



Ironbark Royal London Concentrated Global Share Fund

Monthly Investment Report as at 31 December 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

\$72.5m

Exit price

\$1.9128

Market review

World equities returned -4.3% in December, the fourth consecutive monthly fall. This was despite currency movements being positive for Australian investors in international stocks, with the Australian dollar weakening against every other G10 currency. Regional returns were mostly negative, led by the US, the UK, and Japan. Continental Europe recorded a modest decline, while emerging markets and Asia Pacific ex Japan delivered small positive returns, extending November's bounce back. Sector returns were generally negative, with the only positive performance coming from utilities, a sector often perceived as 'defensive' by investors. Energy again recorded the worst sector return as the price of Brent crude oil (down 35% since the end of September) fell sharply for a third straight month, and financials performed poorly. The Fund outperformed the benchmark across all sectors except energy, with holdings of consumer staples and utilities shares performing particularly well.

Fund review and market outlook

The Ironbark Royal London Concentrated Global Share Fund (the 'Fund') returned -2.59% (net) in December, outperforming the benchmark's return of -4.16% by 1.57%.

Eli Lilly remained a material positive driver of Fund performance, and Anglo American contributed as well (in terms of price movements). US pharmaceutical company Eli Lilly, which is in the 'mature' stage of the investment manager's corporate Life Cycle categorisation, increased its quarterly dividend by 15% and raised its guidance for full-year and 2019 earnings beyond analysts' expectations, driven by strong product volume sales. Anglo American, in the Life Cycle's 'mature' phase, benefited from a rally across the mining sector as the US and China agreed to delay the imposition of new import tariffs and to keep working toward a broad trade agreement. US consumer products manufacturer Church & Dwight, and Japanese electronic games publisher Bandai Namco, both in the 'accelerating' Life Cycle phase, also remained significant contributors to returns after releasing strong quarterly earnings results in November.

Performance

Net returns (%)	1 month	3 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	10 years p.a.	Since inception p.a. ⁵
Ironbark Royal London Concentrated Global Share Fund¹	-2.59	-9.58	6.79	9.47	9.13	8.11	8.66	7.18
MSCI World NR ²	-4.16	-11.01	1.42	7.20	7.45	9.79	9.56	6.37
<i>Active return</i>	<i>1.57</i>	<i>1.43</i>	<i>5.37</i>	<i>2.27</i>	<i>1.68</i>	<i>-1.68</i>	<i>-0.90</i>	<i>0.81</i>
¹ Shaded 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.								
Royal London Global Equity Select Strategy^{3,4}	-2.58	-9.55	6.81	9.66	10.37	9.38	9.34	4.79
MSCI World NR ⁴	-4.16	-11.01	1.42	7.20	7.48	9.69	9.74	3.24
<i>Active return</i>	<i>1.58</i>	<i>1.47</i>	<i>5.39</i>	<i>2.46</i>	<i>2.89</i>	<i>-0.31</i>	<i>-0.40</i>	<i>1.56</i>

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 (continued)

Steel Dynamics, US Bancorp and Johnson & Johnson detracted from performance (in terms of price movements). US steel producer and metals recycler Steel Dynamics, which is in the 'slowing & maturing' phase of the Life Cycle, issued forecasts implying that profit will decline in the fourth quarter of 2018, although full-year earnings will rise to a record. The stock also slid as an index of North American steel shares dropped for a fourth month in five against a backdrop of concern about tariffs and trade relations. US Bancorp, which is in the Life Cycle's 'compounding' phase, was dragged down with other bank shares as data showed a fall in commercial and industrial lending at larger institutions. Johnson & Johnson, the US health care company, is also in the 'compounding' stage of the Life Cycle. The stock recorded its largest single-day fall since 2002 following a report that the company knew for decades that its iconic baby talcum powder contained trace amounts of asbestos, spurring concern about potential health risks.

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.

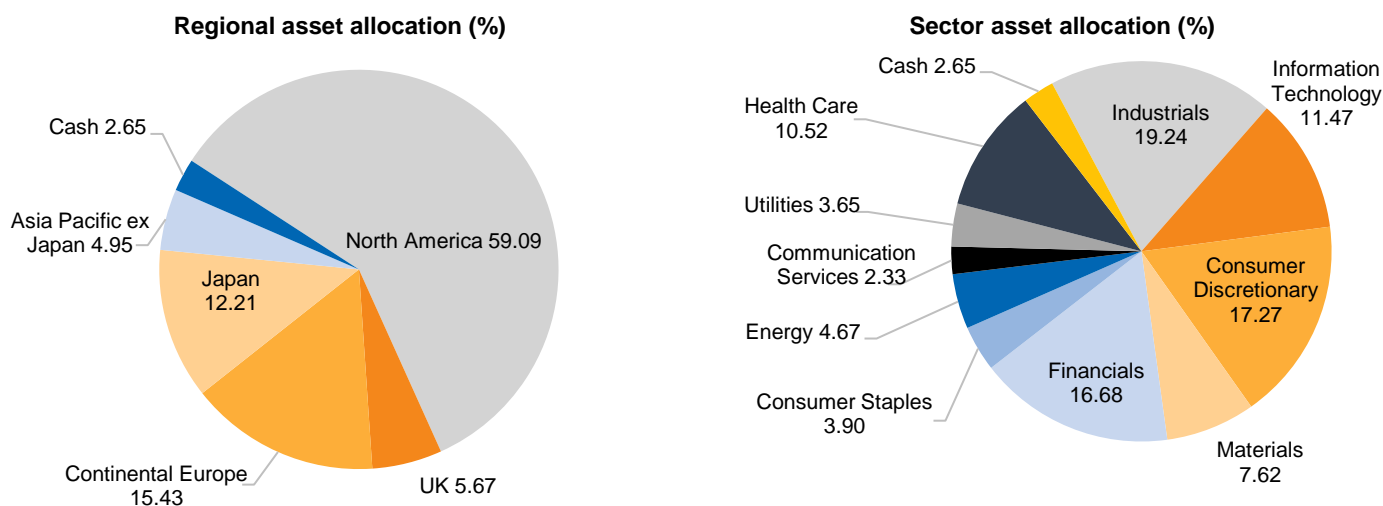
Top 5 holdings

Stock	Country (domicile)	Sector	%
Eli Lilly & Company	United States	Health Care	4.85
Berkshire Hathaway	United States	Financials	4.75
Suncor Energy	Canada	Energy	4.67
Raytheon Company	United States	Industrials	4.06
Church & Dwight Company	United States	Consumer Staples	3.90

Top 5 contributors and detractors by attribution over the month

Stock	(%)	Stock	(%)
Bandai Namco Holdings	0.49	Suncor Energy	-0.22
Anglo American	0.42	Steel Dynamics	-0.22
Maeda Road Construction Company	0.32	US Bancorp	-0.21
Centerpoint Energy	0.30	Ulta Beauty	-0.19
Church & Dwight Company	0.27	Raytheon Company	-0.19

Asset allocation



Important information

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