Ironbark

QUARTERLY REPORT
AS AT 30 JUNE 2021

Fulcrum Diversified Investments Fund

OBJECTIVE

The Fund aims to achieve long-term absolute returns in all market conditions over a rolling five-year period, with lower volatility than equity markets and in excess of inflation.

APIR	HFL0104AU	**MANAGER APPOINTED**	2 November 2020
ARSN	093 497 468	**FUND SIZE**	$153.2m
INCEPTION DATE	31 March 2001	**EXIT PRICE**	$1.7341

Net performance (%) and statistics

	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	Since inception p.a.[2]
Fund[1]	**1.00**	**2.68**	**11.99**	**-0.51**	**1.55**	**2.51**	**4.58**
Fulcrum Composite[3]	**1.00**	**2.68**	**9.42**	**5.91**	**4.87**	**3.98**	**5.68**

[1]Shaded Fund performance prior to 2 November 2020 is not attributable to Fulcrum Asset Management, but the previous investment manager. Performance of the Fulcrum Composite is presented below for reference.

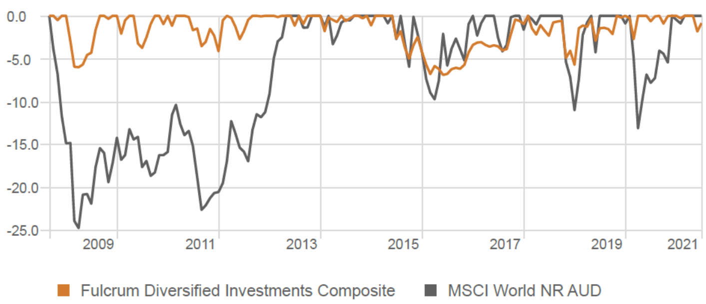
Fulcrum Composite 1 month rolling returns[3]

CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2021	-0.29	3.50	0.19	3.55	-1.82	1.00							**6.17**
2020	-0.27	-2.45	6.34	0.53	0.87	-0.63	0.56	0.57	-0.91	0.88	0.64	1.30	**7.45**
2019	4.53	0.32	-0.16	0.99	-2.61	1.50	0.05	-0.15	-0.59	2.69	-0.20	1.40	**7.88**
2018	2.86	-1.46	-0.74	1.12	-0.66	-0.59	1.58	0.12	0.08	-4.34	0.88	-1.72	**-3.02**
2017	0.28	0.06	-0.33	-0.21	0.17	-0.14	-0.47	0.15	1.82	1.74	-0.15	-0.36	**2.54**
2016	-1.56	-1.15	1.01	-0.36	-0.75	0.13	0.59	0.17	-0.12	0.49	1.52	0.93	**0.85**
2015	2.88	2.55	0.72	0.04	1.16	-2.65	0.88	-1.98	-1.29	1.63	0.99	-1.78	**3.01**
2014	-1.80	1.63	-0.28	-0.25	2.01	-0.61	0.30	0.99	1.32	-0.30	2.14	-1.12	**4.02**

Risk analysis since inception[3,4]	
Sharpe ratio	0.53
Standard deviation	5.65
Beta to MSCI World	0.20
Max drawdown	-6.89
% of winning months	61.04
Average win	1.45
% of losing months	38.96
Average loss	-1.07

Drawdown since inception[3,4]

Time Period: Since Common Inception (1/09/2008) to 30/06/2021



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 distributions.

[2] This figure represents the annualised performance of the Fund from the Fund's inception on 31 March 2001 and the Fulcrum Composite's inception on 16 September 2008.

[3]From 16 September 2008 to 31 March 2012 the Fulcrum Composite represents the Fulcrum Diversified Absolute Return strategy net of fees as implemented in the longest running separate account, adjusted for the interest rate differential between AUD$ cash and GBP cash. From 1 April 2012 to 13 December 2012 the performance represents the TM Fulcrum Diversified Absolute Return Fund Class C GBP adjusted for the interest rate differential between AUD$ cash and GBP cash. From 14 December 2012 to 31 March 2015 the performance represents the TM Fulcrum Diversified Absolute Return Fund Class C AUD. Periods from 1 April 2015 to 30 October 2020 the performance represents the Fulcrum Diversified Absolute Return Fund (Australian unit trust). Performance from 2 November 2020 to date reflects the actual net returns of the Fulcrum Diversified Investments Fund. Source: Fulcrum Asset Management, JP Morgan and Morningstar Direct.

[4]Source: Morningstar Direct.

