



Ironbark Global Diversified Alternatives Fund

Monthly Investment Report as at 30 September 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

\$249.3m

Exit Price

\$1.1443

Market Review

Global equity markets advanced in US dollar terms for September 2017, boosted by continued signs of synchronised global economic growth. Rising tensions around North Korea's missile program led to moves into perceived safe-haven assets, however markets appeared more focused on encouraging economic data from the US and Europe. Investors also weighed statements from central banks in the US, Europe and Canada regarding the timing of interest-rate increases. Developed-market equities, as measured by MSCI indices, collectively outperformed their emerging-market peers.

In the US, the headline Consumer Price Index surprised to the upside in August, mainly on gasoline prices. The Federal Reserve left interest rates unchanged in September and announced it would begin to gradually unwind its balance sheet in October. Europe's second-quarter gross domestic product ('GDP') was revised upward, it grew solidly year-on-year in both the Eurozone and the European Union ('EU'). In August, unemployment in the Eurozone and the EU remained at the lowest levels since the global financial crisis. Amid these favourable conditions, the European Commission's economic sentiment gauge hit its highest level in 10 years in September. Japan's second-quarter GDP grew at a faster pace than in the first quarter, with its sixth consecutive quarter of expansion buoyed by domestic demand.

Brazil's inflation rate in August dropped to the lowest level since 2006. In September, the country's central bank continued cutting its benchmark interest rate. Mexico's central bank left interest rates unchanged during the month, stating that it felt inflation had peaked and fallout from the September earthquakes would be modest and temporary. China's industrial output, retail sales and fixed asset investment all showed strong growth in August, however at lower rates than in previous periods and missing consensus estimates. South Korea reported flat industrial production for August, while inflation edged down for September.

Performance Review & Portfolio Activity

The Ironbark Global Diversified Alternatives Fund (the 'Fund') returned 0.18% (net) in September.

The Fund generated modest, steady gains in September. The strongest positive contributors for the month came from global macro and long short equity managers. Specialist credit and event driven managers ended the month flat.

For the Fund's global macro managers, gains in the developed market fixed income were partially offset by losses in Turkish and Indian currencies. UK gilts were the strongest contributor, as the Bank of England's more hawkish rhetoric caused markets to price in a greater likelihood of interest rate hikes. Losses in Turkey were driven by a slightly worse than expected August inflation release. The second largest currency detractor was a long position in the Indian rupee which was subsequently flipped to short towards the end of the month.

In aggregate, long/short equity managers were profitable as Federal Reserve Chairwoman Janet Yellen emphasised continued optimism in the economy, despite lower-than-anticipated inflation year-to-date. This left the door open for further rate increases, with a hike likely in December. US interest rates rose on the news, lifting financials which as a sector benefit from rising interest rates, and sending shares of utility stocks lower. European focused managers performed well as positive economic data gave a boost to European equities.

Performance

	Net Fund Return (%)
1 month	0.18
3 months	-0.02
1 year	1.80
3 years (p.a.)	2.79
5 years (p.a.)	3.82
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.

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.

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 in the 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.

Merger arbitrage spreads remain attractive relative to yields while special situations and activism will be more equity market dependent.

Top 5 Holdings by Size

Investment Manager	Strategy	Sub-Strategy	The top 5 managers represent 42.40% of Ironbark Global Diversified Alternatives Fund assets in September 2017.
Legg Mason Western Asset Macro	Global Macro	Macro – Discretionary	
K2 Chatham Liquid High Yield Fund	Specialist Credit	Credit – Long/Short	
K2 Apollo Liquid Credit Fund	Specialist Credit	Credit – Long/Short	
K2 EMSO Liquid EM Credit Fund	Global Macro	Macro – Emerging Markets	
K2 Acadian Diversified Liquid Alpha Fund	Long/Short Equity	Long/Short Equity Global	

Source: K2 Advisors

Fund versus market indices since daily pricing and daily liquidity

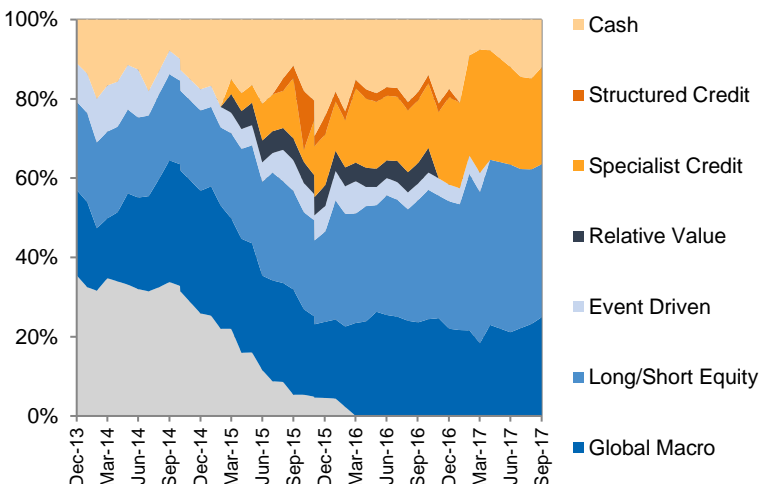
Risk performance since September 2011:

