



Ironbark Gavekal Asian Opportunities Fund

Monthly Investment Report as at 31 August 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)

Management Cost

1.7400%¹

Buy/Sell Spread

Nil

Distribution Frequency

Annually

Minimum Investment

\$5,000

Fund Size

\$40.9m

Exit Price

\$1.6729

Performance Review

The Ironbark Gavekal Asian Opportunities Fund (the 'Fund') returned 2.77% net over the month, outperforming the benchmark's return of 1.29% by 1.48%.

Asian markets consolidated in the month of August after a strong performance in July. Investors used the rise in political tension between US and North Korea as an excuse to take profits at the beginning of the month but markets recovered quickly thereafter. In addition, the ongoing turmoil at the White House continues to cap the strength of the US dollar and support Asian currencies.

In Hong Kong and China, the strong earnings delivery of large cap internet names which include Tencent (HK) and Alibaba (US) continued to support the market. Both companies delivered better-than-expected earnings, with strong top-line growth. They are still reasonably priced at a price-earnings to growth ratio (forward 12 months) of 1.2. As stated before, the sell-off in large cap property names such as China Overseas Land (HK), Guangzhou R&F (HK) in the previous months offered good entry opportunities and they performed strongly in August on better-than-expected earnings. Again, the investment manager believes that the Chinese economy will grow at a moderate rate and the ongoing deleveraging of the financial system will not trigger a significant slowdown. Any overreaction of policy fine-tuning will provide good buying opportunities for large cap growth stocks.

The Indian market entered a consolidation phase after the expected August interest rate cut. Earnings delivery of private sector banks, cements, autos and consumers remains strong. The important thing to watch in the next re-rating of the market will be the clean-up of non-performing loans among state banks. While the earnings results announced by the large state banks such as State Bank of India (IN) was disappointing, the worst of the non-performing loan cycle seems to have passed. The clean-up of the state banks' balance sheets will enable interest rates to fall further structurally. India remains the best medium term growth story in the universe.

The Japanese market remained lacklustre as its correlation with the Yen remains strong. Large cap financials came under pressure from the weak US dollar and retailers struggled due to very poor weather. However, selected robotics names, which include THK (JP) and Yaskawa Electric Corp (JP), performed well on better-than-expected earnings and outlooks.

In the technology hardware space, Samsung Electronics (KS) consolidated on the news of indictment of its Chairman Lee Jae-yong on bribery charges. The investment manager believes this is a good buying opportunity as the stock offers growth, cheap valuation and scope for better return for shareholders. The investment manager also likes Mediatek (TT), which has entered a medium-term re-rating on increasing revenue and expanding margins.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	2.77	1.29	1.48
3 months	0.66	-0.23	0.89
6 months	11.63	9.29	2.34
1 year	7.81	13.49	-5.68
3 years (pa)	11.00	11.62	-0.62
5 years (pa)	12.60	15.31	-2.71
Since inception ² (pa)	8.88	9.51	-0.63

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.

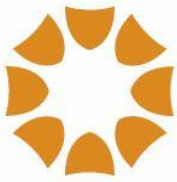
¹For full breakdown of management costs, refer to the PDS dated 28 September 2015.

²This figure represents the annualised performance of the Fund from the first full month of operation.

Contact Details

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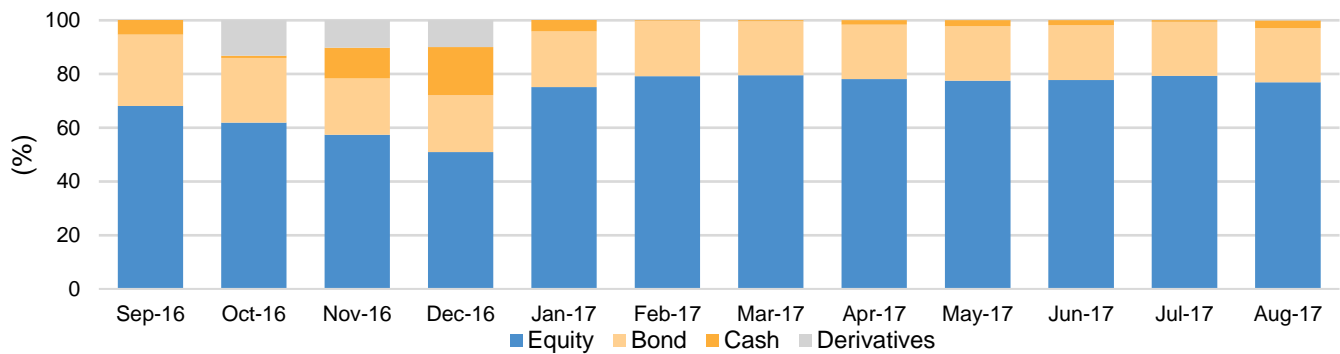
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Top 5 Holdings

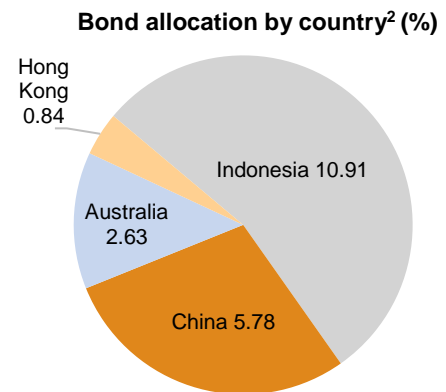
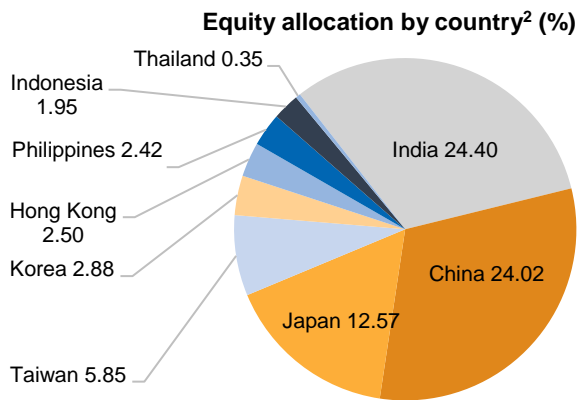
Holding	Asset Class	Country	%
Government Of Indonesia 8.375%	Bond	Indonesia	7.61
Tencent Holdings Ltd.	Equity	China	2.92
Yes Bank Limited	Equity	India	2.90
Samsung Electronics	Equity	Korea	2.88
Guangzhou R&F Properties	Equity	China	2.88

Rolling 12 Month Asset Allocation¹



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

Asset Allocation



² Weights at the total Fund level

Important Information

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