

Bennelong Kardinia Absolute Return Fund

Performance report | 31 March 2022

Net client returns (after fees and expenses)

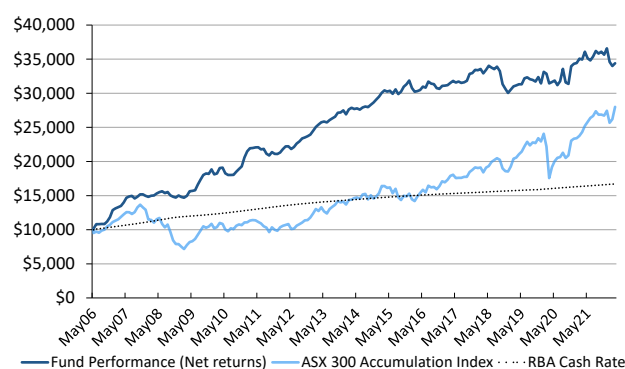
	1 mth	6 mths	1 year	3 years p.a.	5 years p.a.	Since inception ³ p.a.
Fund ¹	1.17%	(3.97%)	(1.59%)	3.35%	1.76%	8.07%
Benchmark ²	0.18%	1.05%	2.12%	1.98%	1.79%	3.28%

Performance figures are net of fees and expenses.
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 70.1 million
Inception date ³	1 May 2006
Unit price: daily series	0.9974
Unit price: monthly series	1.1716
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	8.07%
Total return since inception	243.90%
Annualised standard deviation	7.71%
Sharpe ratio (RFR=RBA cash)	0.62
Percentage of positive months since inception	66.49%

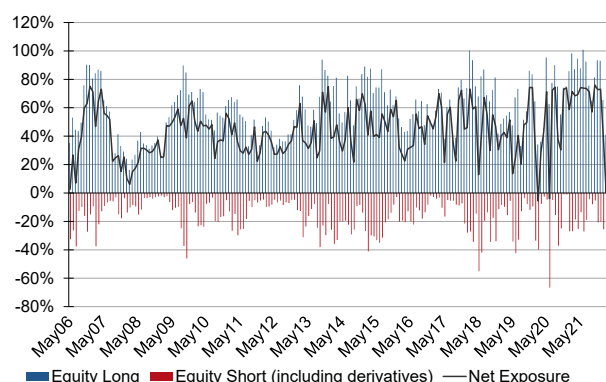
Historical performance



Largest holdings

Holding	Sector	Weight
Uniti Group	Comm Services	9.1%
Santos	Energy	5.2%
Commonwealth Bank	Financials	5.1%
Proteomics	Health Care	4.8%
ANZ	Financials	3.8%
BHP	Materials	3.5%
Macquarie Group	Financials	3.2%
CSL	Health Care	3.2%
REA Group	Comm Services	2.9%
Aristocrat Leisure	Consumer Discr	2.9%

Portfolio exposure analysis



Market and fund commentary

The Bennelong Kardinia Absolute Return Fund returned +1.17% in March, while the market had a very strong month (S&P/ASX300 Accum Index +6.90%). The market rallied on the back of peace talks between Russia and Ukraine, although nothing material has eventuated to date to end the conflict.

The best sectors for the month were Information Technology (+13.2%), Energy (+9.8%) and Materials (+8.9%), while REITs (+1.2%), Health Care (+2.5%) and Consumer Discretionary (+4.2%) lagged.

Global markets were solid (S&P500 +3.7%, FTSE 100 +1.4% Euro Stoxx 600 -0.4%, MSCI Asia ex Japan -2.0%).

Key contributors and detractors for the month:

Positive contributors	Basis points	Negative contributors	Basis points
Firefinch	+66	James Hardie	-45
Commonwealth Bank	+56	Sandfire	-23
BHP	+45	Proteomics	-20
Ioneer	+27	HUB24	-14
Macquarie Group	+21	Aristocrat Leisure	-14

Firefinch is a gold producer in Mali with one of the world's largest undeveloped lithium deposits. The deposit is a long life, large scale and low-cost open pit project with an initial mine life of 23 years. The company signed a 50:50 JV with Ganfeng Lithium in exchange for US\$130m of equity funding. We expect a spin out and ASX listing of the lithium asset as Leo Lithium later this year.

We consider Commonwealth Bank to be one of the best run Australian banks with a powerful retail franchise. CBA operates on a superior return on equity compared to its peer group and will be a beneficiary of interest rate rises. As rates rise we expect CBA's margins to expand. With inflation evident across the entire Australian economy we believe

interest rates will rise faster than the market is currently expecting.

BHP rose 11% during the month driven by strong increases in the prices of the company's key commodities (iron ore +12%, copper +4%, metallurgical coal +20%, nickel +32%).

Ioneer is the owner of a lithium/borates project in Nevada USA which is currently working through the approval process to ultimately produce 22ktpa lithium carbonate and 175ktpa boric acid. The mine has a 60mt reserve with a mine life of 26 years. Late in the month it was speculated that the Biden administration would invoke its Cold War powers to encourage domestic production of critical minerals for electric-vehicle and other types of batteries.

James Hardie fell 9% during the month due to concerns over how the US housing market would fare in an environment of rapid rate rises. At the US Federal Reserve's March meeting, the "dot plot" suggests that the Fed is looking to raise the Fed Funds rate six more times this year. The company reported a strong 3Q profit result and upgraded FY22 and FY23 guidance in February.

Sandfire fell 15% for the month despite the strong copper price after the company downgraded production guidance and increased cost estimates at its recently acquired MATSA copper asset in Spain. The stock triggered the Fund's stop loss limits so was sold.

Proteomics fell 4% although there was no material newsflow during the month. The company announced that its PromarkerD diabetic kidney disease test had been granted a patent in India. Last month the company announced the completion of the 'pre-assessment' phase of its application to have PromarkerD included on the Australian Medicare Benefit Schedule (MBS). The inclusion on the schedule would see eligible patients receive a Medicare rebate for PromarkerD in Australia and represents a key milestone for commercialising the test domestically.

Commodity prices were generally solid with iron ore up 12% to US\$153/t and Brent oil up 6% to US\$107/bbl driven by the Russian invasion of Ukraine and global supply concerns. Copper rose 7% to US\$4.75/lb. Gold was up 1% to US\$1937/oz due to geopolitical tensions. The A\$/US\$ rose 3% to US\$0.75.

Outlook & Positioning

We increased our net exposure to 73.1% with the more extreme scenarios in relation to the Russian invasion of Ukraine not playing out (at this stage). The key changes included closing our short position in Share Price Index Futures and many of our individual short positions.

The largest exposures for the Fund are the major banks, resources and energy. Given rising inflation and rising bond yields, we have lower exposure to rate-sensitive sectors, loss-making stocks and expensive lower quality technology companies. We believe a tapering of quantitative easing by the US Federal Reserve and faster than expected interest rate rises is the key issue for markets in calendar year 2022.

Fund performance⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-5.44%	-1.72%	1.17%										-5.97%
2021	0.32%	1.86%	-0.36%	3.26%	-2.64%	-0.90%	1.60%	2.35%	-1.08%	0.79%	-1.20%	2.58%	6.58%
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)
	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) to request your performance history.

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