

Bennelong Kardinia Absolute Return Fund

Monthly performance report

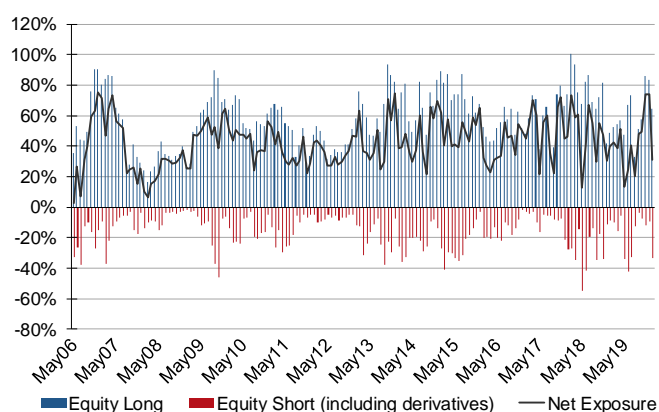
As at 31 January 2020

Fund at a glance

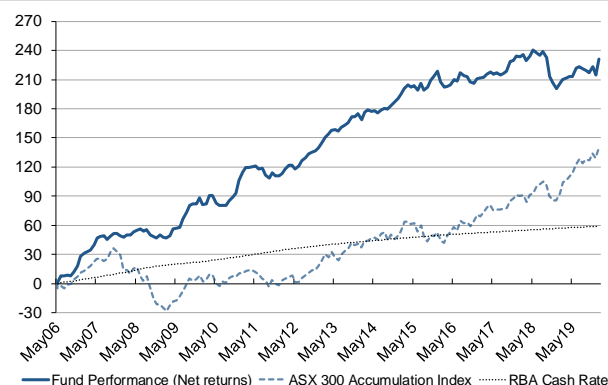
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 131.7 million
Inception date	1 May 2006
Unit price: daily series	1.1466
Unit price: monthly series	1.3496
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	9.11%
Total return since inception	231.47%
Annualised standard deviation	7.15%
Sharpe ratio (RFR=RBA cash)	0.80
Percentage of positive months since inception	68.48%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	5.40%	0.23%
6 months	2.51%	0.76%
1 year	8.53%	1.45%
3 years p.a.	2.12%	1.49%
5 years p.a.	2.36%	1.65%
Since inception p.a.	9.11%	3.45%

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	7.3%
CSL	Health Care	5.3%
James Hardie	Materials	3.6%
Charter Hall	Real Estate	2.5%
Goodman Group	Real Estate	2.4%
Aristocrat Leisure	Cons. Discretionary	2.2%
Resmed	Health Care	2.2%
City Chic	Cons. Discretionary	2.1%
Coles	Consumer Staples	2.1%
National Australia Bank	Financials	2.1%

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 January 2020

Market and fund commentary

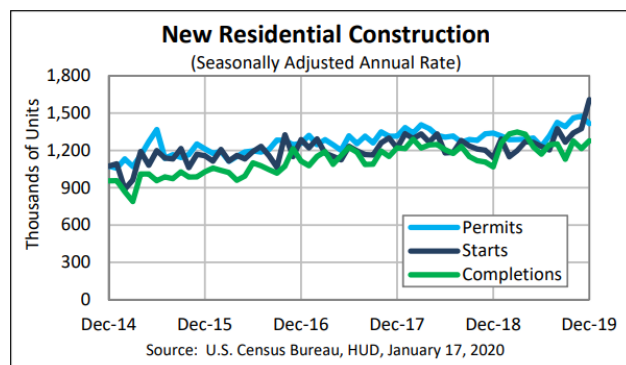
The Bennelong Kardinia Absolute Return Fund returned +5.40% in January, with health care, consumer discretionary and financial stocks driving the gains. Key contributors and detractors for the month were as follows:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
CSL	+73	Short Book	-30
James Hardie	+70	Zip Co	-11
Commonwealth Bank	+52	Oz Minerals	-9
City Chic	+38	Rio Tinto	-5
Polynovo	+38	Qantas	-4

James Hardie has been a core holding for the fund. The Company manufactures fibre cement siding and backerboard for the housing, renovation and commercial markets in North America, Europe and Asia Pacific. The Company currently has several positive tailwinds:

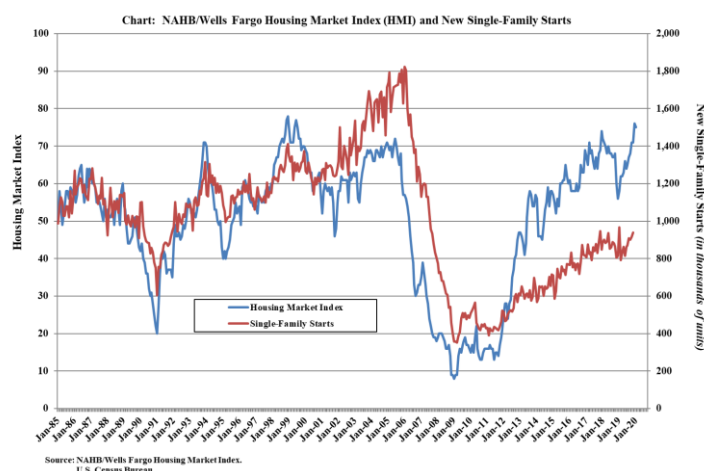
1. Improving US housing market

The North American housing market is the most important region for James Hardie, with nearly 80% of profit derived from that market. Around 40% of JHX's North American volume is leveraged to new housing activity, with the remaining 60% largely exposed to the repair and remodel ("R&R") market. The US housing market is seeing modest growth with positive recent new housing construction data (see chart below) while the R&R market has been growing at a steady 3-4%.



We expect the US housing market to remain supported by low interest rates and a strong economy with US Federal Reserve Chairman Jerome Powell raising the hurdle for lifting rates by saying it would take a material

change in the economic outlook to do so. We believe it is also likely that the major parties are unlikely to release policies that would derail the housing market outlook in an election year. We are watching closely commentary from US homebuilders in 2020 which to date has been universally positive. The forward-looking NAHB/Wells Fargo Housing Market Index also suggests the pulse of the US housing market and the forward outlook remains positive.



2. Market share gains

The Company is seeing volume growth above market in all three of its operating regions. James Hardie has more than 90% market share of the US fibre cement siding category, which in turn has ~20% share of the US siding market. New CEO, Dr Jack Truong, has reinvigorated the Company's longstanding strategic goal of 90% market share and 35% category share in the US. In its most recent 2Q20 result, "Primary Demand Growth" (growth above the market) was upgraded to 4-6%. The Company's FY20-22 objective is to see primary demand growth of +6%. Product quality and innovation has allowed the Company to win market share against vinyl/wood/stucco despite consistent price increases.

3. Falling input costs

The third tailwind driving James Hardie is falling input costs, with 2Q20 pulp prices down 15%, freight down 16% and electricity down 7% on pcp. Together with strong volume and price growth, this assisted the Company to deliver strong North America margins of 27% (above the long-term target range of 20-25%). While pulp prices are now beginning to rise off a low base, we expect this tailwind to continue for the balance of FY20, assisted by the Company's US\$139m LEAN

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 January 2020

cost out program which appears to be running ahead of schedule.

The Australian equity market rose strongly in January with the S&P/ASX300 Accumulation Index up 4.89%, significantly outperforming global markets (S&P500 flat, Euro Stoxx 50 -2.6%, FTSE 100 -3.4%, MSCI Asia ex Japan -3.9%). Global bond yields fell significantly during the month (US 10yr -42bp to 1.50%, Australia 10yr -42bp to 0.95%).

Newsflow during the month saw the signing of the phase 1 US/China trade deal and the official exit of the UK from the European Union on 31 January after 47 years of membership. The market fell late in the month after fears grew over the spread of a coronavirus that originated in Wuhan, China.

US economic data was mixed while Chinese economic data improved (trade surplus and Industrial Production growth beat while the manufacturing PMI improved to 51.5). European activity data was in line. Australian house prices continued to rise in January (+4.1% year on year) driven again by gains in Sydney and Melbourne. 4Q19 inflation increased to 1.8% year on year but remains below the RBA's 1.9% forecast and has been below its 2-3% target band in 9 of the past 21 quarters. The unemployment rate fell to 5.1% and the RBA kept the cash rate unchanged at 0.75%. In response to coronavirus fears, gold rose 4.5% to US\$1588/oz while copper fell 10% to US\$2.52/lb and Brent oil fell 14% to US\$57/bbl.

The best sectors were Health Care (+12.0%), Information Technology (+11.1%) and Consumer Staples (+8.2%), while Utilities (+0.6%), Energy (+0.7%) and Materials (+1.8%) lagged.

We reduced the Fund's net equity market exposure from 74.2% to 30.9% (64.4% long and 33.5% short), with the key changes being lower weightings in BHP and Rio Tinto, a new short position in Share Price Index Futures, partially offset by new positions in Coles and Santos.

Bennelong Kardinia Absolute Return Fund

Monthly performance report

As at 31 January 2020

Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	5.40%												5.40%
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.

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, 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.