



Ironbark Denning Pryce Australian Tailored Income Fund

Quarterly Investment Report as at 30 September 2018

Asset Class

Australian Equities

Investment Objective

To provide consistent total returns with less volatility than the Australian share market over 5 to 7 year periods. In addition, the Fund aims to pay distributions within a target range of 4% to 6% (plus franking) p.a.

APIR Code

DPR0001AU

ARSN

622 132 816

Fund Inception Date

18 May 2006

Benchmark

65% S&P/ASX 100 Accumulation Index and 35% Bloomberg AusBond Bank Bill Index

Distribution Frequency

Quarterly

Minimum Investment

\$20,000

Fund Size

\$16.4m

Exit Price

\$0.7355

Market Review

September saw global volatility continue to oscillate. A now familiar burst of volatility occurred mid-month, as Donald Trump was once again the catalyst. Concerns remain that his proposed tax on \$200 billion (in US dollar 'USD' terms) of Chinese imports will ultimately lead to a sharp escalation in trade tensions. There were signs that financial markets are either becoming indifferent or, more accepting of these news headlines. S&P 500 volatility reverted to the fourth month average as the index traded at new highs. Single stock volatility has largely drifted lower across the globe and now sits in the low to mid 20th percentile (based on the investment manager's model), which is on the cheap end of the long run average.

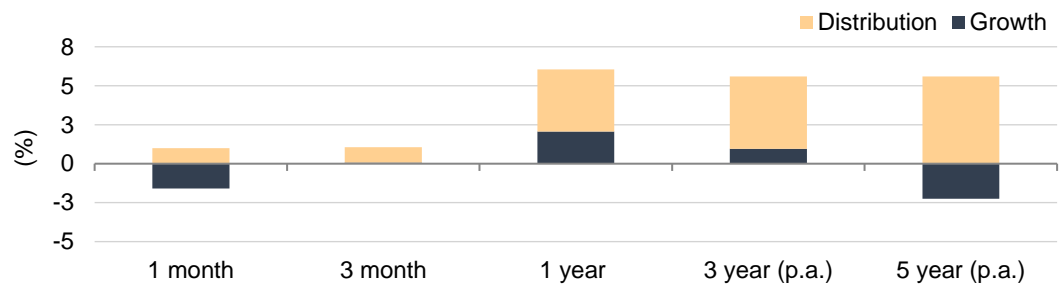
Australia has held up relatively well in 2018, returning 5% inclusive of dividends. Banks remain an area of concern as all four major banks are on course for another negative quarter, the fourth in succession.

Recent volatility patterns

- Single stock volatility has drifted lower in the last three weeks as markets remain in a tight range.
- Global demand for short-dated index optionality has gradually increased post the northern hemisphere summer.
- The skew in Australia remains at the expensive end of the 2 year average: 100% to 90%, 2-3 month skew sits in the 90th percentile out to the 6 month expiries.
- Outright US and Australian at-the-money volatility remains at the cheaper end of the 2 year average.

In a higher skew environment, put spreads look appealing. They are a means of cheapening the protection budget and a method of choosing the re-entry level for a fund's exposure.

Performance



	Total Return ¹ (Net) (%)	Benchmark Return ² (%)	Active Return (%)
1 month	-0.60	-0.79	0.19
3 months	1.06	1.20	-0.14
1 year	6.06	12.94	-6.88
3 years (p.a.)	5.59	10.81	-5.22
5 years (p.a.)	3.35	7.24	-3.89
7 years (p.a.)	6.68	11.08	-4.40
10 years (p.a.)	6.06	7.84	-1.78
Since inception ¹ (p.a.)	5.05	6.29	-1.24

Past performance is not an indication of future performance. Net performance figures are calculated using exit prices, net of fees, and reflects the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

¹ This figure represents the annualised performance of the Fund since inception.

² The 65% S&P/ASX 100 Accumulation Index and 35% Bloomberg AusBond Bank Bill Index was adopted as the Fund's performance benchmark on 1 July 2018. Benchmark calculations prior to this date are based on the S&P/ASX 100 Accumulation Index, which was changed from the S&P/ASX 50 Accumulation Index on 1 July 2017. Bloomberg and the Bloomberg AusBond Bank Bill Index are trademarks or service marks of Bloomberg Finance L.P. and its affiliates (collectively, "Bloomberg").

