



Ironbark Global Diversified Alternatives Fund

Monthly Investment Report as at 31 December 2017

Asset Class

Alternatives

Investment Objective

Seek to deliver consistent returns with low volatility and low correlation to traditional equity and debt markets by investing in a diversified range of alternative investment funds globally

APIR Code

DEU0109AU

ARSN:

089 896 837

Fund Inception Date

30 November 1999

Manager Appointed

1 September 2011

Benchmark

Benchmark Unaware

Distribution Frequency

Annually

Minimum Investment

\$20,000

Fund Size

\$255.2m

Exit Price

\$1.1543

Market Review

Global equity markets advanced in US dollar ('USD') terms during December 2017. Investors mainly focused on continued indications of positive economic growth from several regions and expectations surrounding tax reform in the US. Unemployment rates reached multi-year lows in many regions, further supporting investor sentiment. Emerging stock markets, as measured by MSCI indices, collectively topped their developed-market peers for the month.

In emerging markets, the World Bank lifted its forecast for China's 2017 gross domestic product ('GDP'), though it expected somewhat decelerated growth in 2018 and 2019 due to domestic policy tightening. China's central bank slightly increased interest rates in December immediately following a rate hike announcement by the US Federal Reserve ('FED'). South Korea's industrial production rose year-on-year in November, following a decline in October. Brazil's central bank cut its benchmark interest rate in December, bringing it to an all-time low. Mexico's annualised inflation in November exceeded consensus expectations, and the country's central bank hiked its main interest rate on inflation concerns.

In the US, a major tax bill was signed into law in December that featured a significant reduction in the corporate tax rate. The FED raised short-term interest rates during the same month, the latest in a series of well-flagged moves. The FED also maintained its forecast of three interest-rate increases in 2018. In other developed markets, the European Central Bank raised its forecast for Eurozone GDP growth in 2017 and through 2020, though it expects growth to moderate after 2017. Japan's second preliminary third-quarter GDP reading indicated a stronger-than-expected pace of growth compared to the previous quarter and on an annualised basis.

Performance Review & Portfolio Activity

The Ironbark Global Diversified Alternatives Fund (the 'Fund') returned 0.35% (net) in December.

The Fund generated modest gains in December. Long/short equity managers were positive overall, with equity market neutral managers posting a solid month on the back of the new tax bill passed in the US. Financials were a standout as a direct result of the tax bill and a 0.25% interest rate raise. The telecommunication sector also generated gains from the decision by the Federal Communications Commission to repeal net neutrality by a vote of 3 to 2. Global macro managers were positive overall with gains primarily driven in fixed income and currencies. Long positions in treasury inflation protected securities against short positions in treasuries, and shorts in German bonds contributed positively to gains. Managers were also able to generate gains in developed and emerging market currencies by longs in Euro, the Canadian dollar, and Brazilian sovereign bonds.

Performance

	Net Fund Return (%)
1 month	0.35
3 months	0.87
1 year	3.53
3 years (p.a.)	1.82
5 years (p.a.)	4.09
Since inception ¹ (p.a.)	3.95

Past performance is not an indication of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distributions.

¹This figure represents the annualised performance of the Fund from the first full month of operation.

Contact Details

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Outlook

The investment manager maintains a positive outlook for hedge strategies despite maintaining a measured outlook on overall market levels. Given the resurgence of certain trends year-to-date including lower stock correlations, higher dispersion and improved alpha generation by long/short funds, the investment manager anticipates the alpha environment will remain robust and that long/short managers will be able find attractive opportunities on both sides of their books regardless of aggregate market valuations.

While rates have remained lower longer than the market originally anticipated, duration risk is still prevalent in the credit markets. Long/short credit managers have naturally shorter duration portfolios and should benefit from sector dispersion when rates do rise. Defaults remain low with limited new opportunities. In structured credit, fundamentals remain strong and yields look attractive on a relative basis. Demand for private credit remains high.

