Ironbark Denning Pryce Global Tailored Income Fund

Monthly Investment Report as at 28 February 2018

Asset Class

Global Equities

Investment Objective

The Fund aims to provide consistent total returns with less volatility than the global share market over 5 to 7 year periods. In addition, the Fund aims to pay distributions within a target range of 4% to 6% per annum.

APIR Code

ZUR0591AU

ARSN

136 845 148

Fund Inception Date

25 July 2011

Fund Benchmark

MSCI World Net Total Return Local Index

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$48.5m (FUM inclusive of retail, wholesale and institutional classes)

Exit Price

$1.0549

Market Review

The S&P 500 plummeted 8.6% in the first 6 trading days of the month as an equity and bond sell off based on inflation concerns rattled markets.

Thus, February saw volatility return to the market in a meaningful way.

- 12 of the 19 trading days during the month resulted in a move of greater than 1% on the S&P 500.
- Considering the average movement in 2017 was less than half a percent it was an extraordinary shift.
- The largest movements were like the Global Financial Crisis in nature with a -3.75% and a -4.10% movement surprising the market.
- By comparison the largest up movements were less than half of the largest down movements, 1.74% and 1.60%

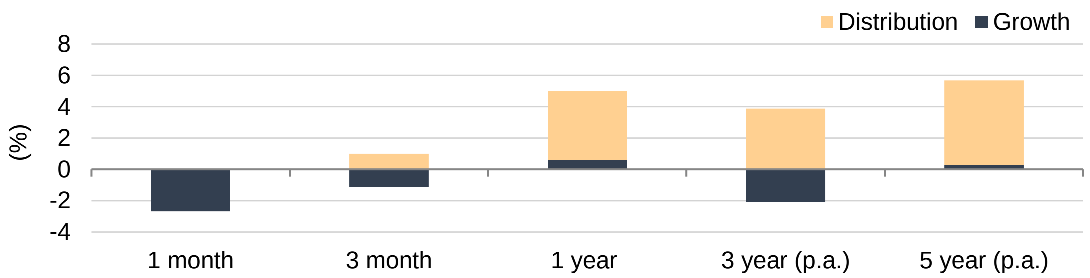
Unsurprisingly, global indices reacted negatively to the US lead. Markets in Japan, Europe and the UK all came under selling pressure. With global economies in a perceived sweet spot, and volatility levels trading down to all-time lows in 2017, investors have been jolted by the abnormally large down moves. Macro commentators continue to highlight that economies around the world are experiencing low inflation, strong economic growth, low unemployment, high personal wealth, and a continued strong demand for equities. Their positive outlook calms nerves however it is clear that the path ahead for global markets may be more volatile than in recent times.

European markets were a largeloser with the Eurostoxx falling by 4.7% and now down 6.4% over the last four months. Germanys DAX was the worst performer in the region, dropping 5.7% in February.

Australian stocks, by comparison, survived the early-month sell off to finish the month largely unchanged. With corporate reporting throughout February there were enough positive stories to please investors.

The ease with which markets sold off remains a concern, and suggests that portfolios are fully invested. There is a concern that future returns will be harder to achieve. The February sell-off saw bids in the markets quickly dry up, and both high frequency and directional traders were able to take advantage of investor indecision and weakness, pushing markets lower. The investment manager continues to watch their risk positioning closely.

Performance



	Total Return[1] (Net) (%)	Benchmark Return[2,3] (%)	Active Return (%)
1 month	-2.68	-3.53	0.85
3 months	-0.13	-1.03	0.90
1 year	5.00	5.55	-0.55
3 years (p.a.)	1.79	4.33	-2.54
5 years (p.a.)	5.67	6.66	-0.99
Since inception[1] (p.a.)	6.27	6.60	-0.33

Past performance is not an indication of future performance. Net performance figures are calculated using exit price, net of fees and reflects the annual reinvestment of distribution.

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

[2] The MSCI World Net Total Return Local Index was adopted as the Fund's performance benchmark on 1 February 2018. Benchmark calculations prior to this date are based on the 50% MSCI World Accumulation Index / 50% Bloomberg AusBond Bank Bill Index. Source: Morningstar Direct.

