

# Bennelong Kardinia Absolute Return Fund

Performance report | 31 October 2021

## Net client returns (after fees and expenses)

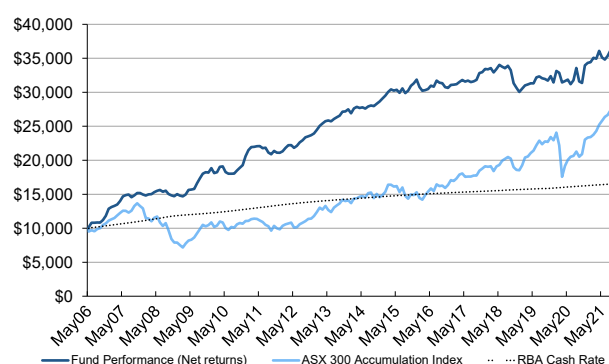
	1 mth	6 mths	1 year	3 years p.a.	5 years p.a.	Since inception <sup>3</sup> p.a.
Fund <sup>1</sup>	0.79%	0.02%	15.02%	4.81%	3.25%	8.63%
Benchmark <sup>2</sup>	0.18%	1.06%	2.12%	1.90%	1.74%	3.31%

Performance figures are net of fees and expenses. 'Value added' calculation does not use rounded performance figures. 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 86.3 million
Inception date <sup>3</sup>	1 May 2006
Unit price: daily series	1.0468
Unit price: monthly series	1.2295
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	8.63%
Total return since inception	260.91%
Annualised standard deviation	7.60%
Sharpe ratio (RFR=RBA cash)	0.70
Percentage of positive months since inception	67.20%

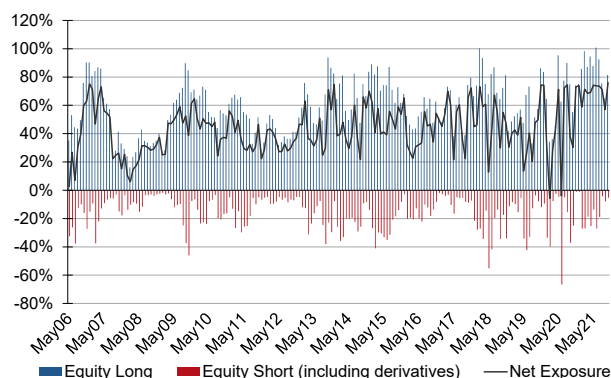
## Historical performance



## Largest holdings

Holding	Sector	Weight
Oil Search	Energy	4.9%
Commonwealth Bank	Financials	3.6%
East 33	Consumer staples	3.5%
Aussie Broadband	Comm services	3.2%
Proteomics	Health care	2.9%
Aristocrat Leisure	Cons. discretionary	2.8%
Pilbara Minerals	Materials	2.5%
Tyro Payments	Info. technology	2.5%
Flight Centre	Cons. discretionary	2.5%
Centuria Capital	REITs	2.4%

### Portfolio exposure analysis



### Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +0.79% in October, outperforming a modest rise in the market (S&P/ASX300 Accum Index +0.10%).

Global markets were strong (S&P500 +7.0%, Euro Stoxx 50 +5.2%, MSCI Asia ex Japan +1.1%) following a strong US earnings season and a small rise in US 10-year bond yields (+8bp to 1.61%).

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Hub 24	+56	Share Price Index Futures (short)	-54
East 33	+40	Dubber	-26
Neometals	+38	Whitehaven Coal	-22
Lovisa	+29	Mineral Resources	-20
Proteomics	+21	Flight Centre	-18

A range of companies across several different sectors led to the outperformance of the Kardinia Fund during the month.

Hub 24 rose 9% during the month after announcing record first quarter platform net inflows of \$3b (27% above consensus) and platform funds under administration of \$45b (up 139% on pcp). The strong result opens the potential for FY23 funds under administration guidance to be upgraded. The company also announced the acquisition of Class, the market leading self-managed superannuation fund administration provider, for ~\$385m in a scrip and cash scheme of arrangement.

East 33, the largest vertically integrated Sydney rock oyster producer, rebounded 13% during the month after reaffirming its FY22 prospectus forecast of \$6.8m EBIT despite the impact of lockdowns on trading conditions in restaurants. The first quarter is the seasonal low for oyster production and consumption and the outlook for the more

important second and third quarters is positive, with industry trends in NSW demonstrating a strong rebound in trading. Supply/demand trends are positive, and the company has implemented a price increase to reflect this.

Neometals announced that its lithium battery recycling demonstration plant in Germany had been fully commissioned at the end of the month. We expect several positive catalysts for the company over the next 12 months, including demonstration trials, feedstock agreements and feasibility studies and final investment decisions for potential European and North American plants.

The main drag on performance during the month was a short position in Share Price Index Futures.

Dubber, which operates a cloud-based call recording and voice artificial intelligence service, fell 15% during the month. The company released its 1Q results which were broadly in line with market expectations (revenue up 149% year on year, annual recurring revenue up 140% yoy and users per billing provider up 75% yoy). The company has a very strong balance sheet with cash of \$128m and we expect further acquisitions of voice recording services. The share price fall may reflect the impact of the rise in bond yields on companies with long-dated earnings prospects.

The best sectors for the month were Information Technology (+2.1%), Health Care (+1.0%) and Financials (+0.8%). Industrials (-3.2%), Energy (-2.7%) and Consumer Staples (-2.3%) lagged.

Commodity prices were mixed with iron ore down US\$2.50/t to US\$107.50/t (due to slowing Chinese crude steel demand), but copper was up 7% to US\$4.37/lb. Brent oil rose 7% to US\$84/bbl. Gold was up 1% to US\$1784/oz. The A\$/US\$ rose 4% to US\$0.75.

### Outlook & Positioning

We increased our net exposure during the month from 57% to the top end of our range. Near-term we are optimistic on the market given strong monetary and fiscal support from central banks and Governments globally. Corporate earnings have rebounded strongly (as evidenced by both the Australian and US reporting seasons) and we expect resources, offshore earners and technology stocks to be the key beneficiaries. We have a strong exposure to “re-opener” stocks, with global vaccinations against COVID-19 now above 7 billion and ~80% of Australians aged above 16 years double vaccinated.

We expect bumps along the road (eg. tapering of US Fed’s quantitative easing program) and are keeping a close eye on inflation data, with signs that inflation is creeping into the system and is not transitory. The UN Food Index is up 33% year on year, Brent oil prices are up 40% and labour markets are tightening.

## Fund performance<sup>4</sup>

	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%			5.17%
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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- 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](mailto:client.experience@bennelongfunds.com)) to request your performance history.

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