



Ironbark Global Diversified Alternatives Fund

Monthly Investment Report as at 31 May 2018

Asset Class

Alternatives

Investment Objective

Seek to deliver consistent returns with low volatility and low correlation to traditional equity and debt markets by investing in a diversified range of alternative investment funds globally

APIR Code

DEU0109AU

ARSN:

089 896 837

Fund Inception Date

30 November 1999

Manager Appointed

1 September 2011

Benchmark

Benchmark Unaware

Distribution Frequency

Annually

Minimum Investment

\$20,000

Fund Size

\$244.3m

Exit Price

\$1.1259

Market Review

Despite macro concerns surfacing during the month, global equity markets overall edged up in US dollar ('USD') terms for May 2018, largely due to the gains of US stocks. Trade-related brinkmanship amid US plans for tariffs on certain Chinese, European, Canadian and Mexican goods weighed on sentiment. Concerns also arose about political turbulence in Italy and Spain. Some observers noted a general aversion to emerging markets amid a strengthening US dollar. Developed-market stocks, as measured by MSCI indices, outperformed their emerging and frontier market peers, which generally suffered fairly steep and widespread declines.

In developed markets, the US economy produced better-than-expected employment numbers along with a convincing uptick in manufacturing and construction activity. These and other data points helped fuel expectations that the country's first-quarter gross domestic product ('GDP') growth level could be the low-water mark of 2018. In Europe, the euro area's annualised inflation for May accelerated to the highest rate since April 2017, according to a flash estimate. The UK's unemployment rate for the three months through to March remained at a 42-year low. In Asia, Japan's year-on-year consumer price index growth in April decelerated markedly from previous months.

In emerging markets, China's economic data for April was somewhat mixed, with year-on-year industrial production and producer prices accelerating, while consumer prices, fixed asset investment and retail sales each rose at a slower pace compared to March. South Korea's unemployment rate eased in April. India's GDP for the January–March quarter grew at the fastest pace in seven quarters. Brazil's first-quarter GDP grew year-on-year in its fourth consecutive positive result. Mexico's annual inflation continued edging down in April to the lowest reading since December 2016. However, these positive developments were largely overshadowed by a strengthening US dollar and ongoing fears of a trade war.

Performance Review & Portfolio Activity

The Ironbark Global Diversified Alternatives Fund (the 'Fund') returned -0.91% (net) in May.

During May, long/short equity managers were negative overall. US equity markets rallied at the beginning of the month as all major indices jumped by more than 2%, moving back into positive territory for the year. Energy (-4.54%) experienced a sharp selloff alongside crude oil prices, which tumbled about -5%, only three weeks after moving past \$70 per barrel (in USD terms). The decline in oil prices was largely attributed to discussions between OPEC, Russia, and Saudi Arabia about increasing oil production to curb further price increases in an effort to avoid diminishing overall demand.

Performance

	Net Fund Return (%)
1 month	-0.91
3 months	-2.19
1 year	-1.23
3 years (p.a.)	0.18
5 years (p.a.)	2.73
Since inception ¹ (p.a.)	3.72

Past performance is not an indication of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distributions.

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

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Performance Review & Portfolio Activity (cont'd)

The top two performers for the Fund were K2 Wellington Liquid Healthcare Fund and K2 Wellington Liquid Technology Fund, respectively. K2 Wellington Liquid Healthcare Fund's performance was driven by a long position in a molecule therapeutics company. The company's share price rose after it was announced that they would be presenting their phase one data at an upcoming conference, the data included an abstract that was very promising. Performance was also boosted by a long position in a biopharma company as their stock continued to rise as the company's product line transitions from clinical stage to more a commercial stage. This biopharma company now emphasises profitability and its assets are meeting primary endpoints in the markets they serve. K2 Wellington Liquid Technology Fund's largest contributor of the month was a long position in a semiconductor company that makes memory chips. Shares ballooned when several analysts raised their price targets as it became evident that the pricing environment for DRAM was improving. Performance was also driven by longs in IT services.