[3] The performance of the MSCI World Net Total Return Local Index is comprised of multiple currencies and is based on the local currency of the listed holdings.

Contact Details

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Market Review (cont'd)

Volatility

As 2018 unfolds the pricing of options, of volatility, has continued to trend higher. Arguably, the more market volatility experienced in the short term, the greater the probability that volatility will remain at elevated levels for a sustained period.

The investment manager sees this new period of sustained volatility as one which creates opportunity for their multi strategy option fund and better premiums for their buy-write strategy. Premiums have increased between 30-50%, dependening on market and region.

Performance Review

The Ironbark Denning Pryce Global Tailored Income Fund (the 'Fund') returned -2.68% (net) in February, outperforming the benchmark return of -3.53% by 0.85%.

The Fund held up well considering the volatile nature of the market. With an increase in volatility it is perhaps worth reiterating that the focus for the Fund remains the same. The investment manager continues to look for opportunities to create a positive low volatility outcome for investors. Returns from volatility strategies have been pressured in recent years as volatility levels collapsed into the back end of 2017. The market is now changing, moving on from the recent patterns of ever-decreasing volatility.

The trend over the last 2-3 years has been to sell any pop in volatility, and unquestionably that approach has worked over that period. Now with more market movement, more uncertainty from the White House, an increasing interest rate cycle and a challenging European political environment, the investment manager sees opportunity in the market.

February activity

The technology names proved to be a strong performer in a weak market. Amazon ('AMZN'), Cisco ('CSCO'), Flextronics ('FLEX') and Apple ('AAPL') were the best of the technology names in the Fund. Cisco has continued to trend higher and has had an amazing run with the stock adding close to 50% returns in the last 7 months. The Fund has added written calls in recent weeks taking advantage of the higher premiums that are on offer.

Amazon reported quarterly earnings that kept the market happy and added further buying support to the name. The stock was caught up in some of the selling in early February as the whole market came under pressure which gave the Fund a chance to buy back an existing written call position (lock in the gain), and roll re-structure to capture any bounce.

The Fund was active in several other names in the technology sector. Upside exposure was added in Apple using the pull back in early February as the opportunity to add a long call position. The trade has worked well to date as the stock has traded circa 15% off its February eighth low.

A volatility position added in Google ('GOOGL') in early February benefitted from a 16% selloff in the name. As the stock fell the Fund was in positon to hedge the trade (at a profit) and shift the risk to a long position, which did well as the stock rallied mid-month. This is a good example of the opportunities that the investment manager is starting to see.

The major financial names in the Fund had a mixed month. Buy-writes in Bank of America ('BAC') and JP Morgan ('JPM') traded well, however as has often been the case in recent months Wells Fargo ('WFC') became somewhat of a scapegoat for the sector. The stock was the worst of the major names in the Fund falling 11.2%. A long put positon partially protected the Fund's holding. The Fund has rolled down the existing put, to capture that offset, and the protection will be maintained into mid-March.

Away from the majors, Regions Financial ('RF') and Bank of NY Mellon ('BK') finished higher during the month.

The largest losers for the Fund were some of the multi-national blue chip names. These value-biased yield names included Proctor and Gamble ('P&G'), Nestle ('NESN'), United Parcel Service('UPS'), Johnson and Johnson ('JNJ'), Pfizer ('PFE'), and Walmart ('WMT'). All performed poorly and dragged on performance for the month. Typically these names have been somewhat of a safe haven in times of higher volatility, however with markets now focusing on the potential for several interest rate increases these yield names have come under selling pressure. The Fund did hold protection over several of these names as volatility had remained cheap even as markets started selling off and this helped to smooth some of the impact.

US retail names also came in for steady selling pressure with Home Depot ('HD'), a consistent performer for the Fund, reported solid quarterly results with strong earnings momentum continuing. Unfortunately that did not stop profit taking in such a good performer.

European industrial and financial names were also weak with BNP-Paribas ('BNP'), Philips ('PHIA') and Siemens ('SIE') coming under selling pressure as US dollar weakness and a falling market saw a buyer strike. Siemens was particularly hard hit falling 11.24%.

