



Ironbark Gavekal Asian Opportunities Fund

Monthly Investment Report as at 31 January 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

\$43.2m

Exit Price

\$1.8734

Performance Review

The Ironbark Gavekal Asian Opportunities Fund (the 'Fund') returned 5.70% (net) over the month, outperforming the benchmark's return of 2.29% by 3.41%.

Against the backdrop of strong global equity markets, Asian markets delivered strong performance over the month. Asian currencies also posted strong gains against the weakening US dollar.

The strong outperformance of the most "hated" China-related sectors listed in Hong Kong marked the most significant development in the Asian stock universe in years. Large-cap Chinese banks and property names were up over 20% during the month. As advocated previously, the investment manager believes that the "China discount", fears of systemic risks in the financial system and a hard landing for the economy, has started to narrow and this will continue for the coming years. Strong growth in the services sector, rise in property values and consolidation of state-own enterprises will sustain growth in a low inflation environment. All these structural strengths have yet been discounted, as reflected in both relative and absolute valuations. The re-rating of the Chinese market has just begun.

A more favourable investment sentiment towards China will also enhance the re-rating of large-cap growth stocks in the Asian universe. Names such as Tencent and Samsung Electronics have been lagging similar names in the US in terms of valuation re-rating, even though their earnings delivery has been more impressive. The investment manager believes that those names are in a multi-year re-rating period as long as earnings growth is sustainable.

With global growth picking up moderately, the super-easing cycle will end earlier than expected. The highest earnings leverage in the Asian universe is with Japanese financials as they suffered previously from unjustifiably low spreads. Names such as Mitsubishi UFJ Financial and Sumitomo Mitsui Financial Group will see sharp earnings upgrades on rising rates, and with 0.6 times price-to-book valuations they offer significant upside.

The recap program of the state banks in India has started and the investment manager believes it will benefit the economy with structurally lower interest rates. Against strong political tailwinds, the Modi administration's ability to push through reform has been the strongest in years. The investment manager remains positive on private banks, infrastructure and property sectors in the Indian market.

The recent weakness of Samsung Electronics on fears of oversupply in the memory chip business is misplaced, and that offers a good buying opportunity. The technology barriers for new supply are much higher than in previous cycles and Samsung's earnings base is more diversified. With low valuation, strong earnings and a more shareholder-friendly management policy, Samsung Electronics remains one of the most attractive investment opportunities in the universe.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	5.70	2.29	3.41
3 months	5.75	4.04	1.71
6 months	15.09	14.38	0.71
1 year	25.65	24.91	0.74
3 years (p.a.)	7.44	10.96	-3.52
5 years (p.a.)	11.74	15.27	-3.53
Since inception ¹ (p.a.)	10.04	10.76	-0.72

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

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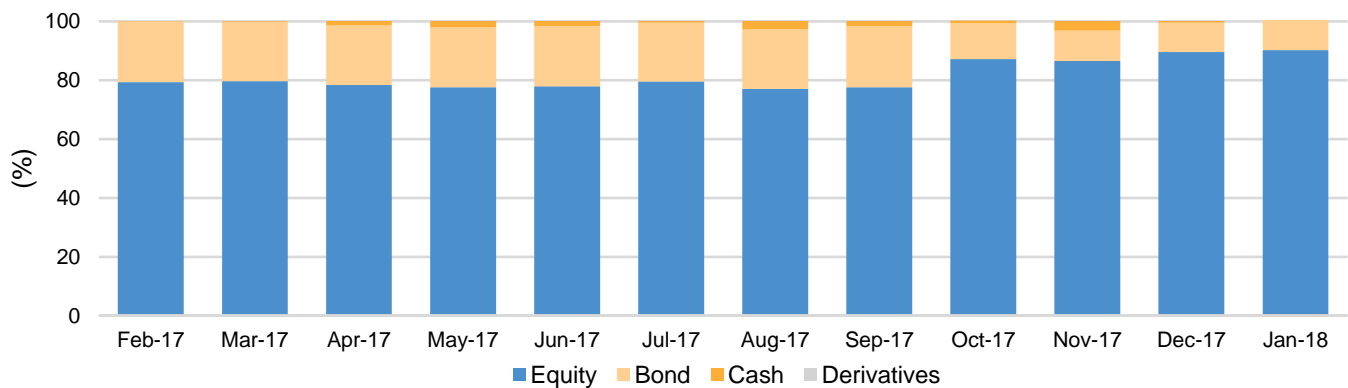
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Top 5 Holdings

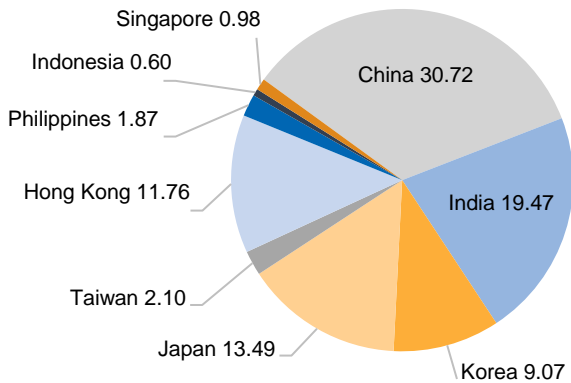
Holding	Asset Class	Country	%
Tencent Holdings	Equity	China	6.79
Mitsubishi UFJ Financial Group	Equity	Japan	4.11
China Construction Bank Corporation	Equity	China	4.02
Industrial and Commercial Bank of China	Equity	China	3.75
Samsung Electronics	Equity	Korea	3.74

Rolling 12 Month Asset Allocation¹

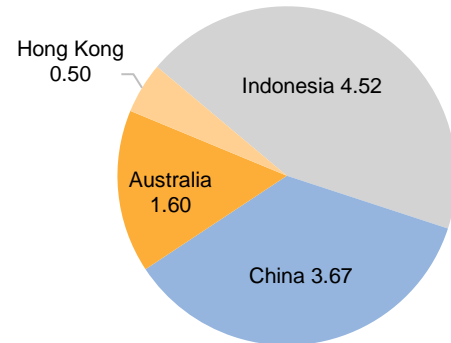


Asset Allocation

Equity allocation by country¹ (%)



Bond allocation by country¹ (%)



¹Weights at the total Fund level

Important Information

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