

Ironbark Global Diversified Alternatives Fund

Monthly Investment Report as at 31 August 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

\$243.7m

Exit Price

\$1.1422

Market Review

Global equity markets edged up in August, as signs of broadly synchronised global economic growth mixed with concerns surrounding North Korea's missile program and the response from the US administration, as well as a devastating hurricane-driven floods in the southern US. Emerging stock markets, as measured in US dollar terms by MSCI indices, substantially outpaced their developed-market peers as group.

Among emerging markets, China's industrial output, retail sales and fixed asset investment all rose strongly in July, although they missed consensus estimates. South Korea's industrial production climbed in July compared to June, supported by cars and mobile phones. India's gross domestic product ('GDP') for the April to June quarter rose meaningfully however, at the slowest rate in three years. Brazil's second-quarter GDP expanded on the previous quarter. This was their second quarterly increase following eight consecutive quarters of contraction. Mexico's annualised inflation continued advancing in July, and the country's statistics agency confirmed second-quarter GDP rose on the previous quarter, though with the weakest growth in a year.

The US economy expanded at its strongest pace in more than two years during 2017's second quarter, according to revised GDP figures. Consumer spending and a pickup in business investment supported US economic expansion. Several major European economies reported moderate quarterly GDP growth for the second quarter, including Spain, Germany, France and the United Kingdom. In July, unemployment in both the Eurozone and the 28 nations of the European Union ('EU28') remained stable at the lowest levels since the global financial crisis. During August, the European Commission's economic sentiment gauge for the Eurozone hit the highest level in ten years and the reading for the EU28 remained near the ten year high reached in July. Japan's preliminary second-quarter GDP rose, the sixth consecutive quarter of expansion and the strongest pace in two years, buoyed by domestic demand.

Performance Review & Portfolio Activity

The Ironbark Global Diversified Alternatives Fund (the 'Fund') returned -0.51% net in August.

The Fund generated steady gains in August, 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. Structured credit and event driven managers ended the month flat.

For the Fund's global macro managers, gains were primarily in developed market commodities driven by shorts in corn and crude oil. Losses for global macro managers were mainly in fixed income, namely shorts in UK gilts and German bonds as safe haven demand emerged in the markets in response to escalating US – North Korean tensions.

Long/short equity managers were profitable as a whole on the month as US equity markets closed slightly up as second quarter earnings dominated the headlines with the S&P/500 earnings per share growth rate reaching 10%. With second-quarter earnings announcements winding down the financial, utility, industrial and technology sectors all outperformed. Large cap technology companies led a market rally by recouping gains from a sharp selloff earlier in the month. Technology names have been prone to sharp moves over the past few weeks as investors reassess their positions in popular holdings such as Facebook, Amazon, Netflix, and Alphabet given their strong performance year-to-date. Hedge funds tend to still hold meaningful exposure to these names and their Chinese counterparts such as Alibaba and Tencent given that they are growing at multiples of the overall market and are less dependent on tax reform and infrastructure spending to spur growth.

Performance

	Net Fund Return (%)
1 month	-0.51
3 months	0.20
1 year	2.02
3 years (pa)	2.78
5 years (pa)	3.75
Since inception ² (pa)	3.96

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 investment manager maintains a positive outlook for hedge strategies despite maintaining a measured outlook on overall market levels. Given the resurgence of certain trends year-to-date including lower stock correlations, higher dispersion and improved alpha generation by long/short funds, the investment manager anticipates the alpha environment will remain robust and that long/short managers will be able to find attractive opportunities on both sides of their books regardless of aggregate market valuations.

While rates have remained lower longer than the market originally anticipated, duration risk is still prevalent in the credit markets. Long/short credit managers have naturally shorter duration portfolios and should benefit from sector dispersion when rates do rise. Defaults remain low with limited new opportunities. In structured credit, fundamentals remain strong and yields look attractive on a relative basis. Demand for private credit remains high.

Merger arbitrage spreads remain attractive relative to 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 41.72% of Ironbark Global Diversified Alternatives Fund assets in August 2017.
Legg Mason Western Asset Macro	Global Macro	Macro - Discretionary	
K2 Chatham Liquid High Yield Fund	Specialist Credit	Credit – Long/Short	
K2 Apollo Liquid Credit Fund	Specialist Credit	Credit – Long/Short	
K2 Acadian Diversified Liquid Alpha Fund	Long/Short Equity	Long/Short Equity Global	
K2 PHCM Liquid Opportunities Fund	Long/Short Equity	Long/Short Equity Europe	