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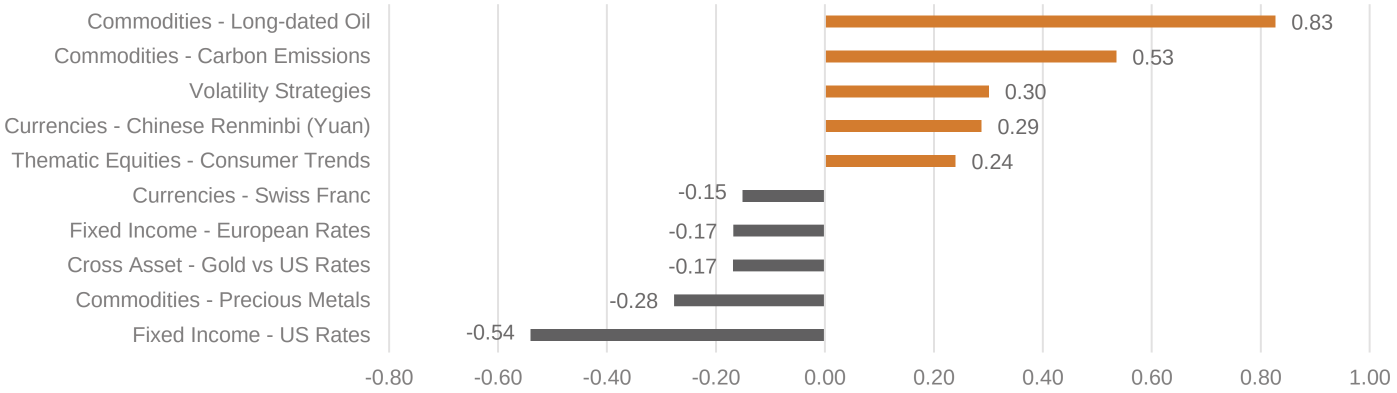
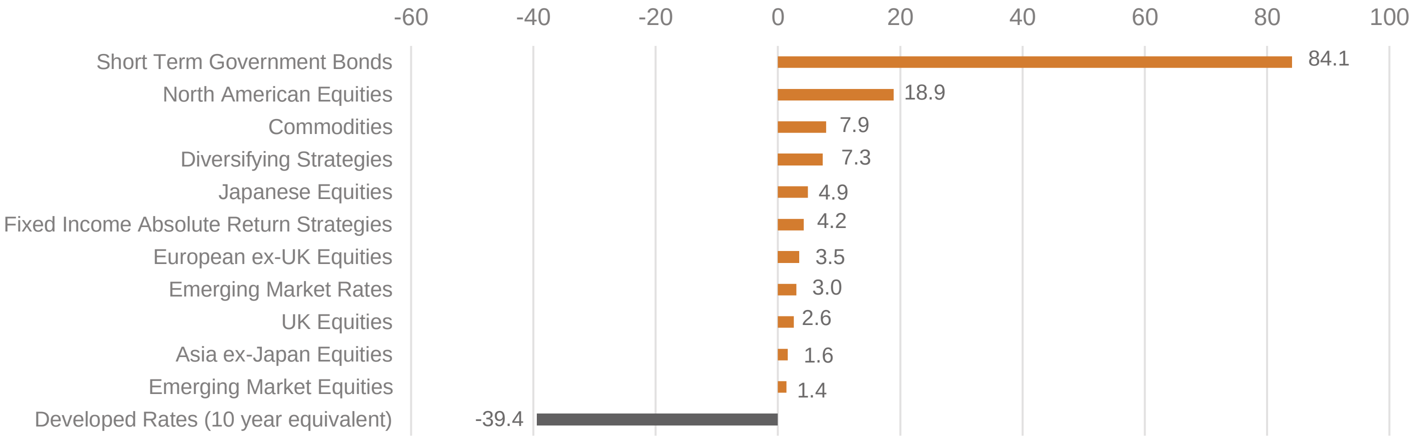
3 month top and bottom contributors and detractors (%)



Asset allocation (%)



Market review

Risk assets posted a positive return over the second quarter, supported by a continued global reopening as vaccinations continued apace especially in developed countries, with the S&P 500 and Nasdaq making new all-time highs. Meanwhile, long-term US bond yields finished lower and short-term US bond yields were higher on the quarter as markets interpreted the Federal Reserve's "dots" projections in June as hawkish, thereby pricing out an end to secular stagnation. All eyes in June were focused on the US Federal Reserve as to their reaction after the Core CPI hit what was nigh on a 30-year high. The Federal Open Market Committee shifted significantly higher its expectations for Core PCE inflation on the back of continued strong demand pressures relative to supply, and hence brought forward its first rate rise to 2023.

Against this backdrop, the US dollar reversed the first two months of decline during the quarter to climb back to early April levels by the end of June. Commodities had a positive quarter, with oil being one of the main outperformers within the complex and finishing the quarter at levels higher than pre-pandemic. Precious metals gave back their strong positive performance during the first two months of the quarter as short-term interest rates increased and elsewhere, emission contracts had a strong quarter as the regulatory environment around climate change continued to improve.