	Ironbark Global Diversified Alternatives Fund (net) in AUD (%)	MSCI World Index Hedged in AUD (%)	Bloomberg Ausbond Bank Bill Index in AUD (%)	Barclays US Aggr. Bond Index in USD (%)	HFRI Fund of Funds Composite Index in USD (%)
Net return (p.a.)	2.97	12.57	2.77	2.66	3.15
Standard deviation (p.a.)	3.27	10.33	0.26	2.73	3.51
Correlation (Fund vs Index)	-	46.71	-8.98	26.85	57.47
Maximum drawdown ¹	-2.33	-11.56	0.00	-3.67	-7.58
Best month	2.90	8.47	0.42	2.10	2.13
Worst month	-1.77	-7.19	0.13	-2.37	-2.79
Positive % months	67.12	69.86	100.00	63.01	67.12

Source: K2 Advisors. 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 September 2017	(%)
Long/Short Equity	38.61
Global Macro	24.87
Event Driven	0.00
Relative Value	0.00
Specialist Credit	24.49
Structured Credit	0.00
Cash	12.03
Total	100.00

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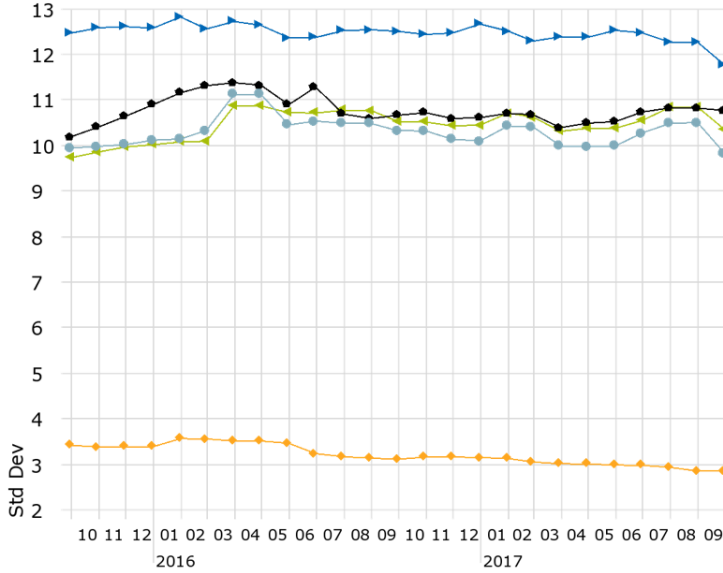


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Rolling 3 Year Standard Deviation

Time period: 01/10/2014 to 30/09/2017

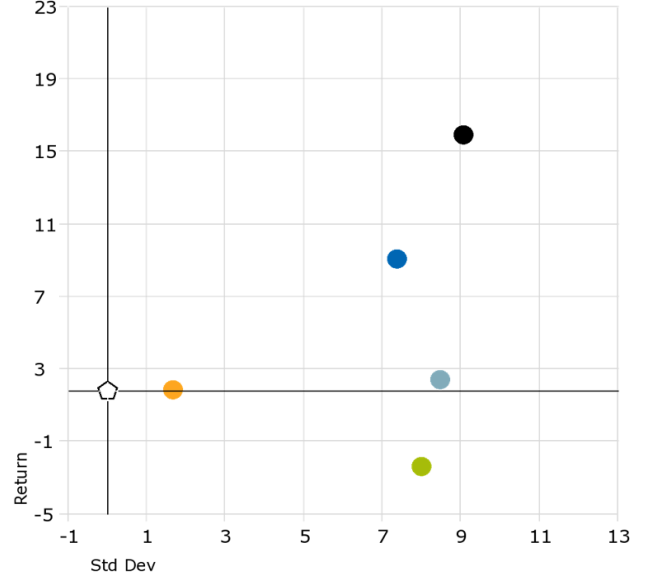


— Ironbark Global Diversified Alternatives
 — HFRI FoF Weighted Composite Index
 — MSCI World GR AUD
— S&P/ASX 300 TR
 — BBgBarc US Agg Bond TR USD

