

Ironbark Global Diversified Alternatives Fund

Monthly Investment Report as at 31 May 2017

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

Buy/Sell Spread

Nil

Management Cost

1.1000% p.a.¹

Distribution Frequency

Annually

Minimum Investment

\$20,000

Fund Size

\$234.8m

Exit Price

\$1.1741

Market Review

Global equity markets rose in May, with US and European markets lifted by an upbeat first-quarter 2017 corporate earnings and signs of an increasingly synchronised global expansion that helped offset lower commodity prices and various geopolitical concerns. Emerging stock markets, as measured by MSCI indices, collectively outperformed their developed-market peers.

Among emerging markets, Chinese equity gauges advanced despite some concerns arising about the country's regulatory policy and a credit downgrade, as well as mixed economic data. India's economic growth declined sharply during the quarter ended in March. In Latin America, a political scandal in Brazil hampered stock markets in the country, as well as the region. However, Brazil posted its first quarter of gross domestic product ('GDP') growth following its longest recession on record, and the country's central bank continued cutting its benchmark rate to help spur further economic growth. Elsewhere, Mexico's central bank hiked its benchmark rate to its highest level in eight years in response to continued rising inflation.

After a pro-Europe candidate won the presidential election in France, regional markets seemingly shrugged off geopolitical concerns for most of the month to focus on strong corporate earnings reports. First-quarter 2017 GDP for the Euro area and the 28 countries of the European Union grew on both a quarterly and an annual basis, while Eurozone inflation for May came in lower than in April. Outside the single-currency bloc, the UK's first-quarter GDP growth was revised down, while in April inflation edged up and retail sales declined somewhat from the previous month. Turning to North America, the US reported real first-quarter GDP that increased at the slowest pace in a year, though capital spending increased notably. In April, US retail sales and industrial production rose, while durable goods orders declined, with inflation remaining tame by most measures. During the same month, Canada's unemployment rate reached its lowest level since 2008. In Asia, Japan posted its fifth consecutive quarter of GDP expansion in the first quarter.

Performance Review & Portfolio Activity

The Fund returned 0.57% net in May.

The Fund generated steady gains in May, as all underlying strategies captured profits. The strongest positive attribution for the month came from long/short equity and global macro managers, followed by specialist credit and event driven. Structured credit managers ended the month flat.

For the Fund's global macro managers, gains were primarily in currencies, driven by developed market FX positions, and in particular long positioning in the euro. Long positions in the Japanese yen, New Zealand dollar, and Norwegian krone, and short positions in the British pound, Swedish krona, Australian dollar, Swiss franc, and Canadian dollar also contributed positively to returns. Losses for global macro managers were mainly in commodities, driven by longs in cotton, sugar, soybean oil, and shorts in corn. Longs in lean hogs and short positions in energy commodities (natural gas and crude) contributed strongly to offset most of those losses.

Long/short equity managers were profitable as a whole on the month as US equity markets rallied after the Federal Reserve ('Fed') announced its plan to unwind the \$4.5 trillion balance sheet through the use of cap limits. These limits will dictate how much the bank will allow to roll off the balance sheet each month without reinvesting the capital. This process seeks to slowly and predictably undo years of quantitative easing by shifting from a policy of "easy money" to a stricter monetary policy path. After the Fed's published minutes, markets also began pricing in expected June and possibly late fall interest rate hikes.

Performance

	Net Fund Return (%)
1 month	0.57
3 months	1.10
1 year	3.51
3 years (pa)	3.27
5 years (pa)	3.70
Since inception ² (pa)	4.01

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.

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.

¹ For full breakdown of management costs, refer to the PDS dated 19 February 2016

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

Contact Details

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Outlook

The Fund's top three convictions looking ahead are as follows:

Long Short Equity Europe

European equity markets continue to benefit from favorable valuations, improving earnings growth, and global reflation overall. Additionally, the investment manager anticipates the alpha environment will remain robust as certain companies, sectors and countries within the region are positioned to benefit more significantly than others.

Relative Value – Fixed Income

As rates rise, investors need to reduce duration risk. This creates volatility in the credit markets and presents opportunities for hedged credit strategies to generate performance from long positions and short positions.

Macro Commodity Trading Advisors

Improved environment for systematic investments due to stronger trend following conditions and improving cross-asset correlations. The strategy tends to be less correlated and offers potential risk mitigating characteristics in certain market environments.

Fund versus market indices since daily pricing and daily liquidity

Risk performance since September 2011:

	Ironbark Global Diversified Alternatives Fund (net) in AUD (%)	MSCI World Index Hedged in AUD (%)	Bloomberg Ausbond Bank Bill Index in AUD (%)	Barclays US Aggr. Bond Index in USD (%)	HFRI Fund of Funds Composite Index in USD (%)
Net return pa	3.08	12.62	2.83	2.68	2.87
Standard deviation pa	3.35	10.60	0.25	2.78	3.59
Correlation (Fund vs Index)	-	46.87	-10.30	27.87	58.42
Maximum drawdown ¹	-2.33	-11.56	0.00	-3.67	-7.58
Best month	2.90	8.47	0.42	2.10	2.13
Worst month	-1.77	-7.19	0.13	-2.37	-2.79
Positive % months	66.67	69.57	100.00	63.77	65.22

Source: K2 Advisors. 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.