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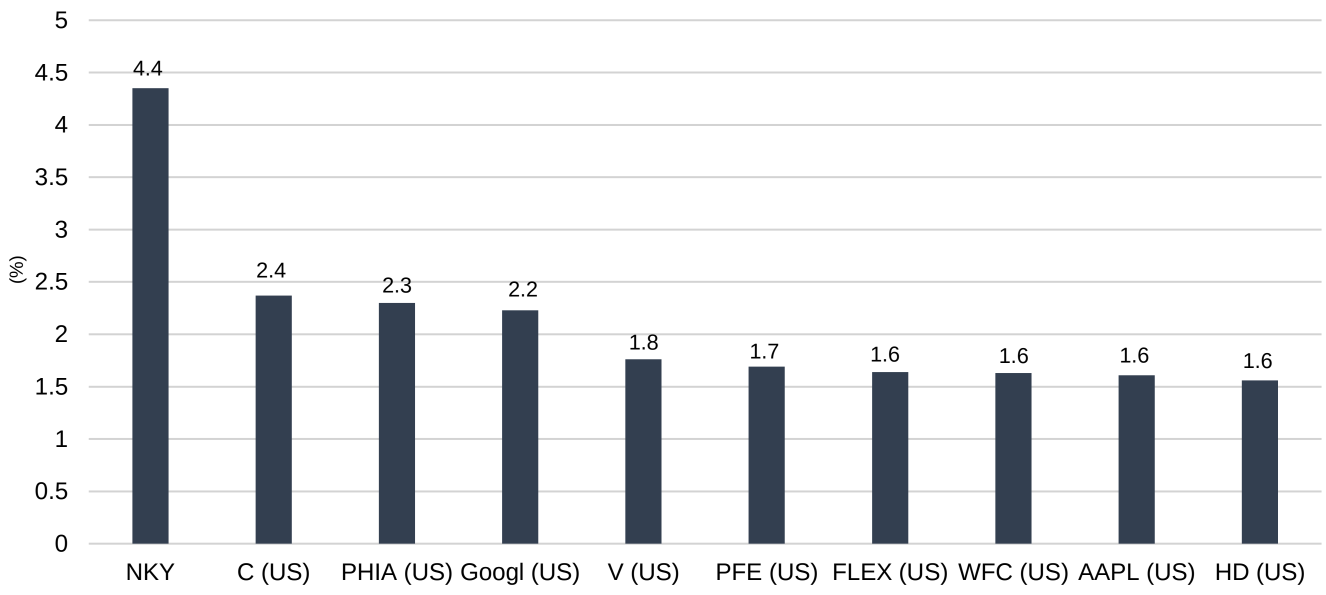
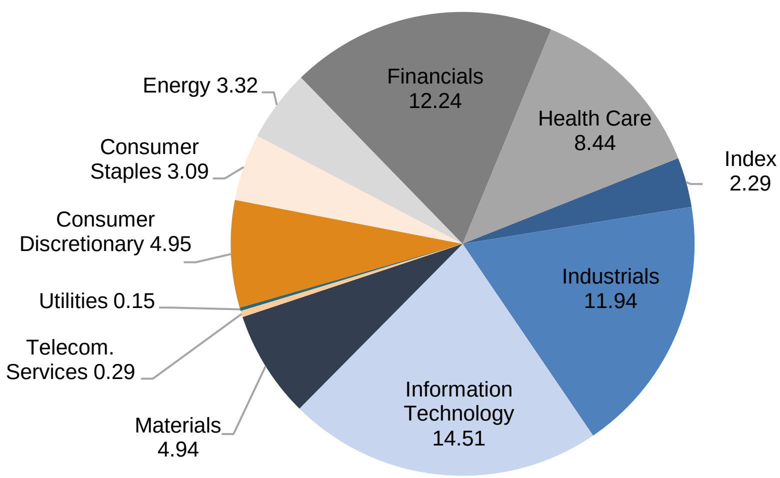
Top 10 Holdings – Net Exposure (%)



Stress Testing

	Impact on PL %	Market Exposure (%)
Heavy Selloff	-7.00	47.95
Moderate Slide	-2.22	51.67
Up Trend	2.74	72.02
Strong Rally	11.31	69.01

Sector Exposure (%)



Important Information

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Ironbark ASSET MANAGEMENT