



# Ironbark LHP Global Long/Short Fund (Wholesale)

## Monthly Investment Report as at 30 June 2017

### Asset Class

Alternatives

### Investment Strategy

Multi-Manager  
Long / Short

### Investment Objective

To achieve equity-like returns with lower volatility than traditional global equity investments

### APIR Code

HFL0108AU

### ARSN

093 497 600

### Fund Inception Date

31 March 2001

### Benchmark

MSCI ACWI NR 100%  
Hedged AUD

### Buy/Sell Spread

Nil

### Management Costs

(excluding performance fee<sup>2</sup>)

1.48% p.a.<sup>2,3</sup>

### Distribution Frequency

Annual

### Number of underlying managers

33

### Fund Size

\$203m (represents  
wholesale and retail unit  
classes)

### Exit Price

\$1.7379

### Performance Review

The Fund returned 0.02% net over the month, underperforming the benchmark's return of 0.28% by 0.26%.

Global equity markets, as measured by the MSCI All Country World Index, produced positive returns during the second quarter. Most major equity markets moved higher with a few exceptions, including the Chinese A-share market, which finished slightly lower. In fact, the strong second quarter contributed to a robust first half of the year where 26 of 30 major equity indices, representing the largest equity markets in the world, were positive, a result not seen since 2009. For the quarter, all sectors were positive with the exception of energy and telecommunications while large capitalisation stocks outperformed small caps and growth outperformed value.

During the June quarter, the Fund returned -0.67%. Alpha production was negative on the quarter primarily as a result of US exposure where the long book struggled through a difficult earnings season and liquidation driven movements in sectors such as energy. The second quarter was the weakest quarter for profit and loss from earnings catalysts in more than two years. In addition to being wrong from a fundamental perspective more often than is typical, managers also tended to be wrong in their bigger positions. As a result, only a handful of stocks were responsible for most of the losses in a number of sectors.

Asia and European exposure generated respectable levels of alpha as did technology and industrial exposure. On an absolute basis, technology, industrials and telecommunication services exposure was profitable while energy, real estate and consumer discretionary exposure lost money. From a geographic perspective, Europe and Asia contributed positive returns while the US was negative. During the quarter, gross exposure ranged from approximately 260% to 290% with an average of about 275%. Net exposure ranged from approximately 22% to 35% with an average of roughly 30%. Gross and net exposure followed a similar path inching higher in April and May before settling near the quarter's average at the end of June.

During the quarter, despite the Fund's negative performance, a little over half of the underlying managers contributed positively to returns. The top contributors included a consumer specialist, a European specialist, and a China strategy. All three of the top contributors generated positive returns across both the long and short side of their portfolios. The top contributor, the consumer specialist, invests across the consumer spectrum, including consumer-related technology companies. During the quarter, the manager produced positive returns from a number of different opportunities including: short grocery stores and food retailers who will now face stiff competition from the prospective Whole Foods/Amazon combination; long exposure in travel related names including online travel agents, hotels, and casinos; and long and short exposure in consumer technology and component companies who are focused on the new iPhone launch later this year. A European strategy, the second largest contributor, was rewarded for both their European reflation view, with strong contribution from industrials and financials, as well as their bottoms-up stock selection in healthcare and technology. This manager remains enthusiastic about the opportunity set in Europe and maintains exposure on the higher end of their historic range. Lastly, a greater-China strategy generated strong gains across internet platforms, social networking, consumer retail, Macau casinos, and healthcare companies. We have seen profit taking across the Fund's China-related exposure over the past two months and find our managers more conservatively positioned today than any time in the past 18 months as the risk/reward has changed with the appreciation of the portfolio.

### Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	0.02	0.28	-0.26
3 months	-0.67	3.38	-4.05
1 year	5.17	20.35	-15.18
3 years (pa)	4.89	9.05	-4.16
5 years (pa)	8.46	14.27	-5.81
7 years (pa)	7.94	13.43	-5.49
10 years (pa)	5.87	5.79	0.08
Since inception <sup>1</sup> (pa)	6.55	7.00	-0.45

Past performance is not an indicator of future performance. 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.

<sup>1</sup> This figure represents the annualised performance of the Fund from the first full month of operation.

<sup>2</sup> A Performance Fee may be payable. Refer to PDS for further details.

<sup>3</sup> For full breakdown of management costs, refer to PDS dated 28 September 2015.

### Contact Details

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# Ironbark LHP Global Long/Short Fund (Wholesale)

