

Bennelong Kardinia Absolute Return Fund

Monthly performance report

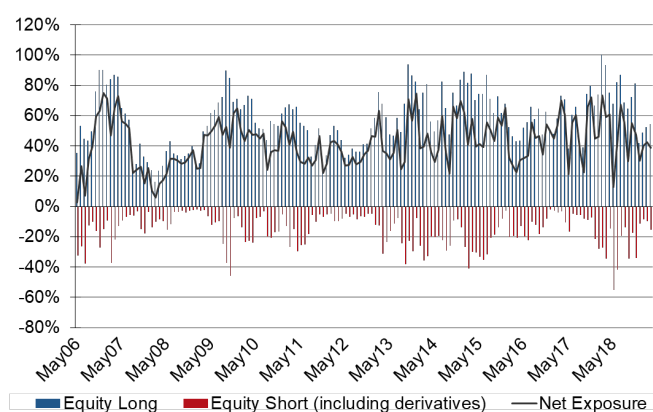
As at 31 March 2019

Fund at a glance

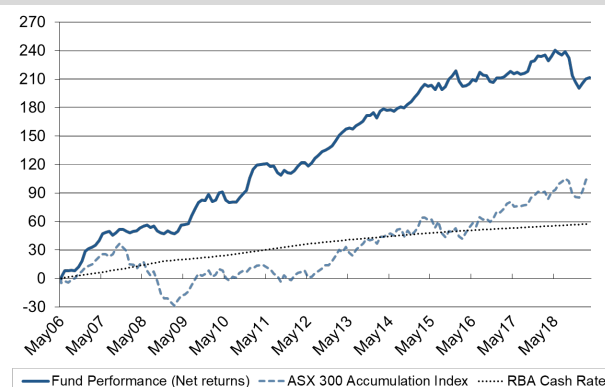
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve returns in excess of 10% per annum through an investment cycle, with an overarching philosophy of capital protection*
FUM	AUD 154.7 million
Inception date	1 May 2006
Unit price: daily series	1.1013
Unit price: monthly series	1.2987
Fund managers	Mark Burgess, CFA® Kristiaan Rehder, CFA®
Annualised return	9.20%
Total return since inception	211.57%
Annualised standard deviation	7.12%
Sharpe ratio (RFR=RBA cash)	0.79
Percentage of positive months since inception	69.68%

Fund in review

Portfolio exposure analysis



Fund performance



Source: Kardinia Capital

Timeframe	Fund return	Benchmark	Value added
1 month	0.46%	0.13%	0.34%
3 months	3.71%	0.37%	3.34%
6 months	(6.28%)	0.75%	(7.03%)
1 year	(5.35%)	1.51%	(6.86%)
3 years p.a.	0.91%	1.55%	(0.63%)
5 years p.a.	2.26%	1.83%	0.42%
Since inception p.a.	9.20%	3.58%	5.62%

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 benchmark is the RBA cash rate and the inception date is 1 May 2006.

Largest holdings	Sector	%
CSL	Health Care	3.7%
Rio Tinto	Materials	3.7%
Macquarie Group	Financials	3.6%
Charter Hall	Real Estate	3.2%
Goodman Group	Real Estate	3.1%
Atlas Arteria	Industrials	2.6%
APA Group	Utilities	2.5%
Tabcorp	Cons. Discr.	2.2%
James Hardie	Materials	2.2%
Bluescope Steel	Materials	2.1%

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Market and fund commentary

The Australian equity market was up for a third straight month in March (S&P/ASX300 Accumulation Index +0.73%), although it underperformed global markets (FTSE 100 +3.3%, S&P500 +1.9%, Euro Stoxx 50 +1.9%, MSCI Asia ex Japan +1.7%).

Yield and defensive stocks outperformed after a dovish US Federal Reserve suggested no further rate hikes in 2019, following a moderation in global activity indicators. The US yield curve (10 year/3 month) inverted for the first time in a decade, raising recession fears. 10-year US Treasury bond yields fell 33bp over the month to 2.42%. The UK Parliament rejected Theresa May's Brexit deal for a third time towards the end of the month, increasing the prospect of a no-deal Brexit.

