



Ironbark Gavekal Asian Opportunities Fund

Monthly Investment Report as at 31 October 2017

APIR Code

HFL0014AU

ARSN:

143 533 466

Objective:

The Fund aims to access a long-only investment strategy designed to capture the long-term returns of the Asia Pacific equity markets while constraining volatility through tactical exposure to fixed income instruments and cash

Fund Inception Date

12 Oct 2010

Benchmark

MSCI Asia-Pacific Index AUD (Unhedged)

Distribution Frequency

Annually

Minimum Investment

\$5,000

Fund Size

\$42.2m

Exit Price

\$1.7715

Performance Review

The Ironbark Gavekal Asian Opportunities Fund (the 'Fund') returned 5.42% (net) over the month, underperforming the benchmark's return of 6.71% by 1.29%.

In China, the results of the 19th Chinese Communist Party Congress have demonstrated President Xi Jinping's consolidated power base and should help narrow the "China discount" on Chinese equities. The structural re-balancing of the economy towards services and consumption should continue and the risk of significant financial system collapse is much reduced. There are also signs that the de-leveraging of the economy has reached a cyclical bottom and liquidity will remain abundant for financial assets. Apart from the internet companies that the Fund has been investing in, the investment manager has started positioning the Fund in more liquidity-sensitive sectors such as property and banks to recap the re-rating. The investment manager's outlook is positive on large-cap developers such as China Overseas Land & Investment Limited, China Resources Land and Guangzhou R&F Properties, and banks which include Industrial & Commercial Bank of China and China Construction Bank. Chinese banks are set to benefit from peaking non-performing loan ratios, bottoming net interest margins and also high sensitivity to rising US interest rates. The investment manager remains overweight to China in anticipation of the coming re-rating over the medium term.

In India, the larger-than-expected \$34 billion (in US dollar terms) recap of state banks by the government is a watershed event cyclically. The recap of the banks not only will allow room for renewed credit growth but also structurally lower interest rates. The investment manager expects the new credit cycle will focus on consumers and infrastructure sectors. Stock selection remains broad-based, with private sector banks such as Indusind Bank, infrastructure companies like Larsen and Toubro, consumers like Maruti Suzuki. India remains the best medium-term growth story in Asia.

In Japan, the successful election results by the Liberal Democratic Party in the snap election has secured Prime Minister Abe a mandate for years to come. The investment manager believes the weak Yen policy will remain, and liquidity is likely to spread to lagging sectors which include the "Megabanks" and properties. The Fund has invested in Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group as they are the prime beneficiaries of rising US interest rates and have the cheapest valuations at 0.6 times price-to-book. Large property laggards such as Mitsui Fudosan (8801 JP) should also perform well.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	5.42	6.71	-1.29
3 months	8.83	9.94	-1.11
6 months	7.26	11.84	-4.58
1 year	18.39	23.11	-4.72
3 years (p.a.)	10.84	13.75	-2.91
5 years (p.a.)	12.82	16.32	-3.50
Since inception ¹ (p.a.)	9.54	10.55	-1.01

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.

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

Contact Details

T: 1800 034 402 | E: client.services@ironbarkam.com | W: www.ironbarkam.com





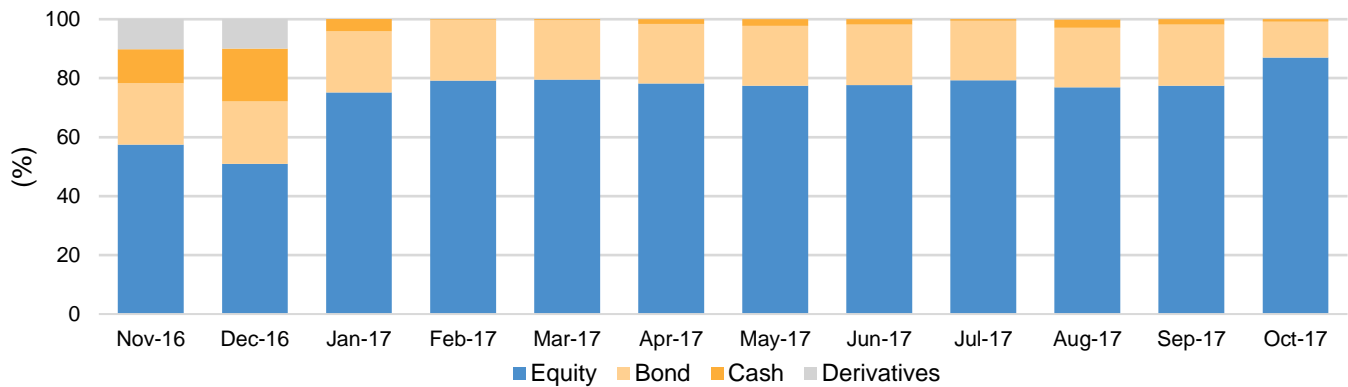
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Top 5 Holdings

Holding	Asset Class	Country	%
Samsung Electronics	Equity	Korea	5.70
Government Of Indonesia 8.375%	Bond	Indonesia	5.68
Mitsubishi UFJ Financial Group	Equity	Japan	3.56
Larsen & Toubro	Equity	India	3.39
MediaTek	Equity	Taiwan	3.35

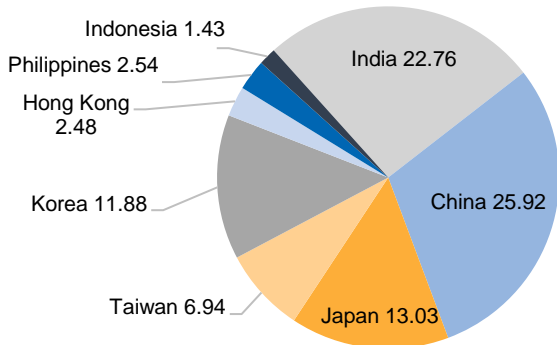
Rolling 12 Month Asset Allocation¹



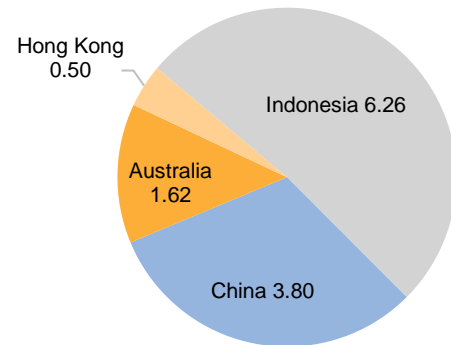
¹ The allocation to derivatives over the 2016 fourth quarter was the Nikkei 225 holding.

Asset Allocation

Equity allocation by country² (%)



Bond allocation by country² (%)



² Weights at the total Fund level

Important Information

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