Monthly Investment Report as at 30 June 2017

## Performance Review (cont'd)

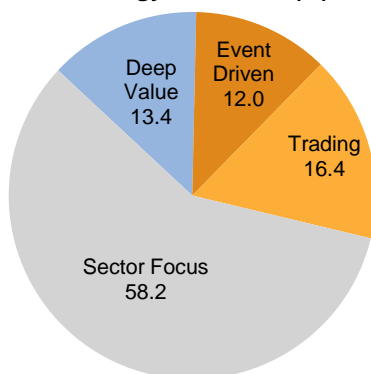
On the negative side of performance, the three largest detractors included an energy specialist, a technology specialist and a US generalist. The energy space was extremely challenging during the second quarter as lower oil prices impacted both the Fund and the broader hedge fund industry, leading to a number of portfolios being unwound and exposure reductions more broadly. Despite having navigated these environments well in the past, this energy specialist suffered losses while maintaining extremely low net exposure. Ongoing conversations with this manager and other energy specialists have highlighted significant dislocations and a robust opportunity set; yet one likely accompanied by higher volatility. The technology strategy, focused on mid-capitalisation consumer-related stocks lost money primarily in their short fund. Like several managers in the Fund, this manager's losses were not attributable to a specific theme but rather stock specific performance. The largest detractors were shorts in Japanese mobile gaming stocks, an auto manufacturer, and an online home furnishing company. Given the manager's medium-term view, they remain short most of these positions as they continue to monitor weakening data which supports their theses. Finally, the US generalist had a difficult quarter with losses predominately generated on the short side of their portfolio, most notably in healthcare (biotechnology and pharmaceuticals) and technology (internet, software, and semiconductors). Earnings announcements have historically been a significant and consistent performance contributor for this strategy yet during the second quarter these events contributed negatively.

The Fund added a technology strategy and a financial strategy during the second quarter and exited a European manager. The technology specialist has a decade of portfolio management experience at multiple hedge funds and nearly two decades of research experience. This strategy applies a low net portfolio construction process to a deep knowledge bank across hardware, internet, financial tech and other software segments. After 10 years managing the financial sector for a large US generalist, the portfolio manager of our new addition in the financials space spun out to start his own firm. This strategy is focused on US companies across asset management, banks, brokers, and specialty finance firms. The portfolio manager comes with more than 15 years of experience in the sector. Lastly, we exited a European strategy which underperformed our expectations over the past 18 months.

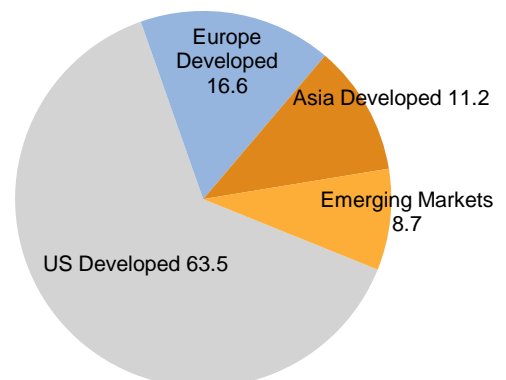
The second quarter proved to be a very difficult stretch driven by poor stock selection across a number of managers who have historically been more consistent contributors of positive alpha and returns. While a number of the individual securities that underperformed have been reduced or cut from the portfolio, the majority remain high conviction ideas for the back half of 2017. As investment styles and sectors undergo periods of stress, we take the opportunity to re-underwrite our managers, looking to ensure each portfolio manager's process remains intact and capable of achieving historic levels of returns and alpha generation going forward. The investment manager remains confident in the opportunity sets faced by most managers and were encouraged to see alpha production revert to more normal levels across most sectors in June, energy being a significant exception. The investment manager's research efforts remain active as always, and they look forward to continuing to upgrade exposure through the second half of the year.

## Asset Allocation

Strategy Allocation (%)



Geographic Allocation (%)



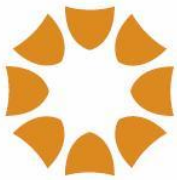
Risk vs Return over 10 years

Investment growth of \$100 since inception

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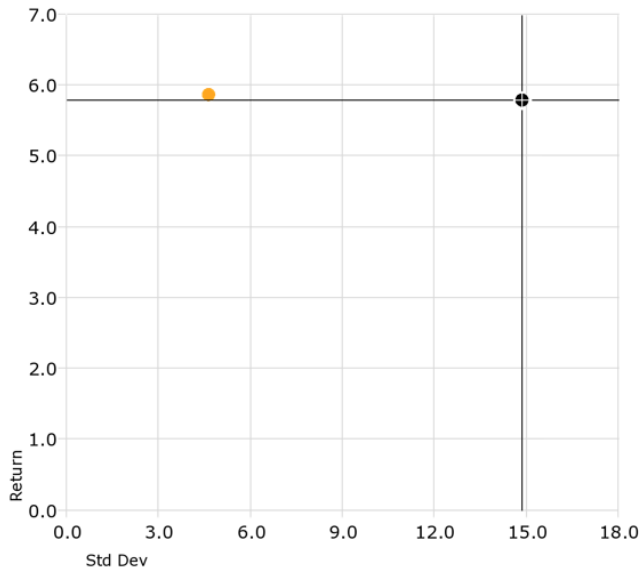




# Ironbark LHP Global Long/Short Fund (Wholesale)

Monthly Investment Report as at 30 June 2017

Time period: 01/07/2007 to 30/06/2017



● Ironbark LHP Global Long/Short W

Time period: 01/04/2001 to 30/06/2017



● MSCI ACWI NR 100% Hedged to AUD

Source: Morningstar Direct. Data in AUD

## RG240 Disclosure

Since the ASIC Benchmarks and Disclosure Principles Report was issued on 28 September 2015, there has not been any material changes to the Fund's risk profile, strategy or key personnel. State Street Australia Limited was appointed as the Fund's custodian from 1 October 2015.

## Important Information

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