Source: K2 Advisors

Fund versus market indices since daily pricing and daily liquidity

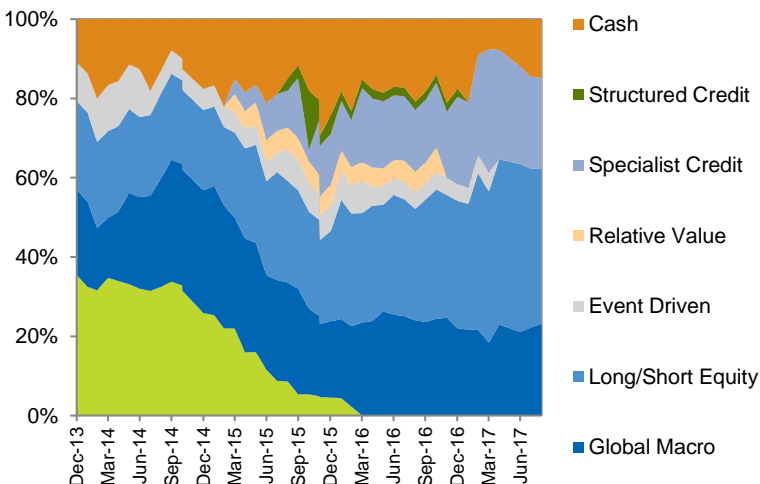
Risk performance since September 2011:

	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	2.98	12.33	2.79	2.78	3.20
Standard deviation p.a.	3.29	10.39	0.25	2.74	3.55
Correlation (Fund vs Index)	-	46.93	-9.47	26.71	56.97
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	69.44	100.00	63.89	66.67

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.

Underlying Strategy Exposure (AUD)



Asset Allocation for August 2017	(%)
Long/Short Equity	39.02
Global Macro	23.22
Event Driven	0.00
Relative Value	0.00
Specialist Credit	22.88
Structured Credit	0.00
Cash	14.88
Total	100.00

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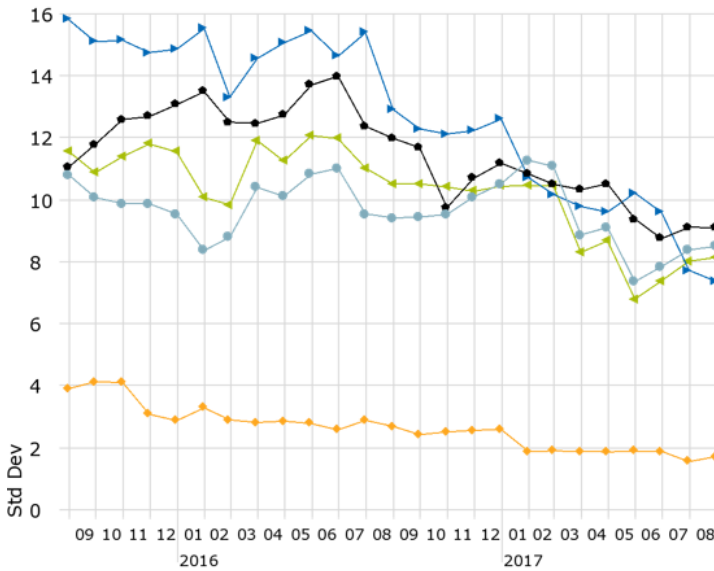


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Rolling 3 Year Standard Deviation

