

Bennelong Kardinia Absolute Return Fund

Monthly performance update

As at 31 January 2012

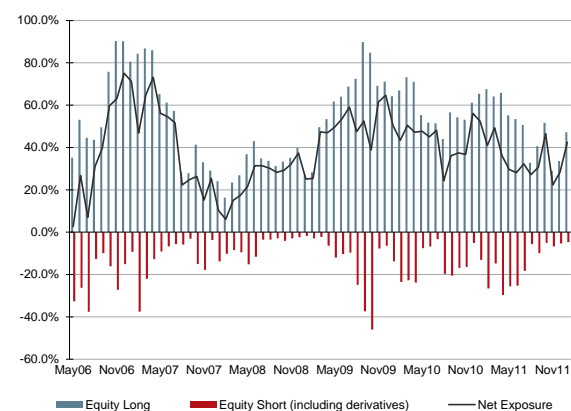
At a glance

Fund facts

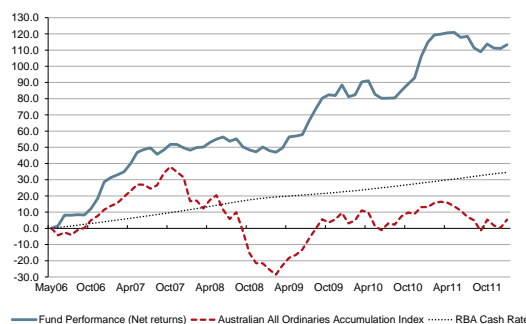
Strategy	Long-short Australian equity
Process	Fundamental stock selection based on analysis of the macroeconomic environment, company and operating environment, quality of management and valuation
Objective	To achieve double digit annual rates of return through an investment cycle, with an overarching philosophy of capital protection
FUM	AUD 20.3 million
Inception date	1 May 2006
Unit price	1.1235
Fund managers	Mark Burgess, CFA Kristiaan Rehder, CFA
Annualised return	14.08%
Return since inception	113.28%
Annualised standard deviation	8.78%
Sharpe ratio (RFR=RBA cash)	1.00
Percentage of positive months	69.57%

Fund in review

Portfolio exposure analysis



Fund performance



Market and fund commentary

The Australian equity market rallied strongly in January, reflecting a global theme of reduced risk aversion. Stabilising European data contributed to a dramatic drop in European bond yields, US economic releases continued to indicate an improving outlook, and Chinese data was supportive of a soft landing scenario. Additionally, the January FOMC statement flagged the US Federal Reserves' intention to maintain ultra-low interest rates until the end of 2014. The All Ordinaries Accumulation Index rose 5.23%.

Cyclical sectors led the advance with Materials rising 10.3% and Energy up 8.3%. Defensive sectors lagged with Healthcare down 1.2% whilst Telcos (+0.1%) and Consumer Staples (+0.8%) also underperformed. Small caps (+7.7%) significantly outperformed large caps (+4.8%). Reflecting the "risk-on" thematic, the Australian dollar rallied 4% to US\$1.062 and commodity prices firmed across the board.

The Bennelong Kardinia Absolute Return Fund rose 1.08% in January. The Fund entered the new year defensively positioned and consequently did not participate meaningfully in the initial rally. Net equity market exposure was progressively increased to 42.5% (47.2% long and 4.7% short) with the addition of a number of cyclical and resources positions. It was a particularly difficult month for shorts. Pancontinental Oil, Decmil and Rio Tinto were the largest positive contributors to performance, whilst a short in Arafura Resources and a long in Aurora Oil & Gas were the largest detractors.

Fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	1.08%												1.08%
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 Mark Burgess or Kristiaan Rehder on 03 9621 1624 or visit www.kardiniacapital.com.au

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. Bennelong Funds Management Ltd (Bennelong) assumed responsibility as replacement trustee on 16 August 2011. Performance information prior to 16 August 2011 relates to the previous trustee. 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 intends to apply 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, TMF Fund Administrators (Australia) Pty Ltd.
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 exit unit prices, without including the impact of buy/sell spreads.
5. The Fund's benchmark is the RBA cash rate. Since inception annualised compound return is 14.08%; annualised compound benchmark return is 5.30%.
6. A complete and detailed list of performance results including a presentation is available upon request.

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