US economic activity indicators were mixed (manufacturing ISM and non-farm payrolls missed expectations, but unemployment fell and average hourly earnings rose). Chinese data showed early signs of a trough (PMI up from 49.2 to 50.5) but European economic activity data continued to weaken. Australian economic data was mixed, with dwelling prices down 6.9% year on year (the worst since February 2009) and retail sales below expectations, but the unemployment rate fell slightly to 4.9%.

The oil price had a positive month (Brent +2% to US\$68/bbl), while bulk commodities were mixed (iron ore +3% to US\$87/t, met coal -3% to US\$206/t, thermal coal -13% to US\$81/t). Base metals were generally flat except for zinc (zinc +7%, nickel flat, aluminium flat, copper -1%), while gold was weaker (-1% to US\$1,299/oz). The AUD/USD was flat at US\$0.71.

The best sectors were REITs (+6.2%), Telcos (+4.0%) and Consumer Staples (+3.9%), while Energy (-4.1%), Financials ex REITs (-2.7%) and Utilities (+1.3%) lagged.

The Bennelong Kardinia Absolute Return Fund returned 0.46% in March.

Charter Hall (+25 basis point contribution for the month) was the biggest positive contributor, rising 17% as it benefited from the rotation into yield stocks following dovish commentary from central banks. Atlas Arteria (+11bp) and Goodman Group (+9bp) benefited from the same theme.

Rio Tinto (+24 basis point contribution for the month) was up 12% following a solid FY18 result in February and the payment of a special dividend. The company continues to emphasise its value-over-volume strategy and capital discipline.

Audinate (+24bp), which is a leading provider of professional digital audio networking technologies globally, rose 18% after reporting a very strong result in February driven by solid growth in its core chips business, strong demand for its Dante AVIO adapters and the lower AUD. The stock was also added to the All Ordinaries Index during the month.

The short book (+15bp) made a positive contribution for the month, benefiting from shorts in financials and Share Price Index Futures.

ANZ (-25 basis point contribution for the month) and CBA (-19bp) were the biggest detractors, with ANZ completing its \$3b on-market share buyback during the month and CBA suspending preparations of the demerger of its wealth management and mortgage broking businesses to support the implementation of recommendations from the Banking Royal Commission.

IMF Bentham (-11bp) fell after the dismissal of a US arbitration that it funded, although this was only one of 37 investments in its US Fund 1. Woodside Petroleum (-9bp) and WorleyParsons (-8bp) fell despite the rise in the oil price as they gave back some gains from the prior month. Northern Star (-9bp) also retraced in line with the weaker gold price. Whitehaven Coal (-8bp) fell 8% after a 13% fall in the thermal coal price during the month and ongoing concerns over the performance of its Narrabri underground coal mine.

Net equity market exposure was reduced from 42.6% to 38.9% (54.5% long and 15.6% short), with the key changes being new positions in Atlas Arteria, APA Group, Bluescope Steel, Charter Hall and Chorus, the sale of ANZ, Computershare, Orora and Whitehaven Coal and some new short positions in financials.

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Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.66%	1.55%	0.46%										3.71%
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 Hub 24: Super, IDPS

Asgard: Master Trust, eWrap, Employee Super, Infinity IOOF: Portfolio Services

BT: Wrap, Super Wrap, Assemble Macquarie Wrap: IDPS, Super

CFS: FirstChoice, FirstWrap, IX Netwealth: Super Service, Wrap Service, IDPS

Credit Suisse Oasis: Wealthtrac, Dominion

Federation Powerwrap: Super, Pension, Smartwrap

* There is no guarantee that this objective will be achieved and it is only an indication of the intended target return.

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 Custom House Fund Services (Australia) Pty Limited (Custom House).
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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