

Bennelong Kardinia Absolute Return Fund

Monthly performance report

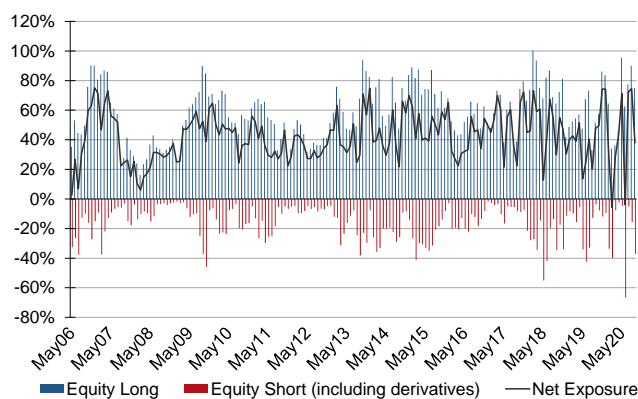
As at 30 September 2020

Fund at a glance

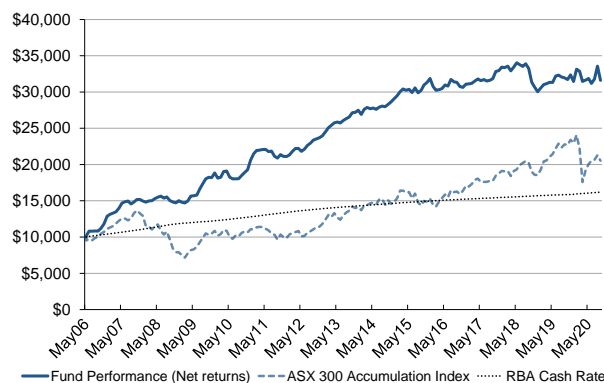
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 127.4 million
Inception date	1 May 2006
Unit price: daily series	1.0454
Unit price: monthly series	1.2290
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.31%
Total return since inception	215.98%
Annualised standard deviation	7.48%
Sharpe ratio (RFR=RBA cash)	0.66
Percentage of positive months since inception	67.63%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	(5.88%)	0.18%
6 months	0.49%	1.13%
1 year	(1.11%)	2.15%
3 years p.a.	(0.24%)	1.68%
5 years p.a.	0.90%	1.68%
Since inception p.a.	8.31%	3.40%

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	4.2%
Star Entertainment	Cons. Discretionary	4.0%
Boral	Materials	3.6%
Aristocrat Leisure	Cons. Discretionary	3.3%
CSL	Health Care	3.2%
Flight Centre	Cons. Discretionary	2.9%
Harvest Technology	Info Tech	2.7%
James Hardie	Materials	2.6%
Breville Group	Cons. Discretionary	2.4%
Qantas	Industrials	2.2%

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Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned -5.88% in September, below the return of the market (S&P/ASX300 Accumulation Index -3.59%).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Boral	+37	Zip Co	-112
Exore Resources	+20	Aumina	-31
Ardent Leisure	+18	Harvest Technology	-28
Aristocrat Leisure	+17	Commonwealth Bank	-28
West African Resources	+15	Fortescue Metals	-25

Some of the Fund's recent strong performers were weaker during the month, particularly in the Financials and Consumer Discretionary sectors. We continue to expect good returns from these stocks over the medium term. For the calendar year to 30 September 2020, the Kardinia Fund has returned +0.48%, outperforming the market (S&P/ASX300 Accumulation Index -10.60%).

US Election

The first US Presidential debate was held between Trump and Biden on 29 September, although the outcome did not appear to provide the clarity that markets were seeking. Shortly post month end, markets were given another dose of uncertainty with Trump announcing that he had tested positive to COVID-19 before undergoing treatment in hospital. It remains unclear whether or not a deal on a fiscal stimulus plan can be agreed between the Republicans and Democrats before the election on 3 November, however we believe that the US Federal Reserve's newfound tolerance for inflation means it will continue to do the heavy lifting.

Market Performance

The Australian equity market fell for the first time since March with the S&P/ASX300 Accumulation Index down 3.59%. Most global markets also fell (S&P500 -3.8%, Euro Stoxx 50 -2.3%, MSCI Asia ex Japan -1.8%, FTSE 100 -1.5%). Small caps outperformed with the Small Ordinaries Accumulation Index falling 2.82%. Bond yields fell (US 10yr -2bp to 0.68%, Australia 10yr -19bp to 0.79%). The AUD/USD fell 3% to US\$0.72.

All US deaths relating to the COVID-19 have dropped materially from a peak weekly count of 17,000 (according to the CDC data) to 3,000 for the week ending 19 September. It is a little surprising to see that the media has not focused on this statistic, instead preferring to focus on the infection rate – although this too has been falling in the US, with average new cases per day falling from around 75,000 in July to around 45,000 by the end of September.

In Australia, most States appear to have the virus under control. Victoria, which imposed a Stage 4 lockdown on Melbourne residents, appears to be inching its way towards more freedom of movement, with the curfew removed and limited numbers of workers permitted to return to work. However, travelling more than 5km for shopping or exercise is forbidden and there remain only four permitted reasons to leave home. New daily cases have fallen from a peak of 687 on 4 August to 14 cases on 30 September. The lockdown in Victoria has delayed the economic recovery in Australia which we believe will continue to be supported by extraordinary Government and central bank stimulus.

Commodity prices were generally weaker with iron ore down US\$5 to US\$120/t and Brent oil down 8% to US\$42. Copper was flat at US\$3.03/lb while gold was down 4% to US\$1885/oz. The best sectors were Health Care (+0.9%), Industrials (-0.3%) and REITs (-1.5%) while Energy (-11.1%), Information Technology (-6.8%) and Consumer Staples (-6.6%) lagged.

We reduced our net market exposure from 74.5% to 37.8% (74.9% long and 37.1% short), with the key changes being an increase in our short position in Share Price Index Futures. We continue to build our exposure to stocks that benefit from a re-opening scenario. We believe good progress is being made on potential vaccines and treatments and Governments will increasingly move towards a "living with the virus" approach as the economic damage from lockdowns becomes apparent.

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Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	5.40%	-0.86%	-4.32%	0.63%	0.73%	-2.15%	1.90%	5.63%	-5.88%				0.48%
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 Services 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

AON IOOF: Portfolio Services

Asgard: Master Trust, eWrap, Macquarie Wrap: IDPS, Employee Super, Infinity Super

BT: Wrap, Super Wrap, Netwealth: Super Service, Assemble Wrap Service, IDPS

CFS: FirstChoice, FirstWrap, IX Oasis: Dominion

Credit Suisse Powerwrap: Super, Pension, Smartwrap

Federation Spitfire (Wealthtrac)

Hub 24: Super, IDPS 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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