Top 5 Holdings by Size

Investment Manager	Strategy	Sub-Strategy	The top 5 managers represent 43.22% of Ironbark Global Diversified Alternatives Fund assets in May 2017.
K2 Chatham Liquid High Yield Fund	Specialist Credit	Credit – Long/Short	
K2 Apollo Liquid Credit Fund	Specialist Credit	Credit – Long/Short	
K2 PHCM Liquid Opportunities Fund	Long Short Equity	Long/Short Equity Europe	
K2 Acadian Diversified Liquid Alpha Fund	Long Short Equity	Long/Short Equity Global	
K2 Wellington Liquid Healthcare Fund	Long Short Equity	Long/Short Equity Sector-Healthcare	

Source: K2 Advisors

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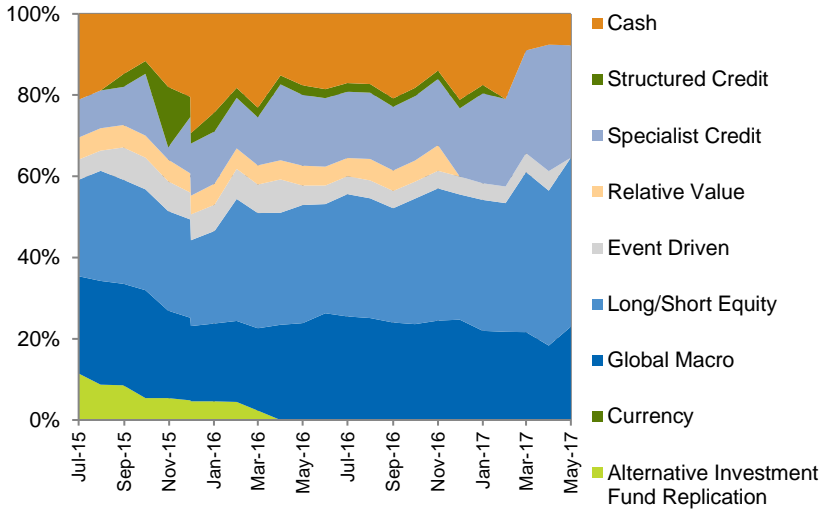




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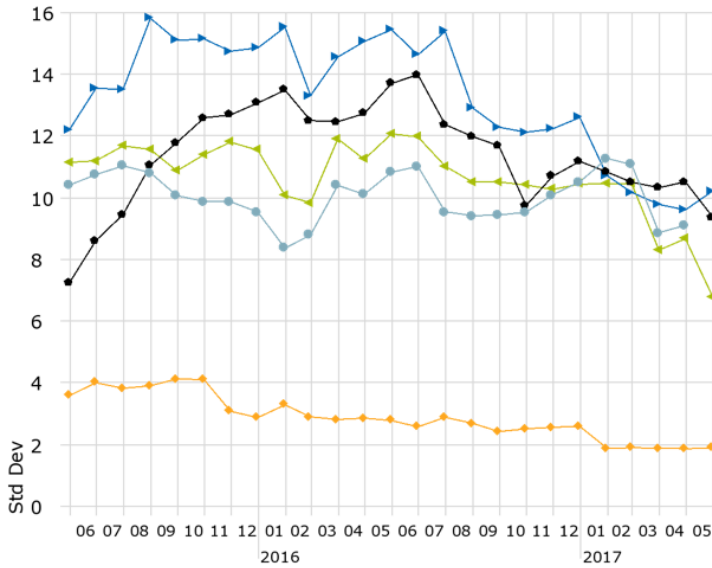
Underlying Strategy Exposure (AUD)



Asset Allocation for May 2017	(%)
Long/Short Equity	40.87
Global Macro	22.52
Event Driven	0.00
Relative Value	0.00
Specialist Credit	27.12
Structured Credit	0.00
Cash	9.49
Total	100.00