Top 5 Holdings by Size

Investment Manager	Strategy	Sub-Strategy	The top 5 managers represent 45.29% of Ironbark Global Diversified Alternatives Fund assets in December 2017.
K2 PHCM Liquid Opportunities Fund	Long/Short Equity	Long/Short Equity Europe	
Legg Mason Western Asset Macro Opportunities	Global Macro	Macro - Discretionary	
K2 Wellington Liquid Technology Fund	Long/Short Equity	Long/Short Equity Sector	
K2 Logan Circle Liquid Credit Fund	Specialist Credit	Credit - Long/Short	
K2 Wellington Liquid Healthcare Fund	Long/Short Equity	Long/Short Equity Sector	

Fund versus market indices since daily pricing and daily liquidity

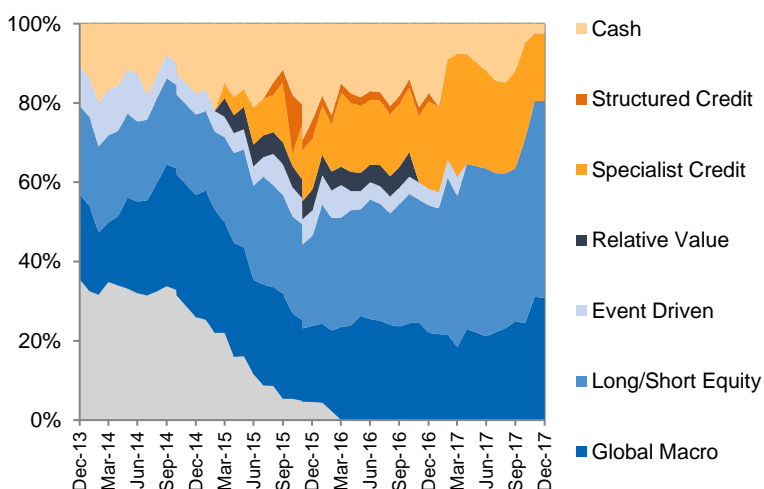
Risk performance since September 2011:

	Ironbark Global Diversified Alternatives Fund (net) in AUD (%)	Bloomberg Ausbond Bank Bill Index in AUD (%)	Barclays US Aggr. Bond Index in USD (%)
Net return (p.a.)	2.99	2.73	2.62
Standard deviation (p.a.)	2.83	0.26	2.68
Maximum drawdown ¹	-3.17	0.00	-3.67
Best month	2.90	0.42	2.10
Worst month	-1.77	0.13	-2.37
Positive % months	68.42	100.00	63.16

Source: Morningstar Direct. Past performance is not an indication of future results.

¹Maximum drawdown refers to the largest overall drop in the Fund or Index value which occurred in a given period before it returned to its previous high.

Underlying Strategy Exposure (AUD)



Asset Allocation for December 2017	(%)
Long/Short Equity	49.66
Global Macro	30.81
Event Driven	0.00
Relative Value	0.00
Specialist Credit	17.03
Structured Credit	0.00
Cash	2.50
Total	100.00

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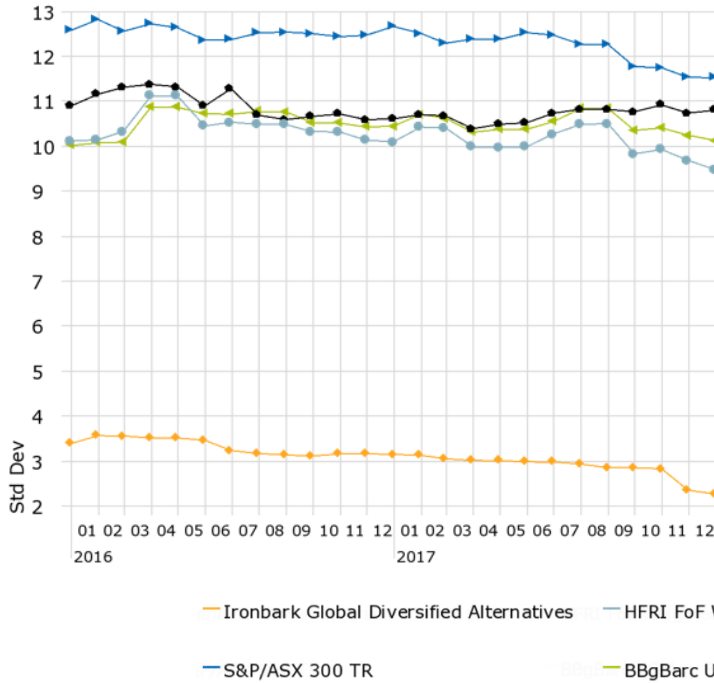


