



Ironbark Gavekal Asian Opportunities Fund

Monthly Investment Report as at 30 September 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

\$25.8m

Exit Price

\$1.4443

Performance Review

The Ironbark Gavekal Asian Opportunities Fund (the 'Fund') returned -1.53% (net) over the month, underperforming the benchmark's return of 0.31% by 1.84%.

For September, Asian equity markets continued to come under selling pressure from the strong US dollar and rising trade tensions. The financial stress in other, weaker emerging markets, including Turkey and Argentina, dampened investor sentiment further. Asian currencies, in general, weakened. Against all these uncertainties, the investment manager's neutral stance in equities is maintained.

The weakness in Asian equity markets and currencies accelerated in mid-June on the US's aggressive trade policy towards China. The sharp drop in the renminbi sparked concerns about the Chinese using currency depreciation to counter US trade tariffs. This subsequently led to the selling of Asian equities and currencies across the board. The status of the renminbi as an anchor currency in Asia is becoming increasingly obvious.

The intervention by the Bank of China in the offshore currency market during August is an important event. The investment manager has long argued that China will not employ currency depreciation as a policy tool, as the country has never done so before. This was confirmed by the fact that the renminbi was the strongest currency in the region and China's export growth was outpacing that of other Asian economies. The recent weakness is a result of the strong US dollar as well as short term panic by Chinese individuals and corporates. The intervention was thus the policymaker sending an important message to restore confidence.

While the trade situation is difficult to analyse, equity markets have already discounted the worst-case scenario. As stated before, the Chinese equity market is discounting a cut in earnings growth from mid-teens to zero, representing a hard-landing of the economy. Earnings results reported so far have indicated otherwise. The more economically sensitive sectors such as banks and property have reported better than expected earnings and reasonable guidance. While there are a few earnings disappointments due to regulatory issues, the demand for domestic goods and services remains healthy. The Fund is still overweight in China and underweight in Japan. The Fund is also maintaining a higher level of cash in the midst of uncertainties.

The Fund has locked in gains in India during August as the valuation premium towards the region is at an all-time high. The Indian rupee has depreciated by more than 13% versus the US dollar this year due to the Indian current account and budget deficits. The investment manager sees little room for interest rates to fall. Bank, and especially consumer staples, valuations have approached their all-time highs.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	-1.53	0.31	-1.84
3 months	-2.81	2.75	-5.56
1 year	1.30	14.25	-12.95
3 years (p.a.)	2.40	12.00	-9.60
5 years (p.a.)	8.14	12.02	-3.88
7 years (p.a.)	9.84	13.16	-3.32
Since inception ¹ (p.a.)	7.86	10.22	-2.36

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.

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

Contact Details

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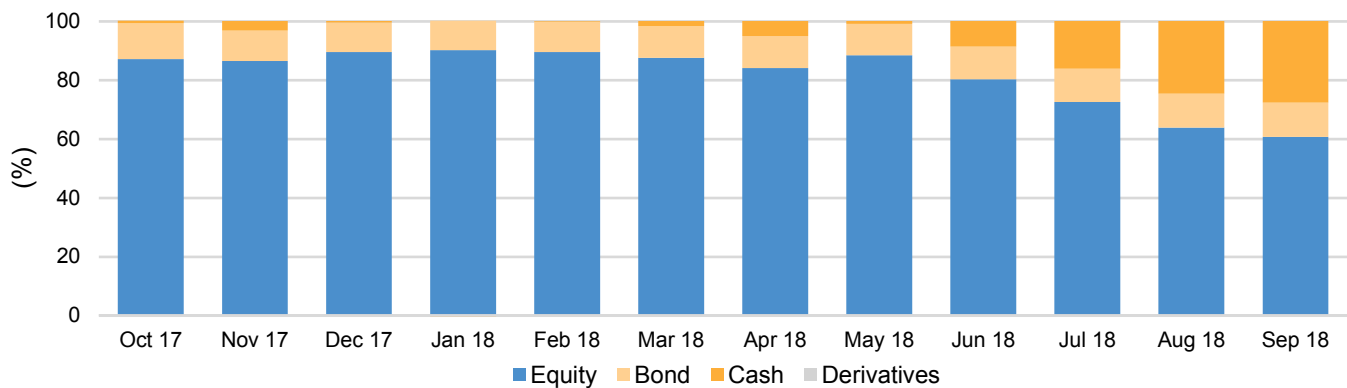
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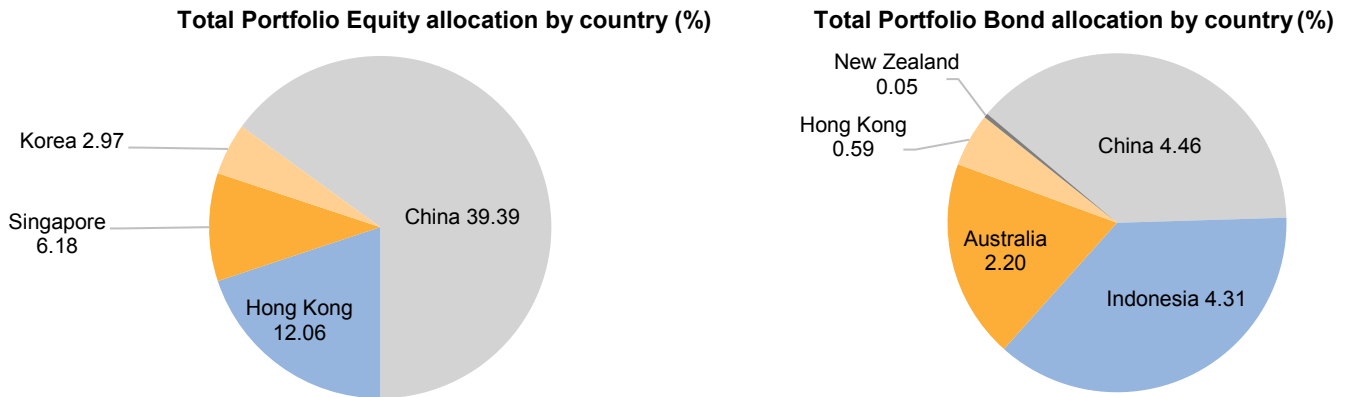
Top 5 Holdings¹

Holding	Asset Class	Country	%
Tencent Holdings	Equity	China	5.10
AIA Group	Equity	Hong Kong	4.32
Alibaba Group Holding	Equity	China	4.21
China Petroleum & Chemical Corporation	Equity	China	3.53
China Overseas Land & Investment	Equity	China	3.01

Rolling 12 Month Asset Allocation¹



Asset Allocation¹



¹ Holdings and weights at the Underlying Fund level, including an allocation to cash. The Underlying Fund is the Gavekal Asian Opportunities UCITS Fund.

Important Information

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