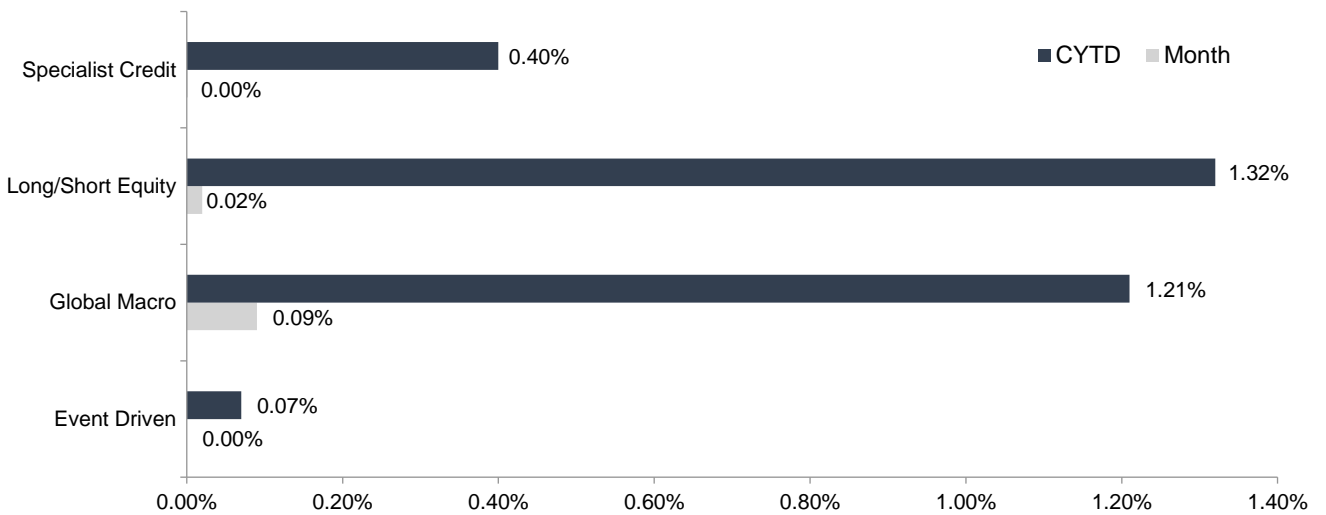
Source: Morningstar Direct. Data in AUD.

Risk Return over 1 Year

Time period: 01/10/2016 to 30/09/2017



Fund Performance Attribution



Source: K2 Advisors. Data in USD.

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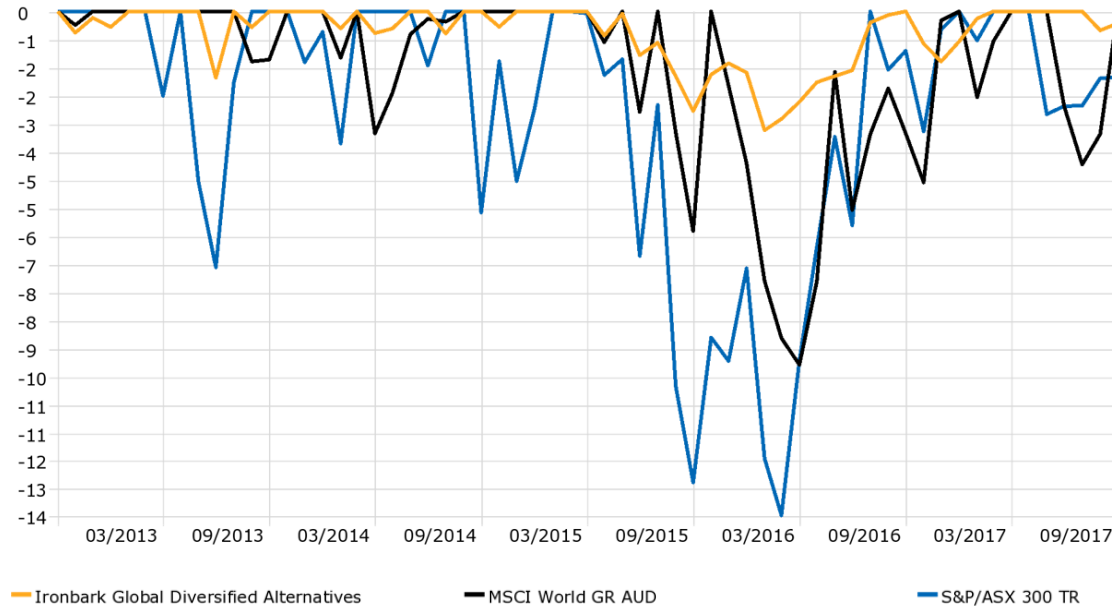


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Drawdowns over 5 Years

Time period: 01/10/2012 to 30/09/2017



Source: Morningstar Direct. Data in AUD.

Important Information

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