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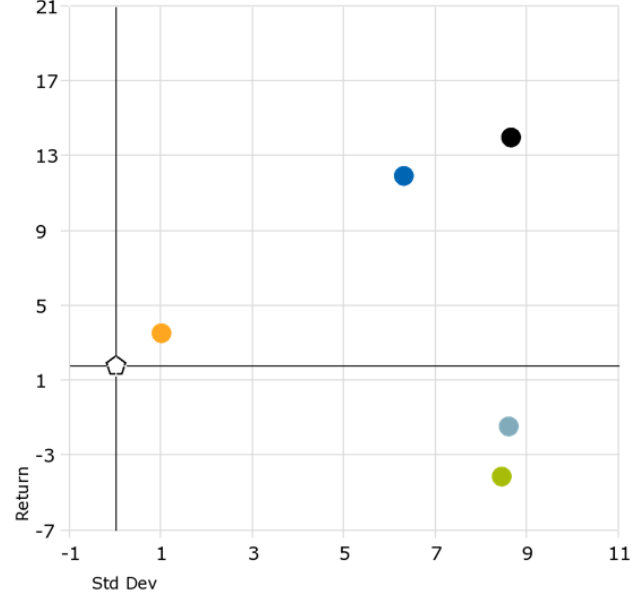
Rolling 3 Year Standard Deviation

