrap)
	Wealthtrac
	Wealth O2

Get in touch



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1. 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.
2. The benchmark is the RBA cash rate plus 2%. Prior to 2 December 2019 it was the RBA cash rate.
3. 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.
4. 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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