

Kardinia Long Short Fund

Performance Report 31 May 2024

Net client returns (after fees and expenses)

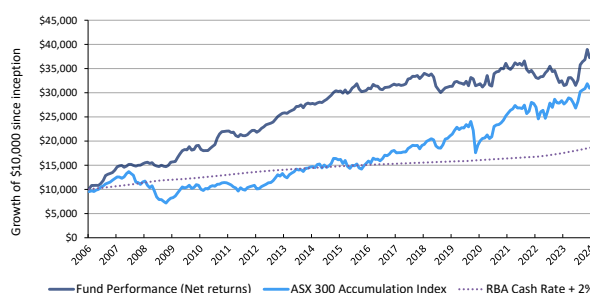
	1 mth	6 mth	1 year	3 years p.a.	5 years p.a.	Since inception ³ p.a.
Fund ¹	0.07%	14.15%	18.42%	2.01%	3.55%	7.55%
Benchmark ²	0.54%	3.22%	6.43%	4.43%	3.44%	3.52%

1. 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. Past performance is not indicative of future performance. Returns greater than one year are annualised.
2. The benchmark is the RBA cash rate plus 2%. Prior to 2 December 2019 it was the RBA cash rate. Returns greater than one year are annualised.
3. 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 and ceased responsibility on 8 May 2023. Equity Trustees Ltd assumed responsibility on 8 May 2023.

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
Inception date ³	1 May 2006
Unit price: daily series	1.0205
Unit price: monthly series	1.1976
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.55%
Total return since inception	272.88%
Annualised standard deviation	8.17%
Sharpe Ratio (RFR=RBA cash)	0.49
Percentage of positive month since inception	65.90%

Historical performance²

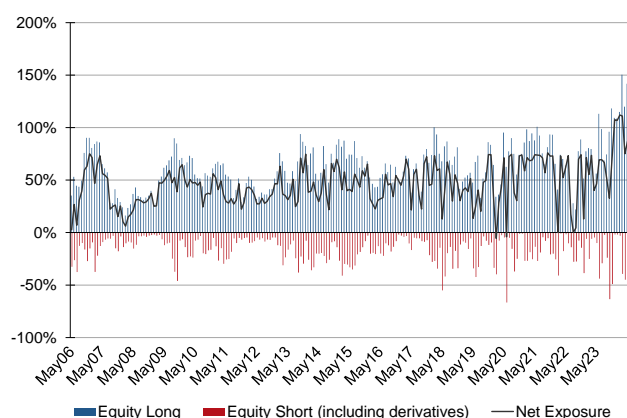


Largest holdings

Holdings	Sector	Weight
BHP	Materials	9.6%
Origin Energy	Utilities	7.1%
ANZ	Financials	6.6%
CSL	Health Care	6.2%
NAB	Financials	6.2%
VSO	Small Caps	5.9%
CBA	Financials	5.3%
Aristocrat Leisure	Cons. Discr.	4.7%
NexGen	Materials	4.5%
Westpac	Financials	4.3%

Kardinia Long Short Fund

Portfolio exposure analysis



Market and fund commentary

In May, the Kardinia Long Short Fund delivered a return of 0.07%, while the S&P/ASX300 Accumulation Index returned 0.85%. Global markets were even stronger, with the NASDAQ up 6.9% and the S&P500 up 5.0%.

Key contributors and detractors for the month:

Positive contributors	Basis Points	Negative contributors	Basis Points
BHP	+34	Short Book	-90
Aristocrat Leisure	+34	James Hardie	-46
Origin Energy	+30	SPI Futures	-27
Commonwealth Bank	+22	Northern Star	-23
Paladin Energy	+21	Fortsecue	-19

BHP rallied 3% for the month driven by a 6% increase in the iron ore price. The company dropped its potential takeover bid for Anglo American late in the month. BHP must now sit on the sidelines for six months unless a third party makes an offer for Anglo. Although BHP was attracted to Anglo's copper assets, BHP still stands to benefit from its leverage to strong copper prices over the coming years.

Aristocrat Leisure rallied 13% for the month after reporting a strong 1H24 profit result that was 10% above consensus expectations. The beat was driven

by better margins (lower costs) and strong North America gaming operations installations. The company has announced a strategic review of Pixel United's social non-casino games to focus on regulated gaming which is Aristocrat's strength.

The Short Book was the biggest detractor from performance in a rising market.

James Hardie fell 14% for the month after the company reported its FY24 results. Guidance for FY25 NPAT of \$630-\$700m was ~13% below market expectations. The key driver was weakness in the repair and remodel ("R&R") market which is expected to fall 4% in CY24. This market has historically represented 60%+ of JHX's North American volumes. We think sentiment towards the stock will improve as rate cuts appear on the horizon, the first of which we expect to occur in early CY25.

Outlook & Positioning

We increased our net exposure during the month from 75.1% to 86.5% (long 141.4%, short 54.9%). Key sector exposures are banks, resources and technology.

We remain cautiously positive on the market. Before the ASX300's rally from September 2022 to today, the index had been stuck at the same level as in 2019, effectively moving sideways for 3 years.

Typically, when the market emerges from a period of prolonged weakness and begins to rally, it is met with skepticism, due to limited proof of any earnings recovery amongst other reasons. However, markets always look 9-12 months ahead. P/E ratios rise first then the earnings upgrades follow. The strong gains usually come in the first two years of a bull market (and we're in the second year now), rewarding early investors. With the prospect of interest rate cuts and economic stability, we believe the market is likely to end higher by year's end.

For further insights, feel free to follow us on the Kardinia Capital LinkedIn page.



Fund performance⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	1.80%	1.18%	5.72%	-4.36%	0.07%								4.20%
2023	0.66%	-3.91%	-3.41%	1.19%	-3.11%	0.52%	4.57%	0.11%	-1.81%	-3.17%	3.68%	9.54%	4.09%
2022	-4.80%	-1.72%	1.17%	-1.93%	-2.43%	-0.55%	1.15%	0.05%	2.30%	1.47%	+2.50%	-3.10%	-6.01%
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%

4. 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 Services on +61 2 7201 9015 or via email SSG.AUS@apexfs.com to request your performance history.

How to invest

The Fund is open to investors directly via the PDS (available on our website), or the following platforms.

BT Asgard (Master Trust, Employee Super, Infinity eWrap)	Powerwrap (Super, Pension, Smartwrap)	Mason Stevens	Wealthtrac	BT (Panorama)
Netwealth (Super Service, Wrap Service, IDPS)	Hub 24 (Super, IDPS)	CFS (FirstChoice, FirstWrap, IX (PIS))	Wealth O2	Oasis (Wealthtrac)

Get in touch

For more information, visit kardinia.com.au

or email enquiries@kardinia.com.au or call Client Services on 02 7201 9015.

Disclaimer

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Kardinia Long Short Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). Equity Trustees assumed responsibility on 8 May 2023 following a change in responsible entity from Bannelong Funds Management Ltd, who ceased responsibility on 8 May 2023. The Investment Manager for the Fund is Kardinia Capital Pty Ltd ("Kardinia Capital", "we" or "us") (ABN 20 152 003 186), AFSL 546441.

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