



Ironbark Gavekal Asian Opportunities Fund

Monthly Investment Report as at 31 March 2018

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

\$39.6m

Exit Price

\$1.8239

Performance Review

The Ironbark Gavekal Asian Opportunities Fund (the 'Fund') returned -1.53% (net) over the month, underperforming the benchmark's return of -0.56% by 0.97%.

The recovery in Asian equity markets for most of the month of March was negated by the escalation of tensions in a building trade war between the US and China. Markets reacted negatively to the announcement of tariffs on \$60 billion (in US dollar terms) worth of imports from China into the US, and potential retaliations by the Chinese, even though the net impact on the economy and earnings will unlikely be significant. The investment manager believes that the risk of a full-blown trade war is minimal as the US is putting pressure on trade partners to get better terms in negotiations of trade deals. Asia, led by China, is structurally more domestic-demand driven and less foreign capital dependent than it was in past cycles. Any further rise in political tensions will only lead to more accommodative macro policies in the region to support economic and earnings growth.

In China, companies reported strong earnings growth across many sectors. Tencent announced an increase of over 70% in fourth quarter earnings, even though revenue growth was slightly lower-than-expected due to the high base in the third quarter. The investment manager is not overly concerned with the selling of 2% by the major shareholder Naspers (still holding 31%), which has been under pressure from their minority shareholders to narrow the discount to net asset value. The announcement of no further sale for the next three years affirms the shareholder's intention to own Tencent long term. The investment manager remains positive on the stock, with the 12-month forward price/earnings-to-growth ratio at 1.25. Meanwhile, the Fund's holdings in Ping An Insurance Group, Geely Automobile Holdings, China Construction Bank, Industrial and Communication Bank of China, Xinyi Glass, CNOOC, PetroChina, and Macau casinos all reported better-than-expected earnings and dividend growth. The investment manager maintains the view that the growth rate of the Chinese economy is sustainable, with manageable inflation. Strong earnings growth and low valuations should continue to drive a re-rating. China remains the Fund's largest overweight.

The Fund has been underweight in the allocation to Japan due to the strong yen and will remain so for the near future. With the sell-off in markets recently, the investment manager increased the Fund's allocation to the structural growth theme robotics which includes names such as FANUC and Keyence Corporation, and restructuring names which include Sony.

The Fund remains overweight in the allocation to India, with a focus on private sector financials which include Indusind Bank, Kota Mahindra Bank, Housing Development Finance, and infrastructure play Larsen & Toubro.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	-1.53	-0.56	-0.97
3 months	2.91	2.01	0.90
6 months	8.54	10.71	-2.17
1 year	16.99	19.98	-2.99
3 years (p.a.)	4.91	8.42	-3.51
5 years (p.a.)	10.93	14.64	-3.71
Since inception ¹ (p.a.)	9.42	10.48	-1.06

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.

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





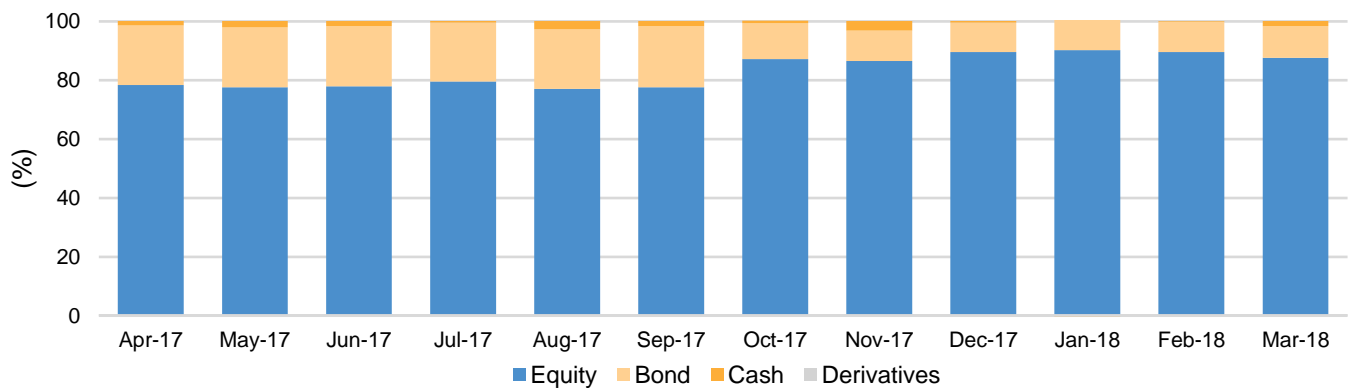
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Top 5 Holdings

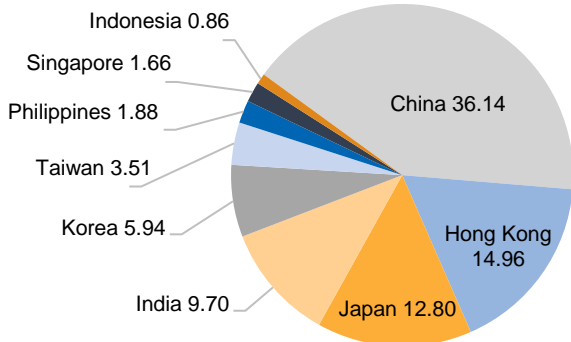
Holding	Asset Class	Country	%
Tencent Holdings	Equity	China	6.26
China Construction Bank Corporation	Equity	China	4.65
Industrial and Commercial Bank of China	Equity	China	4.46
Taiwan Semiconductor Manufacturing Corporation	Equity	Taiwan	3.51
AAC Technologies Holdings	Equity	China	3.29

Rolling 12 Month Asset Allocation¹

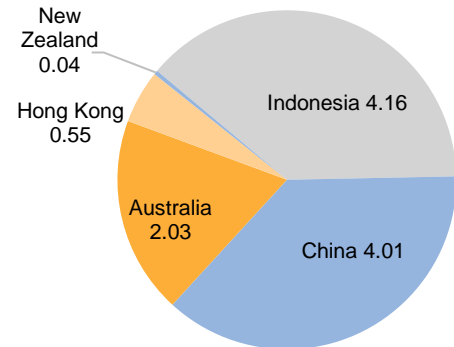


Asset Allocation

Equity allocation by country¹ (%)



Bond allocation by country¹ (%)



¹Weights at the total Fund level

Important Information

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