



Ironbark Royal London Concentrated Global Share Fund

Monthly Investment Report as at 31 July 2018

Asset Class

Global Shares

Investment Objective

Outperform the MSCI World (AUD) by 2-3% after fees, over rolling five year periods through investment in a focused selection of equities on a global basis

APIR Code

MGL0004AU

ARSN

090 379 105

Fund Inception Date

4 October 1996¹

Investment Manager Appointed

1 September 2016¹

Benchmark

MSCI World Net AUD²

Distribution Frequency

Semi-Annually

Minimum Investment

\$20,000

Fund Size

\$118.9m

Exit Price

\$2.0206

Market Review

Global equities climbed 2.53% in July, advancing for a fourth month in a row. Currency movements were broadly disadvantageous for Australian investors in international equities, as the Australian dollar strengthened against most G10 currencies, including the US dollar, euro and yen. By region, continental Europe was the best performer for Australian investors, with the health care sector prominent as well-received earnings triggered strong gains by shares of Novartis, Roche Holding and Sanofi. North America also delivered a robust positive return, followed by emerging markets, the UK and Asia Pacific (excluding Japan), while the return from Japan was modestly negative. Returns were positive across sectors, with 'defensive' stocks continuing to perform well against a backdrop of slowing world growth and US-China tensions over trade. Health care was the strongest sector and returns from telecommunication services and consumer staples remained solid. Industrials and financials were strong, after lagging behind in June, while consumer discretionary and real estate delivered the weakest performances.

Fund Review and Market Outlook

The Ironbark Royal London Concentrated Global Share Fund (the 'Fund') returned 2.60% (net) in July, outperforming the benchmark's return of 2.49% by 0.11%.

Eli Lilly, Taiwan Semiconductor and Bechtel made prominent contributions to portfolio performance (in terms of price movement) during July. US pharmaceutical company Eli Lilly, which is in the 'mature' stage of the investment manager's Life Cycle categorisation, raised its forecast for full-year sales after reporting a strong first-half performance across its drug portfolio which was helped by new products. The company also announced it plans to conduct an initial public offering of shares in its animal health division, following a strategic review. Taiwan Semiconductor, in the Life Cycle's 'slowing & maturing' phase, rose as the maker of computer chips and said their third-quarter sales are poised to benefit from introductions of new products. Investors also focused on a positive outlook for demand from makers of smartphones. German information technology company Bechtel, which falls in the 'slowing & maturing' stage of the Life Cycle, said it will become one of the five largest businesses in France's information services market after agreeing to buy InMac WStore for an undisclosed price. The acquisition is the largest in its history and will help to meet a goal of raising annual revenue to €5 billion, according to Bechtel.

Performance

| Net Returns | 1 month (%) | 3 months (%) | 1 year (%) | 3 years p.a. (%) | 5 years p.a. (%) | 10 years p.a. (%) | Since inception p.a. (%) ⁵ |
|---|-------------|--------------|-------------|------------------|------------------|-------------------|---------------------------------------|
| Ironbark Royal London Concentrated Global Share Fund¹ | 2.60 | 6.78 | 25.46 | 7.38 | 12.34 | 7.29 | 7.58 |
| MSCI World NR ² | 2.49 | 5.32 | 20.15 | 8.49 | 13.81 | 9.45 | 6.85 |
| <i>Active Return</i> | <i>0.11</i> | <i>1.46</i> | <i>5.31</i> | <i>-1.11</i> | <i>-1.47</i> | <i>-2.16</i> | <i>0.73</i> |
| Royal London Global Equity Select Strategy^{3,4} | 2.59 | 6.75 | 25.42 | 9.55 | 13.18 | 9.30 | 5.25 |
| MSCI World NR ⁴ | 2.49 | 5.32 | 20.15 | 8.51 | 13.69 | 9.57 | 3.76 |
| <i>Active Return</i> | <i>0.10</i> | <i>1.43</i> | <i>5.28</i> | <i>1.04</i> | <i>-0.51</i> | <i>-0.27</i> | <i>1.49</i> |

¹Shaded Fund performance prior to 1 September 2016 is not attributable to Royal London, but the previous investment manager. The Fund invests in the Royal London Global Equity Select Strategy, strategy returns are presented below for reference.

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. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

²The MSCI World NR AUD was adopted as the Fund's benchmark on 1 September 2016, benchmark calculations prior to this date are based on the MSCI World ex Australia in AUD.