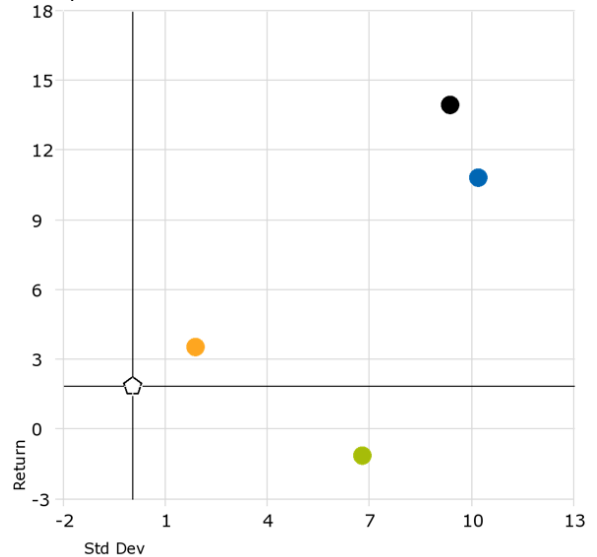
Rolling 3 Year Standard Deviation

Time period: 01/06/2014 to 31/05/2017



Risk Return over 1 Year

Time period: 01/06/2016 to 31/05/2017



Source: Morningstar Direct. Data in AUD

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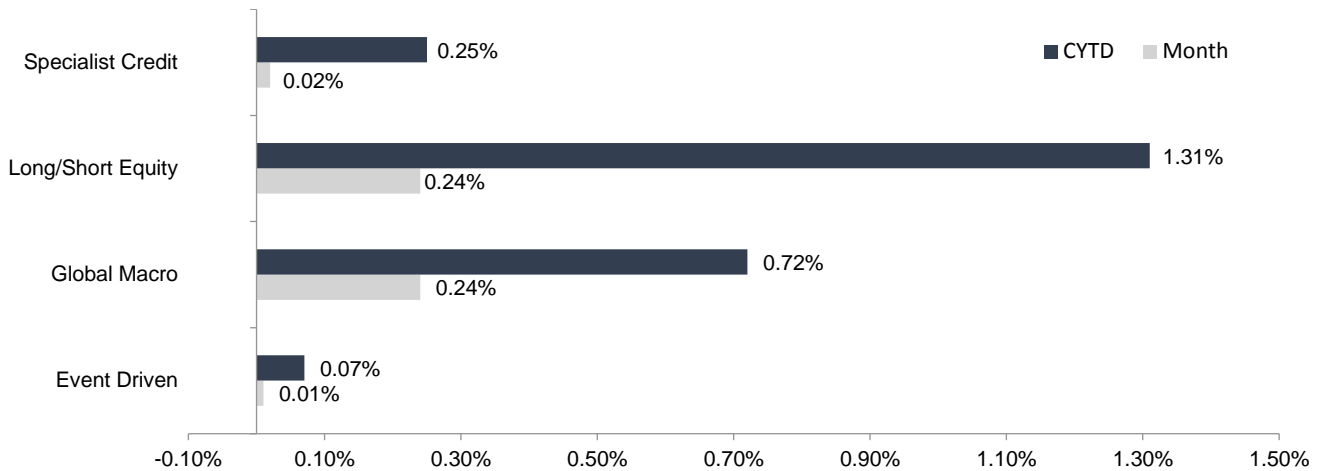




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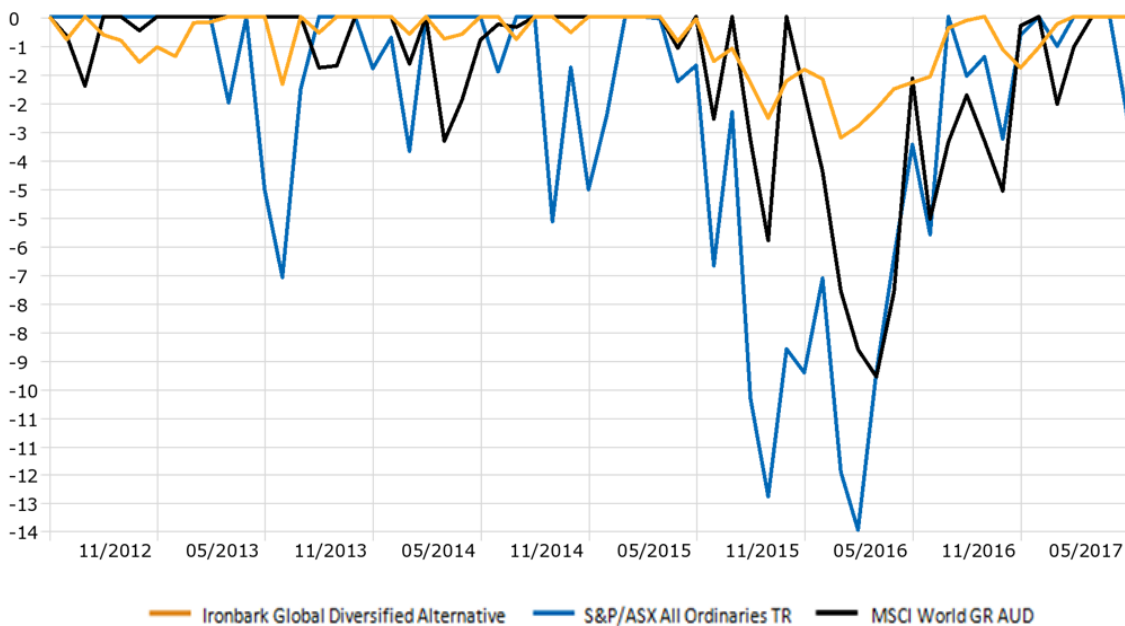
Fund Performance Attribution



(Data in USD)

Drawdowns over 5 Years

Time period: 01/06/2012 to 31/05/2017



Source: Morningstar Direct. Data in AUD.

Important Information

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