

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

\$1,917.9m

BUY / SELL SPREAD

+0.15% / -0.15%

EXIT PRICE

\$3.4196

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	-2.99	2.81	35.84	21.45	15.10	16.25	14.11	9.08
Benchmark ²	-3.98	-0.43	21.49	11.93	9.74	12.01	12.43	7.51
<i>Active</i>	<i>0.99</i>	<i>3.24</i>	<i>14.35</i>	<i>9.52</i>	<i>5.36</i>	<i>4.24</i>	<i>1.68</i>	<i>1.57</i>

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}	--	--	--	--	--	--	14.69	7.98
Benchmark ⁴	--	--	--	--	--	--	12.35	5.23
<i>Active</i>	--	--	--	--	--	--	2.33	2.75

Top 5 monthly contributors and detractors

Contributing stocks	Active weight	Detracting stocks	Active weight
UnitedHealth Group Incorporated	Overweight	HCA Healthcare	Overweight
Sumitomo Mitsui Financial Group	Overweight	Delta Airlines	Overweight
Progressive Corporation	Overweight	Thor Industries	Overweight
Shell	Overweight	MercadoLibre	Overweight
Steel Dynamics	Overweight	Reliance Steel & Aluminum	Overweight

Top 5 quarterly contributors and detractors

Contributing stocks	Active weight	Detracting stocks	Active weight
Eli Lilly and Company	Overweight	HCA Healthcare	Overweight
Sumitomo Mitsui Financial Group	Overweight	Delta Airlines	Overweight
KB Financial Group	Overweight	Taiwan Semiconductor Manufacturing	Overweight
Old Dominion Freight Line	Overweight	Thor Industries	Overweight
MEG Energy	Overweight	Microsoft Corporation	Overweight

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.

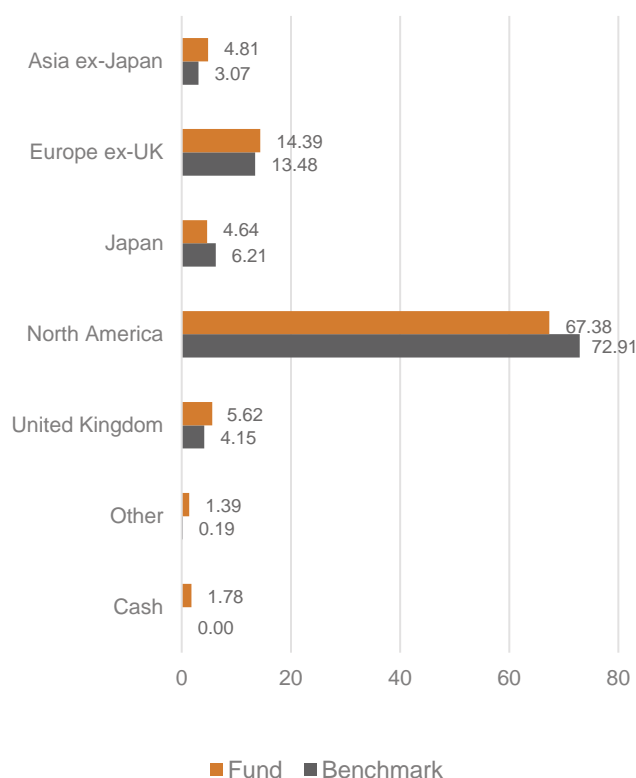
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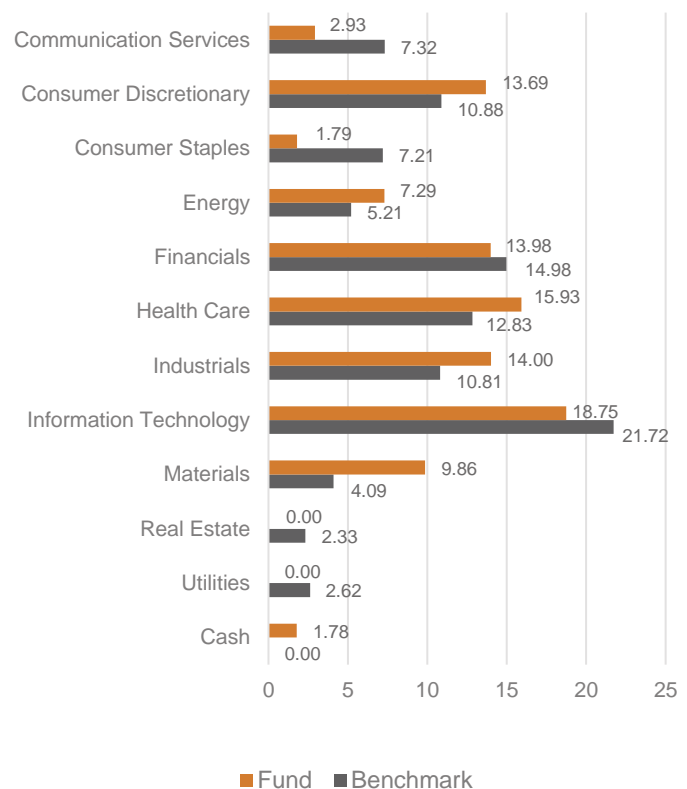
Top 5 holdings