K2 Acadian Diversified Liquid Alpha Fund and K2 Alambic Liquid Equity Market Neutral Fund were the major detractors during May. K2 Acadian Diversified Liquid Alpha Fund was net short against the Technology sector as valuations were historically very high but "growth at any price" rang true and hampered performance. The second largest sector detractor was the materials sector where Acadian was net short and was hurt by international exposures in both Europe and Japan. K2 Alambic Liquid Equity Market Neutral Fund's largest detractor of the month was a long position in the automotive components manufacturer, Tenneco. The company's shares dropped after they announced a \$5.4 billion merger with Federal-Mogul and relatively mixed earnings at the beginning and end of the month, respectively.

Outlook

The investment manager maintains a positive outlook for hedge strategies grounded in the belief that alpha will be a larger driver of returns going forward. The recent pickup in volatility should create opportunities for managers to generate returns on both sides of their books. With the removal of quantitative easing, the investment manager expects earnings dispersion between companies to return as the removal of free money leaves inefficiencies behind. As investors anticipate rising rates and companies incorporate changes from tax reform, sectors and companies should experience reduced correlations and incremental dispersion throughout the year.

In addition, corporate activity has been strong in 2018, and the investment manager believes it will remain that way due to high levels of CEO optimism, tax cuts, and cash repatriation. Merger arbitrage spreads remain attractive relative to Treasury yields while special situations and activism will be more equity market dependent.

Top 5 Holdings by Size

Investment Manager	Strategy	Sub-Strategy	The top 5 managers represent 49.23% of Ironbark Global Diversified Alternatives Fund assets.
K2 Wellington Liquid Healthcare Fund	Long/Short Equity	Long/Short Equity Sector	
K2 PHCM Liquid Opportunities Fund	Long/Short Equity	Long/Short Equity Europe	
K2 Wellington Liquid Technology Fund	Long/Short Equity	Long/Short Equity Sector	
Legg Mason Western Asset Macro Opportunities	Global Macro	Macro - Discretionary	
K2 Logan Circle Liquid Credit Fund	Specialist Credit	Credit – Long/Short	

Fund versus market indices since daily pricing and daily liquidity

Risk performance since September 2011:

	Ironbark Global Diversified Alternatives Fund (net) in AUD (%)	Bloomberg Ausbond Bank Bill Index in AUD (%)	Barclays US Aggr. Bond Index in USD (%)
Net return (p.a.)	2.43	2.68	2.22
Standard deviation (p.a.)	2.91	0.26	2.73
Maximum drawdown ¹	-3.55	0.00	-3.67
Best month	2.90	0.42	2.10
Worst month	-1.77	0.13	-2.37
Positive % months	65.43	100.00	61.73

Source: Morningstar Direct. Past performance is not an indication of future results.

¹Maximum drawdown refers to the largest overall drop in the Fund or Index value which occurred in a given period before it returned to its previous high.

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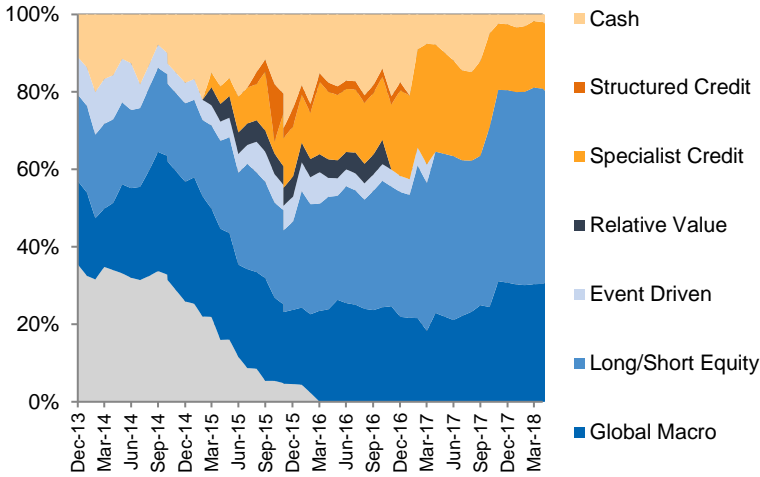


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Underlying Strategy Exposure (AUD)

