

Ironbark Royal London Concentrated Global Share Fund

BENCHMARK

MSCI World NR AUD

OBJECTIVE

Outperform the benchmark by 2-3% after fees, over rolling five year periods through investment in a focused selection of equities on a global basis.

APIR

MGL0004AU

ARSN

090 379 105

INCEPTION DATE

4 October 1996

MANAGER APPOINTED

1 September 2016

MANAGEMENT FEE

0.9000% p.a.

CLASS SIZE

\$1,911.8m

BUY / SELL SPREAD

+0.15% / -0.15%

EXIT PRICE

\$3.3263

Net performance (%)

	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
Fund¹	5.18	11.52	32.57	21.74	16.17	16.69	14.50	9.05
Benchmark ²	3.10	7.49	22.43	13.45	11.37	12.40	13.12	7.60
<i>Active</i>	2.08	4.03	10.14	8.29	4.80	4.29	1.38	1.45

¹Fund performance prior to 1 September 2016 is not attributable to the current investment manager, but the previous investment manager. The Royal London composite is presented below to provide a longer-term view of the Fund's current investment strategy.

Royal London Composite^{3,4}	--	--	--	--	--	16.51	15.13	7.94
Benchmark ⁴	--	--	--	--	--	12.40	13.05	5.31
<i>Active</i>	--	--	--	--	--	4.11	2.08	2.63

Top 5 monthly contributors and detractors

Contributing stocks	Active weight	Detracting stocks	Active weight
Thor Industries	Overweight	Admiral Group	Overweight
Lithia Motors	Overweight	UnitedHealth Group Incorporated	Overweight
Delta Air Lines	Overweight	Roche Holding Dividend Right	Overweight
Steel Dynamics	Overweight	Tesla	Underweight
Old Dominion Freight Line	Overweight	Constellation Software	Overweight

Top 5 quarterly contributors and detractors

Contributing stocks	Active weight	Detracting stocks	Active weight
Eli Lilly and Company	Overweight	Progressive Corporation	Overweight
Thor Industries	Overweight	Steel Dynamics	Overweight
Delta Air Lines	Overweight	UPM-Kymmene Oyj	Overweight
Lithia Motors	Overweight	Suncor Energy	Overweight
Amazon.com	Overweight	Meta Platforms Class A	Underweight

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

²The MSCI World NR AUD was adopted as the Fund's benchmark on 1 September 2016, benchmark calculations prior to this date are based on the MSCI World ex Australia in AUD.

³The inception date of the Royal London Composite is 1 April 2001. Performance periods from 1 April 2001 to 31 August 2016 for the Royal London Composite represent the Royal London Global Select Fund B USD converted to AUD, net of fees. Performance periods from 1 September 2016 to month-to-date for the Royal London Composite represent the net returns of the Ironbark Royal London Concentrated Global Share Fund. Source: Royal London, State Street Australia Limited and Morningstar Direct.

⁴The period from 31 March 2011 to 31 October 2012 was a non-compete for the strategy. Performance of the strategy and benchmark was zeroed during this period.

