

Ironbark Gavekal Asian Opportunities Fund

Monthly Investment Report as at 30 June 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

\$42.7m

Exit Price

\$1.6347

Performance Review

The Fund returned -1.64% net over the month, underperforming the benchmark's return of -1.41% by -0.23%.

Asian markets were led higher by technology sector over the month. The Fund's holdings in Tencent (HK), Alibaba (US), Samsung Electronics (KS), Netease (US), Hon Hai Precision (TT), TSMC (TT) and Murata Manufacturing (JP) have all added value to the portfolio. The Fund's underweight position in energy and commodities also contributed over the month as those sectors languished.

The effort by the Chinese government to deleverage commercial banks is beginning to impact commodity prices and cyclical sectors. The investment manager's medium term view remains that policy-driven cyclical adjustments in the economy will open up good investment opportunities in the large-cap growth names. The recent correction in large-cap property names such as China Overseas Land (HK) and China Resources Land (HK) which are selling at over 40% discount to net asset value, are good examples. While the MSCI decision to include Chinese A-shares in its Emerging Market Index will only have a short-term capital flow impact, it is indeed an important milestone which paves way for better realisation of value for quality growth stocks in the mainland market. The Fund's holding in A-share listed Midea (CH) has performed strongly over the month.

In Japan, the rebound in financials is encouraging. The Fund's holdings in MUFJ (JP), SMFJ (JP), Dai-ichi Life (JP) and T&D (JP) are set to benefit from interest rate normalisation as their earning leveraging to rising interest rates is the highest in the market. The mega-banks are selling only at a 0.6 price-to-book ratio with increase in dividend and share buyback. The recent announcement of corporate restructuring by MUFJ (JP) is significant as the plan involves fairly aggressive lay-offs.

The Indian market has entered into a consolidation phase awaiting the next cut in interest rates. The investment manager believes that given inflation's continued downward trend, the likelihood for a rate cut in coming month is very high. Interest rate sensitive sectors such as banks and property will continue to perform well in the coming year. Also worth noting is the government's ongoing efforts to handle the high level of non-performing loans in the banking sector, especially among the state-owned banks. Once that is resolved, there will be further scope for interest rates to come down structurally. The Fund's stock selection remains broad-based.

As mentioned in the previous newsletter, the investment manager remains bullish on Apple-related component makers in Taiwan and Japan, such as Hon Hai Precision (TT) and Murata Manufacturing (JP). The Fund's overweight positions in Samsung Electronics (KS) and TSMC (TT) will remain, as the companies' structural earnings drivers remain robust.

Other names in the Fund which have performed well includes Chow Tai Fook (HK) and Minor Corp (TB). Chow Tai Fook is at the beginning of its medium term earnings up cycle, with expanding margins. Stronger same store sales and lower rental costs will continue to drive profitability. The recent announcement of a special dividend also bodes well for shareholder returns. Minor Corp has also begun its earnings upgrades cycle after a year of consolidation.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	-1.64	-1.41	-0.23
3 months	4.85	5.29	-0.44
6 months	9.45	9.42	0.03
1 year	9.54	19.40	-9.86
3 years (pa)	11.19	12.26	-1.07
5 years (pa)	11.95	15.08	-3.13
Since inception ² (pa)	8.74	9.57	-0.83

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.

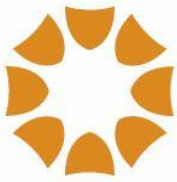
¹For full breakdown of management costs, refer to the PDS dated 28 September 2015.

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

Contact Details

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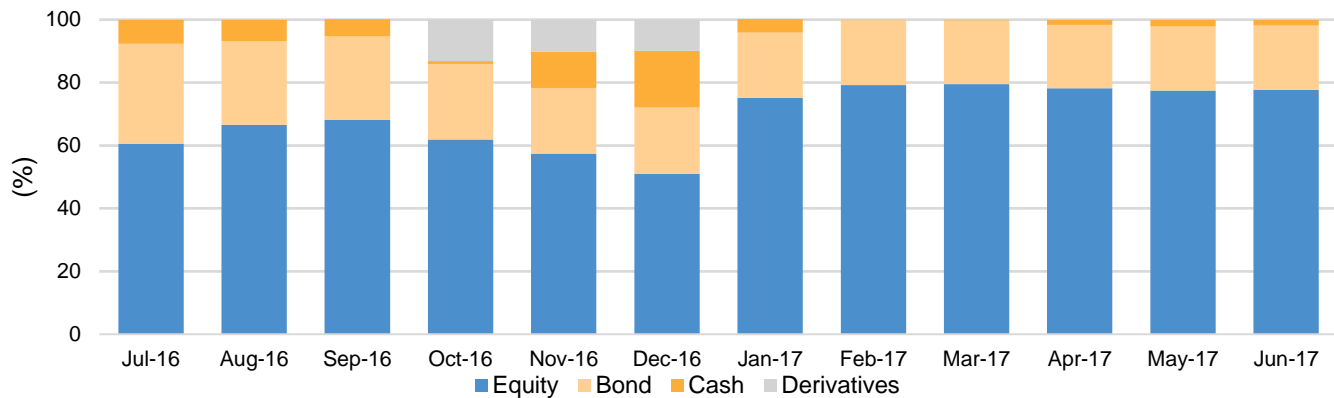
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Top 5 Holdings

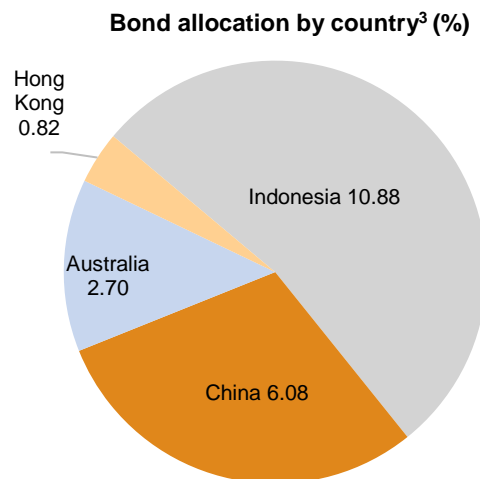
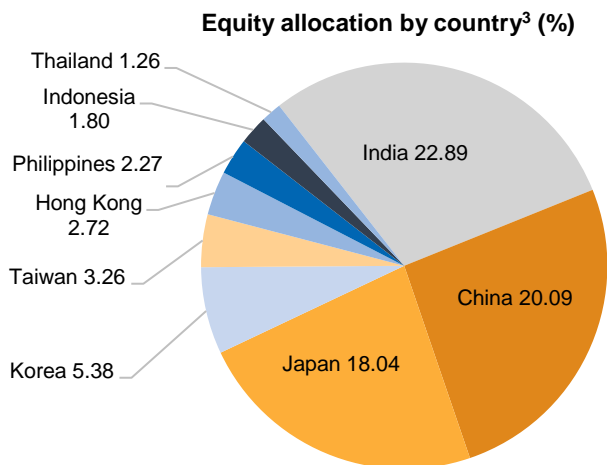
Holding	Asset Class	Country	%
Government Of Indonesia 8.375%	Bond	Indonesia	7.91
Mitsubishi UFJ Financial Group	Equity	Japan	2.97
Tencent Holdings	Equity	China	2.97
Samsung Electronics	Equity	Korea	2.96
Maruti Suzuki India	Equity	India	2.95

Rolling 12 Month Asset Allocation¹



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

Asset Allocation



³ Weights at the total portfolio level

Important Information

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