Stocks	Sector	Country (domicile)
Microsoft Corporation	Information Technology	United States
UnitedHealth Group Incorporated	Health Care	United States
Steel Dynamics	Materials	United States
Amazon.com	Consumer Discretionary	United States
Shell	Energy	United Kingdom

Regional asset allocation (%)¹



Sector asset allocation (%)¹



¹ Totals may not equal due to rounding.

Market review

Equity markets made losses over the period under review on fears that policy will remain tighter for longer than expected, which saw equities drop to their lowest levels since early June. The quarter also saw a market rotation with the best performing sector being the fossil fuel-based energy sector, which had underperformed in prior quarters, and the information technology sector giving back some gains, having been the best performing sector year-to-date. For the third quarter, MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced negative returns for the quarter in US dollar terms. Looking at national MSCI indices, the strongest market was Japan, whilst the weakest was Eastern Europe. In terms of style, the MSCI World Growth Index produced weaker returns versus the MSCI World Value Index.

The price of Brent crude oil soared by 24.7%, to \$92.20 a barrel (in USD terms). Copper futures also declined a further 1.5% in USD 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 3.1% against the yen, by 2.96% against the euro, and by 4% 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.

The third quarter was characterised by mixed data around the world, with central banks coming towards the end of their rate hiking path, but with cuts still seemingly a while away.

Performance review

The Ironbark Royal London Concentrated Global Share Fund (the 'Fund') returned 2.81% (net) for the quarter, outperforming the MSCI World NR AUD by 3.24% which returned -0.43% over the period.

US listed pharmaceutical company and contributor to performance Eli Lilly ('Compounding') continues to see much excitement around their new diabetes drug Mounjaro. Already approved for diabetes, 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 prescription drug of all time given its chronic use and wide addressable market. Japanese financial group, Sumitomo Mitsui Financial Group – 'Mature' announced earnings during the quarter that exceeded expectations, helping to drive strong performance from the shares. There is a focus on improving returns on capital and managing costs, which is appropriate for their stage of the corporate Life Cycle. The company has several initiatives to execute on especially in overseas markets, though key is the consistency of the attractive returns in the domestic market. The company continues to offer an attractive valuation pay-off. Korean bank, KB Financial in the 'Mature' part of the corporate Life Cycle performed strongly over the period. The company announced quarterly results that were ahead of expectations as interest margins and fee income improved.

HCA Healthcare the US hospital and clinic operator in the 'Compounding' segment of the Life Cycle, declined over the quarter. During the period the company announced second quarter results that were ahead of expectations and raised guidance for the full year. The investment manager continues to have a positive view on the wealth creation that the company can generate at the corporate level. Delta Airlines, a Turnaround, has been hurt by higher fuel prices in the recent period, putting some pressure on shares along with the potential for a significant increase in costs with the new contract for pilots. There is a shortage of pilots in the industry, which acts as a barrier to increasing industry capacity and limiting the potential for new low-cost airlines to enter the market. TSMC (Taiwan Semiconductor Manufacturing Company) the world's largest fabricator of semiconductors declined over the period following a strong run earlier in the year. Capital expenditure expectations continue to increase as there is strong demand for semiconductor fabrication capacity driven by customers such as Nvidia. The company is in the 'Slowing & Maturing' Life Cycle category.

Market outlook

The global economic picture is rosier now than it was at the start of the year, but global growth is spluttering again amid a disappointing bounce in China activity, slow-to-no growth in Europe and against a backdrop of restrictive monetary policy. The US still looks at risk of recession too, even if activity data to date has been fairly robust.

Inflation has fallen significantly and, although higher energy prices threaten a widespread revival in headline inflation, other factors – including a weak economic activity backdrop – should pull inflation lower still. With taming inflation still, the priority for central banks, there is still a possibility of further rate hikes from the Federal Reserve, European Central and Bank of England, but peak rates look to be near, with real rates now well into positive territory.

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