During the quarter the investment manager built up their long US dollar position in anticipation of the Fed's reaction to stronger inflation data. The investment manager has since taken profit and has turned more neutral on the US dollar given the Federal Reserve's muted reaction and the fact that any slowdown in the labour market will be met with a delay of the Federal Reserve timeline. The investment manager also closed the precious metals view during the quarter given their views on real yields though the investment manager has since re-initiated a small long position. The investment manager remains tactically positioned within government bonds, favouring a net short duration bias mainly in the US.

Given the investment manager's outlook, they are positioned pro-cyclically. While the investment manager largely maintains this view across the portfolio, the investment manager recognises the potential risk of a more pronounced slowdown emanating from Asia and have looked to reduce their exposure there, with China in particular offering opportunities to hedge against an unforeseen global slowdown given their recent policy shift. The investment manager remains positive on the US, UK, and Europe and sees an idiosyncratic slowdown originating out of the US as unlikely in the current circumstances. However, the investment manager is more neutral on the US dollar given that any perceived or actual slowdown will be met with a more accommodative Federal Reserve.

Performance review

The Fulcrum Diversified Investments Fund returned 2.68% (net) for the quarter.

The key drivers of returns from the Directional Strategies came from the Fund's exposure to UK equities. Within Relative Value the key contributors were from positioning within currencies, commodities, and the Fund's volatility strategies. Detractors came from within the Fund's fixed income and equity macro positioning.

The investment manager's long Chinese renminbi and US dollar positions were the main performers within currencies. Additionally, the investment manager's long exposure to oil performed well as did the exposure to carbon emissions. As mentioned above, the investment manager has taken profits on their long US dollar positioning and are now neutral. Within fixed income the Fund's US steepener underperformed as short-term interest rates increased relative to long-term rates on the back of the Federal Open Market Committee meeting in June, thereby resulting in an overall flatter yield curve. While the investment manager continues to hold a net negative duration bias, the investment manager has reduced their exposures.

The sharp rotation from growth to value stocks during May, driven by investors incorporating higher inflation expectations into the discount rate, was a headwind to some of the investment manager's macro equity ideas and hence this was a detractor during the quarter. While equity thematic strategies were marginally down over the three-month period, the investment manager reduced their overall exposure to the equity growth factor in the first quarter and have recently increased the exposure to the technology disruption theme on the belief that valuations have improved. Finally, diversifying strategies captured a broad set of returns across strategies and assets.

Market outlook

The investment manager believes that the underlying global growth trend continues to be strong and, crucially, it is strong enough to weather three key risks on the horizon, namely an anticipated deceleration in the US (moving past peak reopening growth rates), weaker Chinese data (particularly in relation to the consumer), and the Delta variant resurgence in cases.

The US deceleration is largely as the investment manager anticipated following peak reopening growth rates. Whilst Chinese data has been slightly weaker than expected, the investment manager sees this as largely a function of the prior policy choice for regulatory tightening and restrictive financial conditions. The recent move to lower the Reserve Requirement Ratio highlights that this policy choice is now shifting towards accommodation which should start to reverse some of this slowdown. With respect to the accelerating wave of Delta cases globally, vaccinations continue to provide very good protection against severe cases and hospitalisations.

While the investment manager continues to monitor the situation and are cautiously optimistic that hospitalisations will remain low and the re-opening, led by the UK, can continue. There will be more definitive data over the next few weeks, especially after July 19th, which will be carefully watched by other countries as well.

Ultimately, any transmission of weakness from local economies to the global economy would be via trade (e.g. goods and global manufacturing) as opposed to localised services which are affected by lockdowns. Policy makers globally continue to intervene fiscally as and when necessary to try and prevent lockdowns in one area of the economy from affecting the rest (and therefore the global economy), and the investment manager does not see this playbook changing for the time being. Global trade and manufacturing remain strong and, if anything, continue to be affected by supply side bottlenecks as opposed to a lack of demand. This makes further inflationary pressures a real possibility.

Given the investment manager's outlook, they are positioned pro-cyclically. While the investment manager largely maintains this view, they are alert to the potential risk of a more pronounced slowdown emanating from Asia and have looked to reduce exposure there, with China in particular offering opportunities to hedge against an unforeseen global slowdown given the recent policy shift. The investment manager remains positive on the US, UK, and Europe and sees an idiosyncratic slowdown originating out of the US as unlikely in the current circumstances. However, the investment manager is more neutral on the US dollar given that any perceived or actual slowdown will be met with a delay of the Federal Reserve timeline by markets.

Ultimately, should any growth scare by markets be misplaced, the investment manager sees the potential for additional easing of financial conditions as a source to re-accelerate US growth in particular.

Material matters

During the month, there have been no material changes to the Fund in terms of the service providers, risk profile, investment strategy or individuals in the investment team who play a key role in the investment decisions of the Fund.