Time period: 01/01/2015 to 31/12/2017



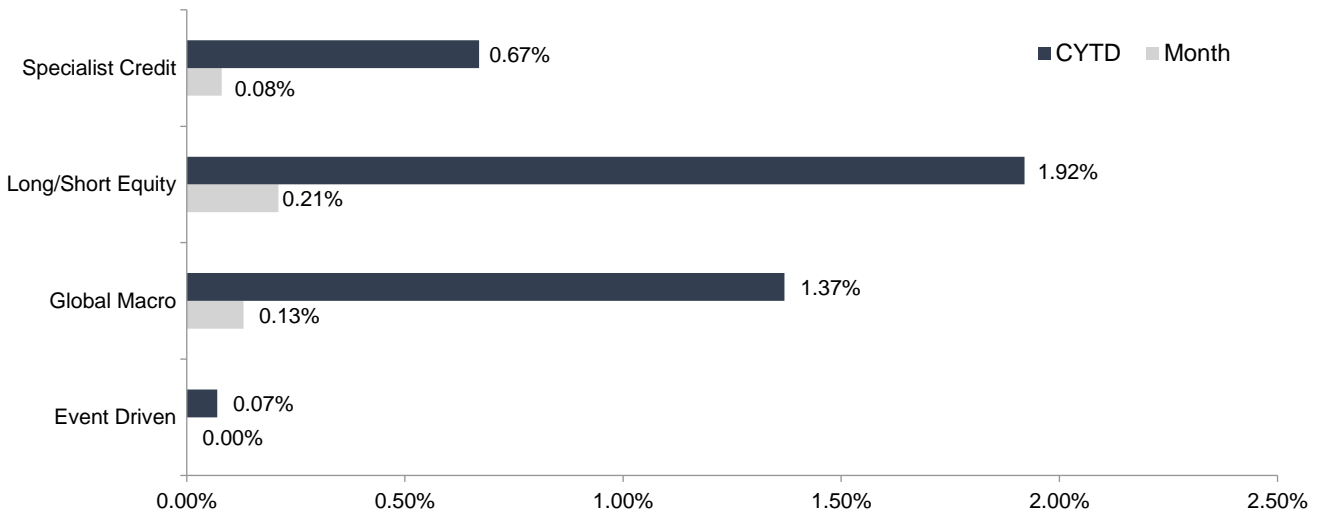
Risk Return over 1 Year

Time period: 01/01/2011 to 31/12/2017



Source: Morningstar Direct. Data in AUD.

Fund Performance Attribution



Source: K2 Advisors. Data in USD.

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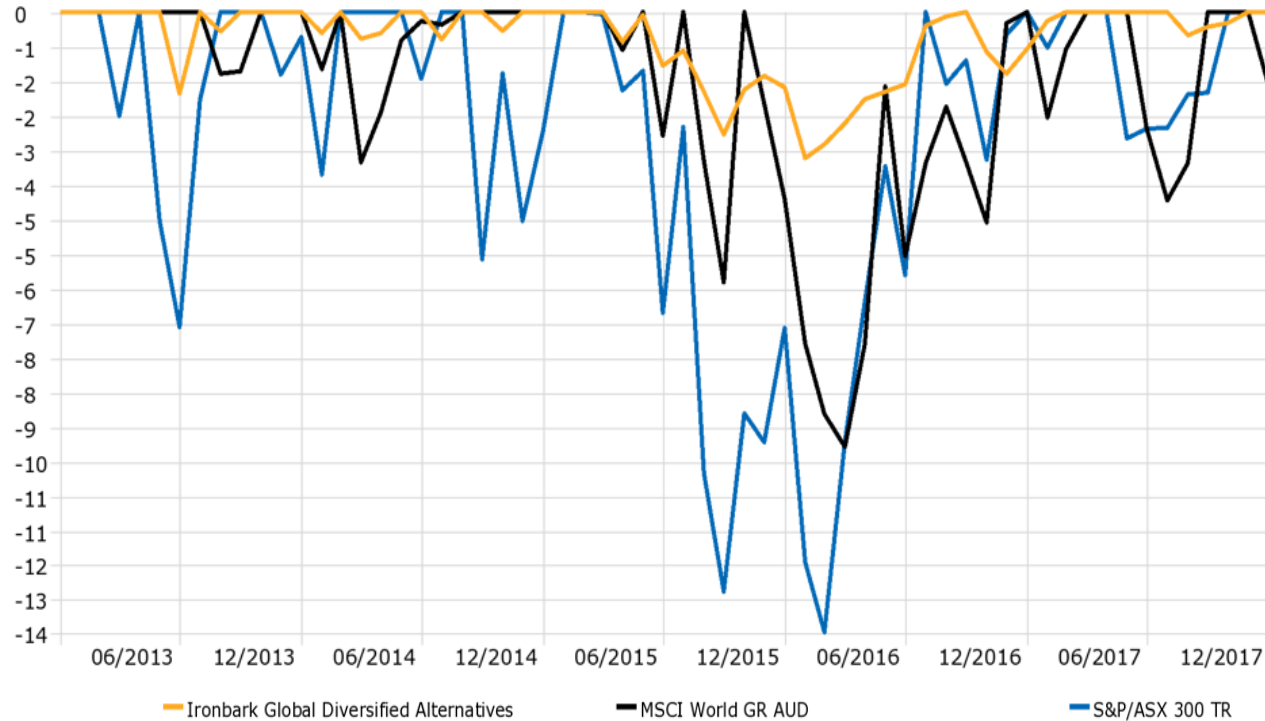


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Drawdowns over 5 Years

Time period: 01/01/2013 to 31/12/2017



Source: Morningstar Direct. Data in AUD.

Important Information

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