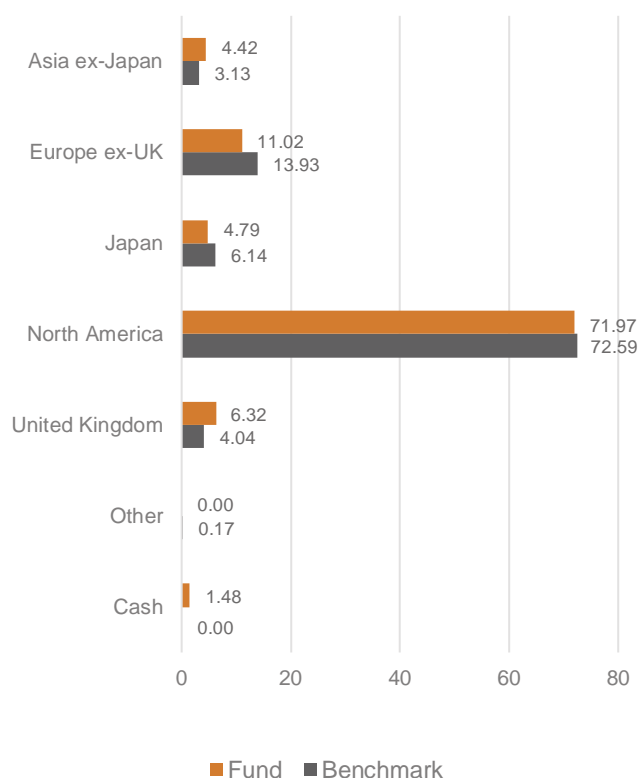
CONTACT DETAILS

T.1800 034 402 | E. Client.Services@ironbarkam.com | W. www.ironbarkam.com

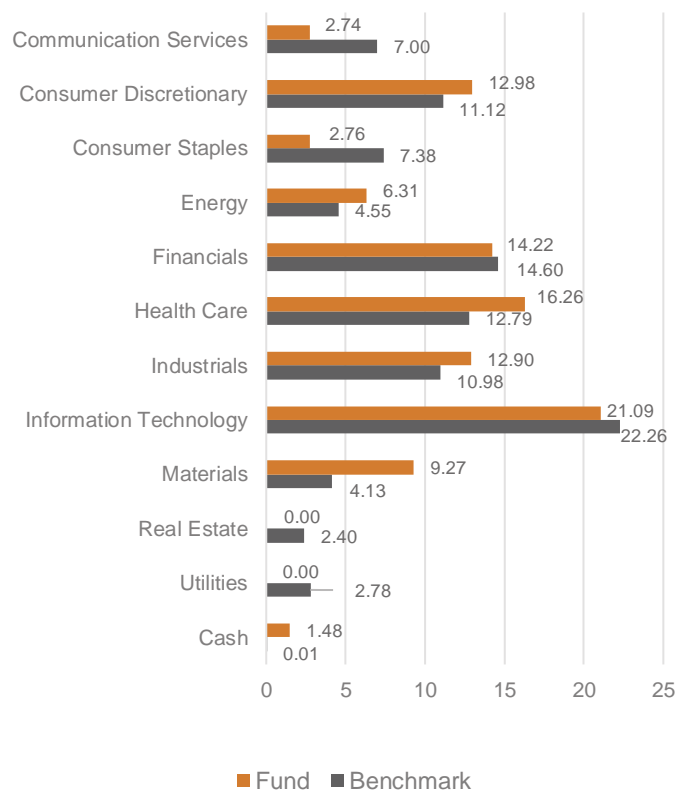
Top 5 holdings

Stocks	Sector	Country (domicile)
Microsoft Corporation	Information Technology	United States
Amazon.com	Consumer Discretionary	United States
UnitedHealth Group Incorporated	Health Care	United States
Eli Lilly & Co	Health Care	United States
Steel Dynamics	Materials	United States

Regional asset allocation (%)¹



Sector asset allocation (%)¹



¹ Totals may not equal due to rounding.

Market review

Equity markets held onto gains made earlier on this year, with uncertainty around US debt ceiling issues failing to lead to any particular weakness in stock markets. Technology stocks have been particularly strong this year, with excitement around AI bringing a boost to sentiment. Japanese stocks have also been strong outperformers with better-than-expected growth data, solid domestic earnings and inflows from foreign investors helping the region.

Central bank interest rate rises have been the story of the second quarter. For the major central banks of the Federal Reserve, European Central Bank and Bank of England, after more than 12 months of tightening monetary policy, market attention has turned towards expectations of when and at what level rates will peak. In contrast to 2022, when all three were expected to continue hiking, the changing growth and inflation picture in the US, euro zone and UK means that expectations have become more differentiated.