Time period: 01/09/2014 to 31/08/2017



Ironbark Global Diversified Alternatives

HFRI FoF Weighted Composite Index

MSCI World GR AUD

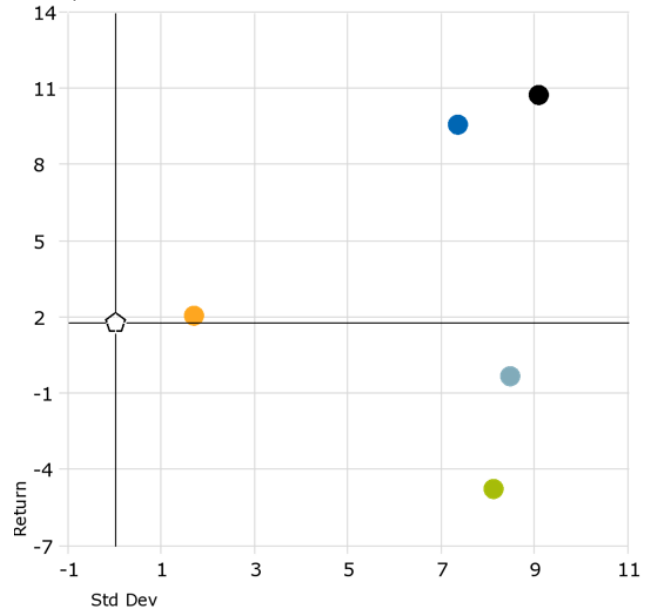
S&P/ASX 300 TR

Barclays US Agg Bond TR USD

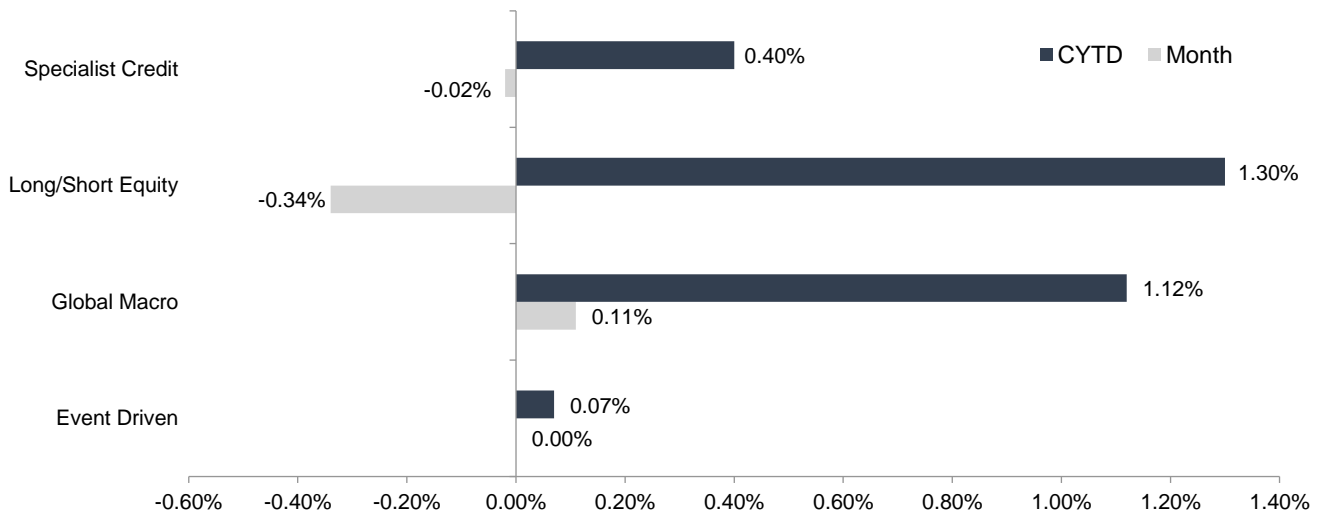
Source: Morningstar Direct. Data in AUD.

Risk Return over 1 Year

Time period: 01/09/2016 to 31/08/2017



Fund Performance Attribution



Source: K2 Advisors. Data in USD.

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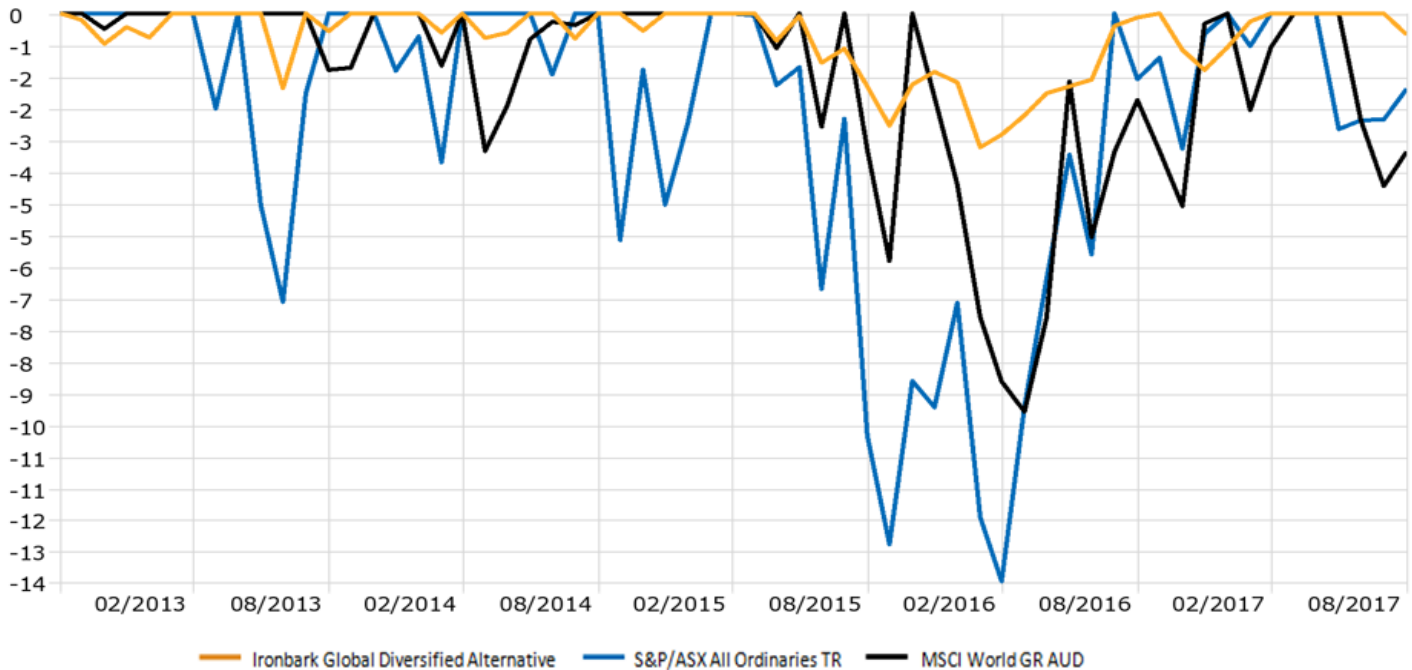


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Drawdowns over 5 Years

Time period: 01/09/2012 to 31/08/2017



Source: Morningstar Direct. Data in AUD.

Important Information

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