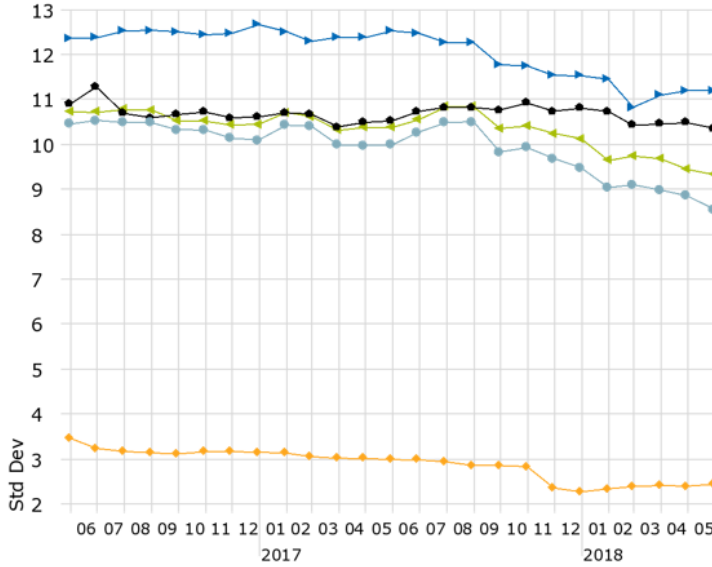
Strategy allocation



Asset Allocation	(%)
Long/Short Equity	47.05
Global Macro	31.55
Event Driven	0.00
Relative Value	0.00
Specialist Credit	18.02
Structured Credit	0.00
Cash	3.38
Total	100.00

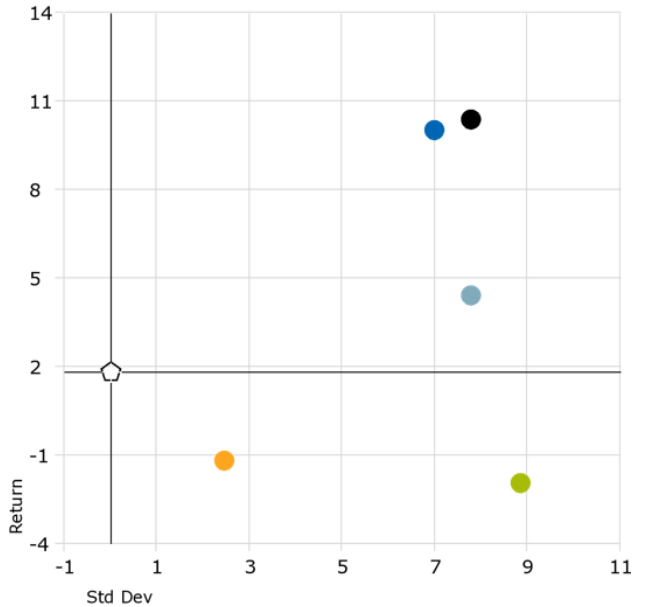
Rolling 3 Year Standard Deviation

Time period: 01/06/2015 to 31/05/2018



Risk Return over 1 Year

Time period: 01/06/2017 to 31/05/2018



Source: Morningstar Direct. Data in AUD.

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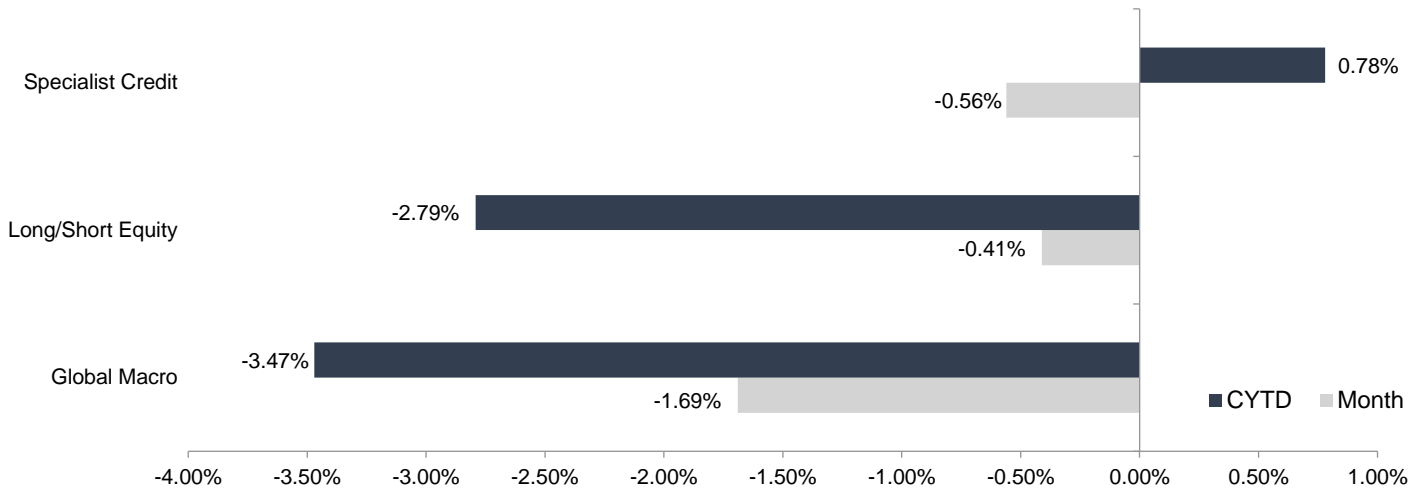




