

# Bennelong Kardinia Absolute Return Fund

## Monthly performance report

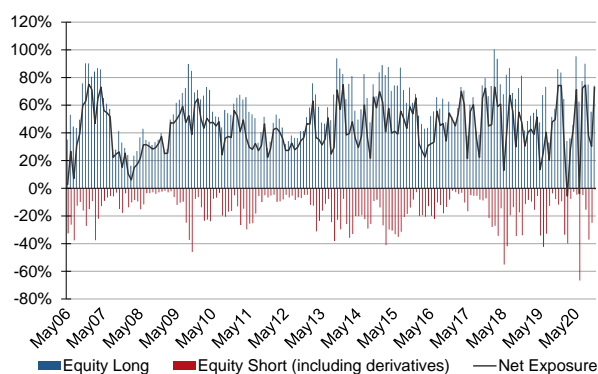
As at 30 November 2020

### Fund at a glance

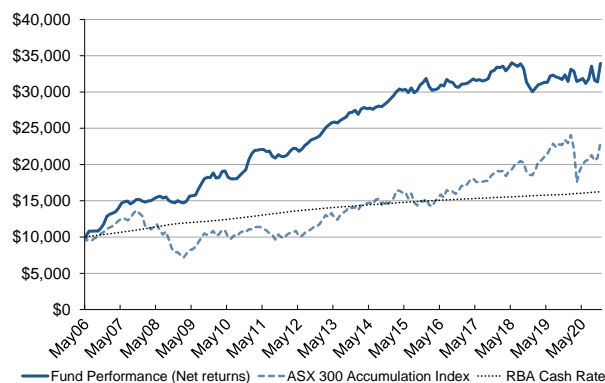
Fund facts	
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection
Strategy FUM	AUD 134.3 million
Inception date	1 May 2006
Unit price: daily series	1.1236
Unit price: monthly series	1.3206
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment Specialist	Mark Burgess, CFA®
Annualised return	8.74%
Total return since inception	239.53%
Annualised standard deviation	7.65%
Sharpe ratio (RFR=RBA cash)	0.70
Percentage of positive months since inception	67.43%

### Fund in review

#### Portfolio exposure analysis



### Fund performance



Source: Kardinia Capital

Timeframe	Fund return	RBA Cash Rate + 2% (Perf Fee hurdle)*
1 month	8.21%	0.18%
6 months	6.53%	1.13%
1 year	4.90%	2.41%
3 years p.a.	1.00%	1.72%
5 years p.a.	1.63%	1.69%
Since inception p.a.	8.74%	3.39%

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	8.8%
National Aust Bank	Financials	5.1%
Worley	Energy	4.2%
Fortescue Metals	Materials	3.4%
Flight Centre	Cons Discr	3.4%
Qantas	Industrials	3.4%
Sydney Airport	Industrials	3.3%
James Hardie	Materials	3.0%
CSL	Health Care	2.8%
Charter Hall	Real Estate	2.6%

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### Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +8.21% in November, which was a very strong month for the market (S&P/ASX300 Accumulation Index +10.23%). In fact, this was the biggest November month rise in over 100 years driven by optimism over a potential end to the COVID-19 pandemic because of successful vaccine trials and increased certainty regarding the US election result (Biden victory).

Key contributors and detractors for the month:

Positive Contributors	Basis Points	Negative Contributors	Basis Points
Commonwealth Bank	+120	Short Book	-118
National Australia Bank	+112	Zip Co	-14
Worley	+104	Breville Group	-13
Flight Centre	+97	Cleanspace	-12
Qantas	+82	Tesserent	-11

The Short Book again detracted from performance in what has been a difficult period for shorting. For the calendar year to 31 November 2020, the Kardinia Fund has returned +7.97%, outperforming the market (S&P/ASX300 Accumulation Index +0.41%).

### Market Performance

The Australian equity market rose in November with the S&P/ASX300 Accumulation Index up 10.23%. The market was buoyed by positive interim analysis from three vaccine candidates in phase 3 trials – Pfizer/Biontech reported >90% efficacy on 9 November, Moderna reported 94.5% efficacy on 16 November and the University of Oxford/AstraZeneca reported 70% efficacy on 23 November, with a lower dose regime achieving 90% efficacy, although it was later disclosed that this cohort had been given the lower dose in error. The US election on 3 November was closer than the polls suggested but the consensus was that Joe Biden emerged a clear winner. Also supporting the Australian market was the move by the RBA to cut the cash rate from 25bp to 10bp and implement a \$100b quantitative easing program.

Markets saw a significant rotation away from “lockdown” stocks into “re-opener” stocks during the month, with best performing stocks including travel

stocks, oil stocks and the banks while the underperformers included gold and internet stocks.

Global markets were generally strong (Euro Stoxx 50 +19.3%, FTSE 100 +12.7%, S&P500 +10.9%, MSCI Asia ex Japan +7.3%). Bond yields were mixed (US 10yr -3bp to 0.84%, Australia 10yr +7bp to 0.90%). The AUD/USD rose 4% to US\$0.73.

Commodity prices were stronger with iron ore up US\$12.50 to US\$130.50/t and Brent oil up 26% to US\$48. Copper was up 12% to US\$3.42/lb while gold fell 5% to US\$1777/oz. The best sectors were Energy (+28.5%), Financials (+16.1%) and Communication Services (+13.6%) while Consumer Staples (-0.7%), Utilities (+1.5%) and Health Care (+2.7%) lagged.

We increased our net market exposure from 30.4% to 73.0% (74.1% long and 1.1% short) with the key changes being the closure of most of our Short Book, increased weightings in “re-opener” stock such as Flight Centre, Worley and the banks, partially offset by a reduction in “lockdown” stocks such as Kogan and Redbubble. We maintain a bias towards stocks that benefit from a re-opening of economies scenario.

### China recovery complete

China’s economic recovery since February/March has been remarkable. The November NBS Manufacturing PMI is the strongest in three years (see chart below). A range of other indicators including exports, steel output, electricity output and heavy truck sales have rebounded strongly and have driven the iron ore price up nearly 60% from the April lows to US\$130.50/t.



Source: JP Morgan calculations, Bloomberg Finance L.P.

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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%	-0.70%	8.21%		7.97%
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](http://kardiniacapital.com.au)

### How to invest

The Fund is open to investors directly via the PDS (available at [kardiniacapital.com.au](http://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](mailto: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](mailto:client.services@bennelongfunds.com)) to request your performance history.

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