Contact Details

T: 1800 034 402 | E: client.services@ironbarkam.com | W: www.ironbarkam.com





Ironbark Denning Pryce Australian Tailored Income Fund

Quarterly Investment Report as at 30 September 2018

Performance Review

The Ironbark Denning Pryce Australian Tailored Income Fund (the 'Fund') returned 1.06% (net) for the September quarter, underperforming the benchmark return of 1.20% by 0.14%.

The S&P/ASX 200 finished the quarter up by 1.53% (including dividends). September proved to be a poor month for the local market as banks and outperformers dragged on the overall quarterly performance. Mining and energy stocks had a big month as commodity spot prices rallied. Rio Tinto announced a large on and off market buy back which saw a bounce in the stock. Telstra maintained the momentum finishing up 21.8% for the quarter.

The Fund finished the quarter with a 72% market exposure.

Financials

Most of the major names finished lower for the quarter. Westpac was the worst performer as it once again traded near the 5 year lows. Despite the large moves, volatility continues to remain subdued in the sector. The Fund has held a mixture of written call positions and long puts which have helped to protect against part of the recent pullback.

The Fund favours holding part of its put protection over these direct equity holdings as they are presently causing the greatest concern in the market place.

Regarding the Bank of Queensland, a long call holding converted into physical shares during the quarter traded well for the Fund. The stock significantly outperformed the market, in part due to walking away from the Royal Commission with a relatively clean slate. Written calls were added to the position, generating extra income from the written premium.

Macquarie Bank continues to trade well, up for the fifth quarter in succession. The Fund remains at a written exposure of around the \$120 to the company.

QBE Insurance also had a good quarter, as the company started trading back to the November 2017 highs. The Fund has remained largely unwritten in the holding and will look to write into further strength.

Health Care

Despite a sell down in September, CSL still finished the quarter up 4.4% and is now higher by 40.5% in 2018. The Fund does not hold physical shares in the company and has instead used cash back puts and long calls to hold the current risk. As the stock pulled back from the all-time highs (\$232.69), the Fund has sold cash backed puts to re-enter. Option premiums are trading in the 93rd percentile of the two year average and as such offer solid returns for written premiums.

Resource and Energy Sector

It was a mixed performance for the resource and energy stocks. Energy companies were the biggest benefactors from the spot prices as the oil price traded back through the \$70 per barrel (in USD terms) level. Santos, and Woodside were the best performers. The Fund has partially written calls over the Woodside holding and will look to roll the existing calls in the October expiry.

Rio Tinto bounced back strongly in September to recoup most of the losses felt in the earlier part of the quarter. With a buy-back in the pipeline the stock found firm buying support. The Fund has added written calls over the company post the latest move higher.

BHP Billiton, had a strong September finishing up on the quarter. The Fund remains well written in the company holding short calls in the November and December expiries. Premiums remain attractive in the sector, relative to other names in the ASX100, and as such the Fund is happy to remain partially written.

Telecommunications

Telstra shareholders finally had a reason to cheer as the stock, despite some volatile moves, managed a 21% bounce back in the September quarter. Taking advantage of the highest volatility in the stock in many years, the Fund has written calls over the holding.