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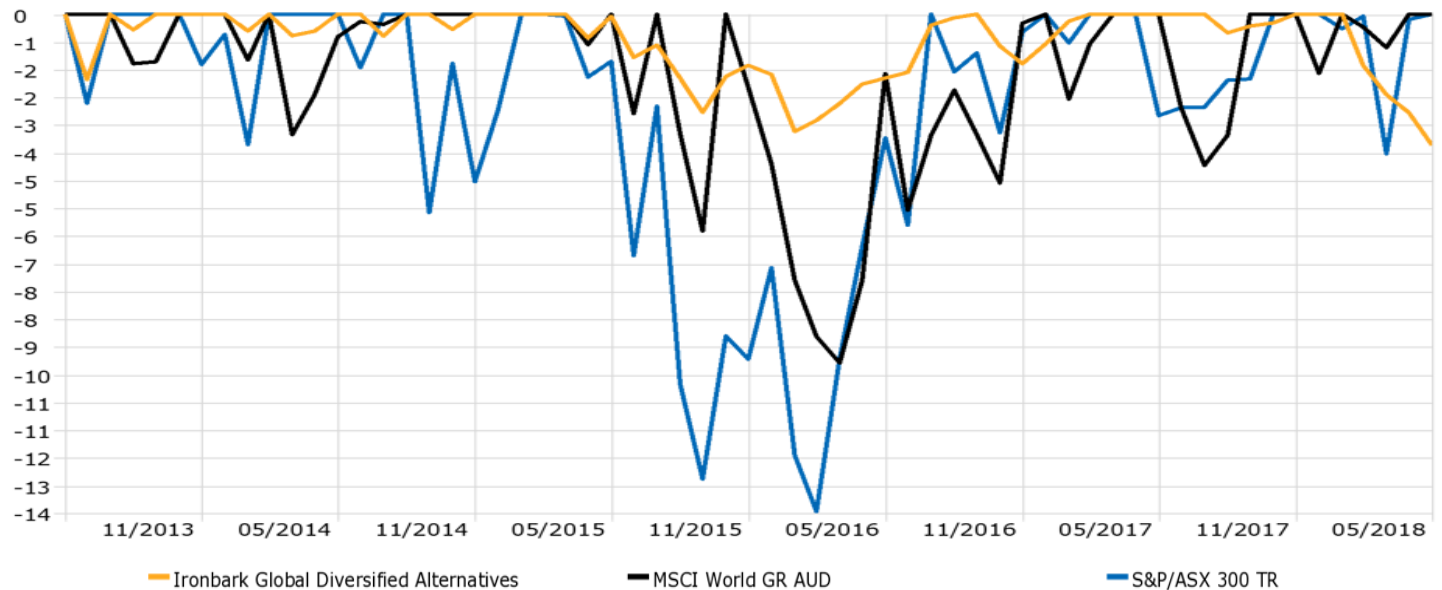
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Fund Performance Attribution



Drawdowns over 5 Years

Time period: 01/06/2013 to 31/05/2018



Source: Morningstar Direct. Data in AUD.

Important Information

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