Following the re-opening of the Chinese economy, stronger than expected fourth quarter 2022 GDP growth, first quarter 2023 GDP growth rose 2.2% quarter-on-quarter. However, much of the so-called 'hard' data and business survey data disappointed over May and June. The June NBS PMI business survey composite came in at 52.3, consistent with positive private sector activity growth, but having weakened since March. The manufacturing PMI indicator came in below the 50.0 'no growth' mark in June. China's elevated youth unemployment rate also continued to be flagged by analysts. Annual CPI inflation remained subdued though at only 0.2% in May. That arguably implies that China's policymakers have more 'room' to ease policy than in many developed economies; China's key lending rates were cut modestly over the quarter.

Market review (continued)

In local currency terms, all major stock markets rose. For the second quarter, MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced positive returns for the quarter in US dollar, euro and sterling. Looking at national MSCI indices, the strongest market was Greece, while the weakest was China, while in terms of style, the MSCI World Growth Index produced stronger returns versus the MSCI World Value Index.

The price of Brent crude oil fell by another 3.48%, to US\$70.64 a barrel. Copper futures also declined a further 7.1% in dollar terms on the back of warning signs emerging of a weakening in global demand as China's economic rebound stalls.

The US dollar appreciated by 7.9% against the yen, but depreciated by 0.4% against the euro, and by 2.8% against sterling. On a translational basis, sterling's strength against the dollar impacts sterling investors in overseas assets as it lowers the returns over the quarter. However, the weaker dollar will benefit any emerging markets countries and companies that have borrowed in dollars.

Performance review

The Ironbark Royal London Concentrated Global Share Fund returned 11.52% (net) for the quarter, outperforming the MSCI World NR AUD by 4.03% which returned 7.49% over the period.

Contributors to performance over the period were Eli Lilly (compounding), Delta Airlines (turnaround) and Lithia Motors (slowing & maturing). US listed pharmaceutical company Eli Lilly (slowing & maturing) has seen a vast potential for their new diabetes drug Mounjaro, which is already approved for diabetes and regulators are currently reviewing it as a treatment for obesity. In clinical trials, patients with obesity lost over 22% of their body weight. Mounjaro sales are ramping up, though have been hampered by supply constraints given the strong demand for the product. The drug has the potential to become the bestselling licensed drug of all time. The company also disclosed positive data on a new drug that they are developing to treat Alzheimer's. Meanwhile, Delta Airlines has benefited from falling fuel prices and strong demand over the second quarter. Lithia Motors, the US online and physical auto dealership, also outperformed over the quarter. Used car prices remain very elevated versus long-term prices, and the valuation pay-off on the business is attractive.

Detractors from performance with notable news during the period included Anglo American (turnaround), UPM (turnaround) and Apple (slowing & maturing). While mining giant Anglo American continues to benefit from elevated commodity prices, cost inflation has been an impediment to margins and cash generation. This came alongside some mixed results last quarter and a write-down on their investment in the Woodside mine, which the company is developing in the UK. The strategy exited this position during the quarter. Finnish forestry company UPM was also a detractor from performance as it has been a challenging operating environment for the company, and they have been more aggressively engaged in energy hedging and destocking as a result. There are market concerns around demand, but UPM are aiming to offset this with a favourable shift in business mix towards higher-demand products. The investment manager maintains a positive view that new projects coming on stream will shift soon from being a cash drag to being cash generative. The company is pursuing an appropriate strategy for its position in the life cycle and has an attractive valuation pay-off with optionality from their new investments. Apple (slowing & maturing), which is owned in the portfolio, albeit as an underweight position, outperformed over the quarter. The company continues to repurchase its own shares at a rate of circa 3% per annum, helping support the share price, this being one of the factors that has driven strong performance over the quarter.

Market outlook

Whilst there is significant geopolitical and macroeconomic risk, the investment manager remains focused on using their established investment process to generate alpha through bottom-up stock picking. With this volatile background, the investment manager believes that their approach of diversifying the strategies across broad range of companies from different sectors and stages of their life cycle will allow performance to continue to be driven more by the success of our hunting for superior shareholder wealth creating companies with undervalued long-term cash flows than by the prevailing winds of the macroeconomy, or factors such as growth or value styles being in vogue.

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