

Kardinia Long Short Fund

Performance Report 31 July 2024

Net client returns (after fees and expenses)

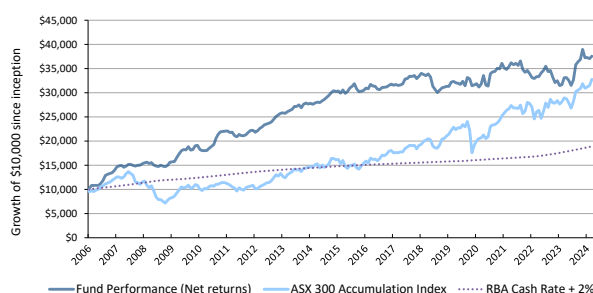
	1 mth	6 mth	1 year	3 years p.a.	5 years p.a.	Since inception ³ p.a.
Fund ¹	1.35%	3.11%	13.46%	2.02%	3.04%	7.52%
Benchmark ²	0.54%	3.20%	6.47%	4.67%	3.62%	3.55%

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	0.9843 ex distribution
Unit price: monthly series	1.1568 ex distribution
Fund managers	Kristiaan Rehder, CFA® Stuart Larke, CFA®
Investment specialist	Mark Burgess, CFA®
Annualised return	7.52%
Total return since inception	275.58%
Annualised standard deviation	8.14%
Sharpe Ratio (RFR=RBA cash)	0.49
Percentage of positive month since inception	65.75%

Historical performance²

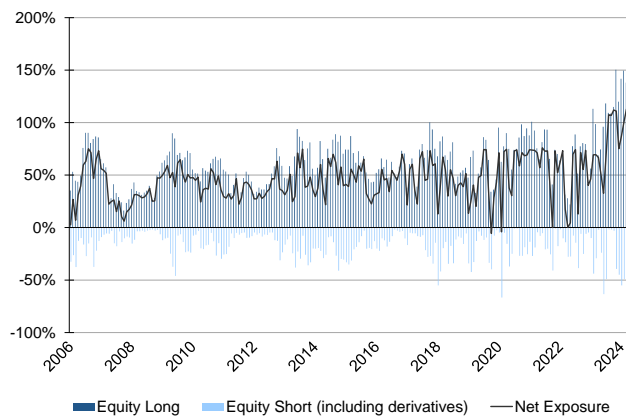


Largest holdings

Holdings	Sector	Weight
BHP Group	Materials	9.2%
Origin Energy	Utilities	8.5%
Commonwealth Bank	Financials	6.1%
VSO	Small Caps	6.0%
Aristocrat Leisure	Cons. Discr.	5.7%
NAB	Financials	4.5%
Goodman Group	Real Estate	4.5%
CSL	Health Care	4.3%
Northern Star	Gold	4.0%
Westpac	Financials	4.0%

Kardinia Long Short Fund

Portfolio exposure analysis



Market and fund commentary

In July, the Kardinia Long Short Fund delivered a return of +1.35%, while the S&P/ASX300 Accumulation Index returned 4.13%.

The Fund’s return was impacted by some downside protection (a short Share Price Index Futures position) that was put in place to hedge against a poor inflation print, however this did not eventuate.

The June 2024 quarter trimmed mean inflation (the RBA’s preferred measure) rose just 0.8% (market expecting 1.0%). Annual inflation of 3.9% was down from the peak of 6.8% in the December 2022 quarter. Inflation eased across a range of services but remained elevated across food, rents and insurance.

On top of this, the US Fed’s comments after its most recent policy meeting appear to be opening the door to a cut in US rates in September, provided inflation continues to move down in line with expectations.

Key contributors and detractors for the month:

Positive contributors	Basis Points	Negative contributors	Basis Points
Aristocrat Leisure	+46	Short Book	-99
CBA	+44	Fortescue	-59
James Hardie	+41	DroneShield	-58
Westpac	+37	Origin Energy	-29
NAB	+35	Neuren Pharma	-25

The **banks** share price performance since 31 October 2023 has been nothing short of extraordinary (ANZ +25%, CBA +45%, NAB +44%, WBC +53%).



We believe this is due to a combination of capital strength (ongoing on-market buybacks), potential earnings upgrades (due to a soft economic landing), relative attractiveness versus the resources sector (which is being impacted by weak Chinese economic growth) and short covering (with major bank short positions down by almost a third since the start of this calendar year).

Outlook & Positioning

We believe the promising trends in inflation in both the US and Australia marks a clear end to the rate hike cycle and a rate cut cycle is not far away in both the US (September 2024) and Australia (February 2025). Overall, a clearer outlook has emerged, which is positive for the markets.

We increased our net exposure during the month from 100.4% to 112.8% (long 138.0% short 25.2%). Key exposures are technology, banks and resources, although we have trimmed our bank position given the extraordinary run they have had.

With the prospect of interest rate cuts and a potential rebound in commodities prices, we believe double digit earnings growth can be delivered and 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.



31 July 2024

Kardinia Long Short Fund

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%	-0.62%	1.35%						4.96%
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.

This publication has been prepared by Kardinia Capital to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person and because of that, the client should, before acting on this information, consider its appropriateness, having regard to the client's own objectives, financial situation and needs. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Kardinia Capital, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. Kardinia Long Short Fund's Target Market Determination is available on our website: www.kardinia.com.au. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.