³The Royal London Global Equity Select Strategy AUD referred to is based on the Royal London Global Select Fund B USD share class converted to AUD, performance is stated net of fees with a 1.00% p.a. fee applied. **The inception date of the strategy is 1 April 2001.** Data source: Royal London and Morningstar Direct.

⁴31 March 2011 to 31 October 2012 was a non-compete period for the strategy, performance during this period was zeroed for the strategy and the benchmark.

⁵This figure represents the annualised performance from the first full month of operation.

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Fund Review and Market Outlook (cont'd)

The leading detractors from returns (in terms of price movement) included Constellation Software, Telenor and Lear. Half-year results reported by Constellation Software, which is in the Life Cycle's 'accelerating' phase, were lower than analysts' estimates and there were no significant acquisitions by the Toronto-based company, who recorded their largest monthly fall since 2016. Norwegian telecommunications business Telenor is in the 'slowing & maturing' stage of the Life Cycle. The stock fell as second-quarter results showed stagnant revenue and lower operating profit at the company's Nordic units, which account for about 40% of sales. Lear, a US manufacturer of seats and electrical systems for automobiles, is in the Life Cycle's 'compounding' phase. The shares retreated for a second straight month hampered by a backdrop of concern about a potential trade war as US President Donald Trump maintained his heated rhetoric on tariffs. Lear also fell as carmakers General Motors and Fiat Chrysler Automobiles lowered their outlooks for full-year results, citing higher commodity prices and disappointing sales in China, respectively.

The investment manager remains focused on investing in wealth-creating companies at attractive valuations, as they believe that this will deliver superior risk-adjusted returns for investors over the long term.

Top 5 Holdings

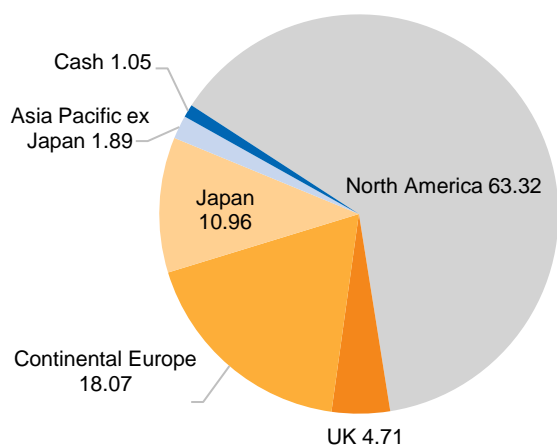
| Stock | Country (Domicile) | Sector | % |
|--------------------|--------------------|------------------------|------|
| Suncor Energy | Canada | Energy | 4.63 |
| Berkshire Hathaway | United States | Financials | 4.39 |
| Eli Lilly & Co | United States | Health Care | 4.19 |
| Steel Dynamics | United States | Materials | 4.01 |
| TJX Companies | United States | Consumer Discretionary | 3.92 |

Top 5 Contributors and Detractors by Attribution over the month

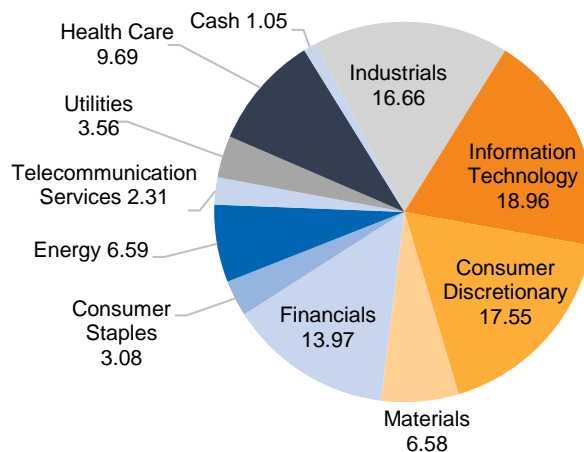
| Stock | (%) | Stock | (%) |
|-----------------------|------|------------------------|-------|
| Eli Lilly & Co | 0.45 | Constellation Software | -0.26 |
| Taiwan Semiconductor | 0.24 | Bandai Namco Holdings | -0.26 |
| Bechtle | 0.23 | Lear Corporation | -0.20 |
| Svenska Handelsbanken | 0.20 | CRH | -0.19 |
| Facebook | 0.17 | Telenor | -0.19 |

Asset Allocation

Regional Asset Allocation (%)



Sector Asset Allocation (%)



Important information

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