



Ironbark Copper Rock Emerging Markets Opportunities Fund

Monthly Investment Report as at 31 May 2017

Asset Class

Global Shares

Investment Objective

To outperform the benchmark net of fees over rolling 5 year periods

APIR Code

MGL0019AU

ARSN

124 220 202

Fund Inception Date

19 March 2007

Manager Appointed

30 September 2016¹

Benchmark

MSCI Emerging Markets Small Cap Index AUD

Buy/Sell Spread

+0.25%/-0.25%

Management Costs

1.1250% p.a.¹

Distribution Frequency

Semi-Annually

Minimum Investment

\$20,000

Fund Size

\$73.0m

Exit Price

\$0.8262

Performance Review

The Fund returned 2.53% net in May, outperforming the benchmark return of 1.18% by 1.35%.

Emerging Markets have extended their rally in the first half of 2017. Spurred by a weaker dollar relative to the end of 2016, there have continued to be fundamental improvements as corporate earnings forecasts and economic growth in the emerging markets arena surpass that of its developed market brethren. Commodity price stabilization and even modest increases have helped. Although policymakers signal further, near-term interest rate hikes, emerging markets have largely weathered this news with broadly positive results as investors look for confirmation of strong, positive earnings growth prospects and corporate profitability throughout the asset class.

During the month of May, bottom up, fundamental stock selection continued to be the primary driver of positive relative return in the Fund versus the index. During the month, the Fund enjoyed positive contribution to return from stock selection within the industrials, information technology, and consumer sectors. There was also good individual stock selection within the materials and health care sectors. Overall, stock selection in financials detracted most significantly from relative return over the month. The investment manager exited the position in non-bank financial, Bharat Financial Inclusion whose stock price declined in the month. Although the demonetisation in India to primarily remove the black market is a long term positive, it has, in the near term, weighed on the financial sector. The investment manager has exited Bharat Financial Inclusion as it has taken longer to recover post demonetisation than peers, and it lost model support. In addition, the investment manager is concerned about increasing regulation in the microfinance industry in India. Bad debt recognition periods have been shortened, putting a strain on the company's relationships with their customer base. Rising regulation has also made microfinance less opaque, meaning more competitors are now entering the segment.

Within the index, Brazil was among the worst performing markets with a return of -4.95% (only surpassed by the UAE and Qatar), yet the Fund's individual stock selection in the portfolio generated a return of 3.4% and it was the second best performing country on a contribution to relative return basis throughout the portfolio. Despite a challenging political climate in Brazil, there have been signs of economic improvement as the country navigates its way out of a prolonged and deep recession. Among those improvements include a very modest but positive increase in GDP and decreasing unemployment. With a more positive macroeconomic picture and as more people return to the labour force, the investment manager has identified stocks such as Fleury SA, a medical diagnostic testing company, that will benefit as more people return to the doctors and are able to once again seek advanced medical care. Their stock continued to rise in the month. In conjunction, individual stock selection within Taiwan, China and India also contributed to positive relative return in the month. However, stock selection in Russia detracted from performance as the position in Sistema PJFSC declined 37.8% in May. Within Korea, the portfolio had a positive return of 7.6% but failed to match the index which returned 8.0%. The stocks of Vieworks and Loen Entertainment moved lower in the month, but are still held in the Fund.

Performance

	Net Fund Return (%)	Index Return (%)	Active Return (%)
1 month	2.53	1.18	1.35
3 months	11.53	7.99	3.54
1 year	10.59 ²	14.46 ³	-3.87 ²
3 years (pa)	-1.84 ²	8.78 ³	-10.62 ²
5 years (pa)	3.87 ²	15.49 ³	-11.62 ²
7 years (pa)	4.99 ²	13.36 ³	-8.37 ²
10 years (pa)	1.98 ²	5.75 ³	-3.77 ²
Since commencement of the Fund ⁴ (pa)	2.95 ²	6.68 ³	-3.73 ²

¹As at 31 December 2016. Refer to PDS and website for a full breakdown of management costs.

²Copper Rock Capital Partners was appointed the investment manager on 30 September 2016, Fund performance prior to this date is not attributable to Copper Rock.

³The MSCI Emerging Markets Small Cap NR AUD was adopted as the Fund's performance benchmark on 30 September 2016. Benchmark calculations prior to this date are based on the MSCI World ex Australia Index Hedged AUD.

⁴This figure represents the annualised performance of the Fund from the first full month of operation.

Past performance is not an indicator of future results. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund may be different from the information in this report.