Contact Details

T: 1800 034 402 | E: client.services@ironbarkam.com | W: www.ironbarkam.com

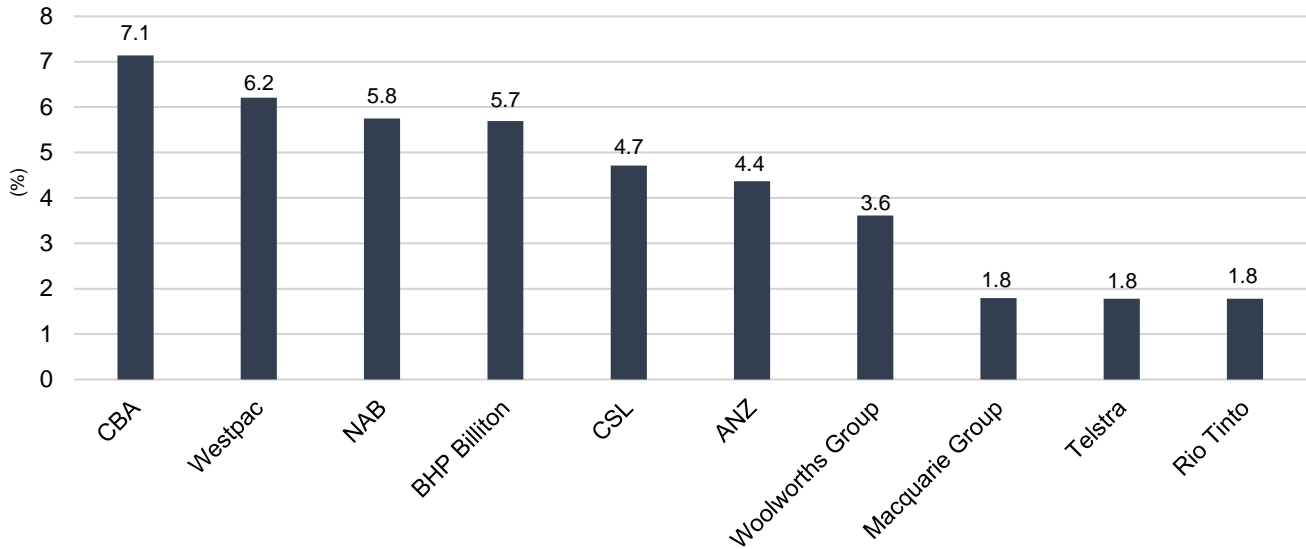




Ironbark Denning Pryce Australian Tailored Income Fund

Quarterly Investment Report as at 30 September 2018

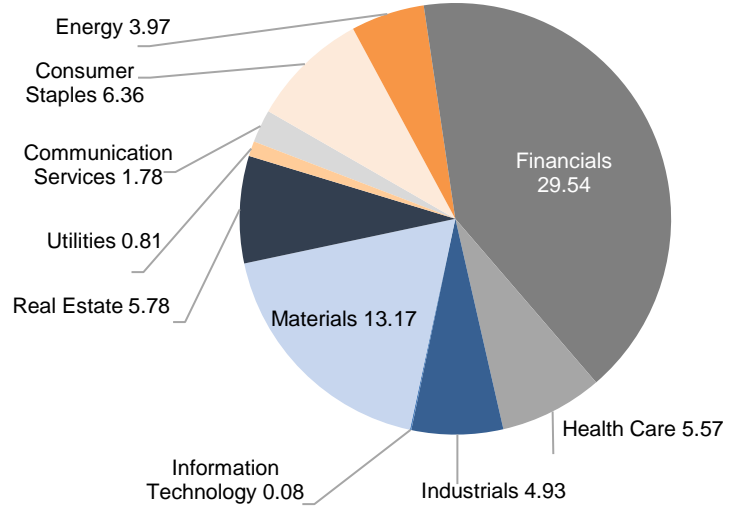
Top 10 Holdings - Delta Exposure (%)



Stress Testing

	Impact on PL %	Delta %
Heavy Selloff	-13.40	55.50
Moderate Slide	-3.40	62.80
Up Trend	3.60	77.00
Strong Rally	14.70	87.90

Sector Delta Exposure (%)



Important Information

Issued by Ironbark Asset Management Pty Limited ABN 53 136 679 420 AFSL 341020 ('Ironbark'). This document is not an offer of securities or financial products, nor is it financial product advice. As this document has been prepared without taking account of any investors' particular objectives, financial situation and needs, you should consider its appropriateness having regard to your objectives, financial situation and needs. The Fund referred to is issued by Ironbark Asset Management (Fund Services) Ltd ABN 63 116 232 154 AFSL 298626. To acquire units in the Fund, complete the application form that accompanies the current PDS, which you can obtain from www.ironbarkam.com or by calling client services on 1800 034 402. You should consider the PDS in deciding to acquire or to continue to hold the Fund. Although specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. The information stated, opinions expressed and estimates given constitute best judgement at the time of publication and are subject to change without notice to you. This document describes some current internal investment guidelines and processes. These are constantly under review, and may change over time. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of Ironbark or any other entity and does not vary the terms of a relevant disclosure statement. Past performance is not an indicator of future results. All dollars are Australian dollars unless otherwise specified. All indices are copyrighted by and proprietary to the issuer of the index.

Contact Details

T: 1800 034 402 | E: client.services@ironbarkam.com | W: www.ironbarkam.com