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Market Outlook

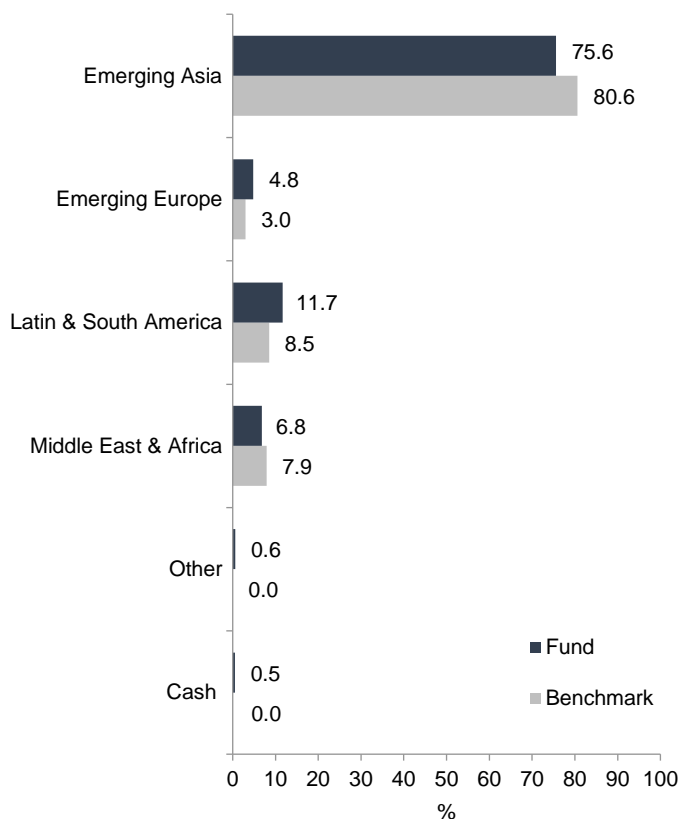
The investment manager continues to look from a bottom up perspective for growth in the emerging market complex. The investment manager remains positive on the opportunity in emerging markets as the relative valuation gap persists, investor sentiment has turned towards the region, and earnings have started to come through positively.

Top 5 Holdings

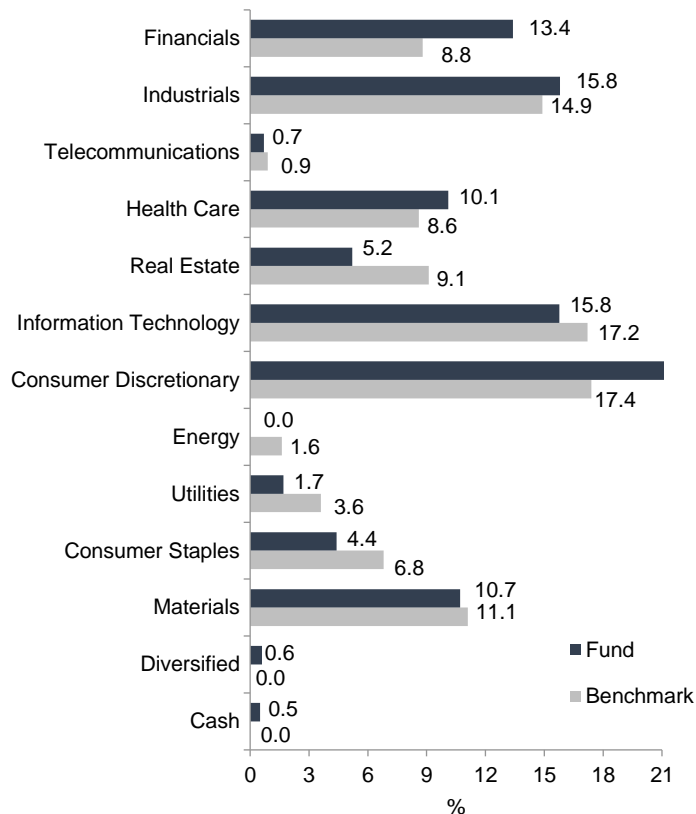
Stock	Country	Sector	%
BGF Retail Co., Ltd.	Korea	Consumer Staples	1.98
Fleury	Brazil	Health Care	1.80
BYD Electronic	China	Information Technology	1.76
BizLink Holding	Taiwan	Industrials	1.68
Primax Electronics	Taiwan	Information Technology	1.66

Asset Allocation

Regional Weights (%)¹



Sector Weights (%)



¹ The allocation to other is the iShares MSCI Emerging Markets holding.

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Top and Bottom 5 Contributors for the Month

Stock	Country	Active position	%
BGF Retail	South Korea	Overweight	0.44
BizLink Holding	Taiwan	Overweight	0.32
BYD Electronic (International)	Hong Kong	Overweight	0.31
Qualicorp	Brazil	Overweight	0.22
Primax Electronics	Taiwan	Overweight	0.21

Stock	Country	Active position	%
Tongda Group Holdings Limited	Hong Kong	Overweight	-0.47
Sistema PJSFC	Russia	Overweight	-0.36
Reliance Capital	India	Overweight	-0.24
Bharat Financial Inclusion	India	Underweight	-0.18
PT Mitra Keluarga Karyasehat	Indonesia	Overweight	-0.14

Important information

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