

# Ironbark LHP Diversified Investments Fund

## OBJECTIVE

The Fund aims to achieve an absolute return of the RBA Cash Target Rate plus 5% p.a. over a rolling 3 year to 5 year period, after taking into account fees and expenses. The Fund will aim to achieve its investment objective by targeting a total expected volatility (as measured by standard deviation of returns) of between 4–6% p.a. over the same rolling 3 year to 5 year period. The Fund aims to achieve consistent returns with a low probability of loss over a long term investment horizon. There is no guarantee that the Fund will achieve its investment objective.

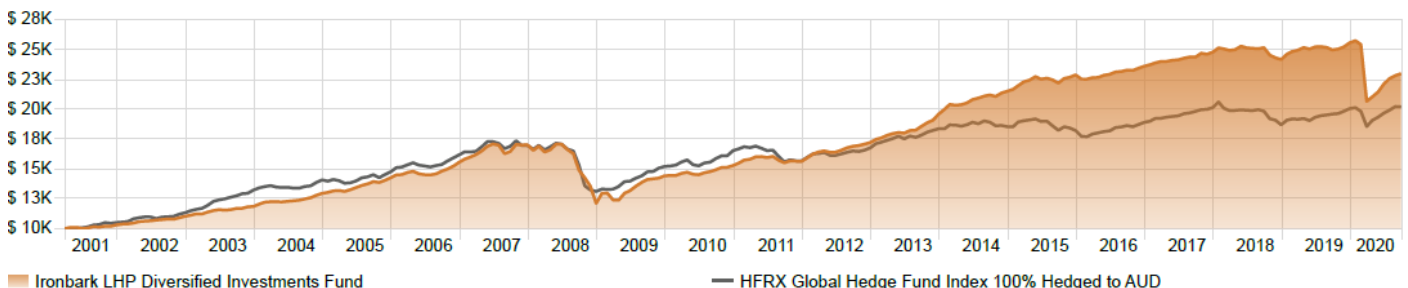
<b>APIR</b>	HFL0104AU	<b>FUND SIZE</b>	\$124.9m
<b>ARSN</b>	093 497 468	<b>EXIT PRICE</b>	\$1.6097
<b>INCEPTION DATE</b>	31 March 2001		

## 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. <sup>1</sup>
<b>Fund</b>	<b>0.69</b>	<b>3.96</b>	<b>-7.96</b>	<b>-1.93</b>	<b>0.70</b>	<b>3.10</b>	<b>4.41</b>	<b>4.36</b>

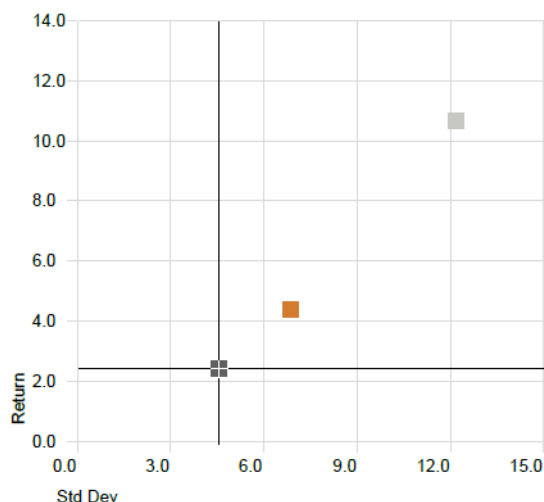
## Investment growth of \$10,000 since inception<sup>2</sup>

Time Period: 1/04/2001 to 30/09/2020



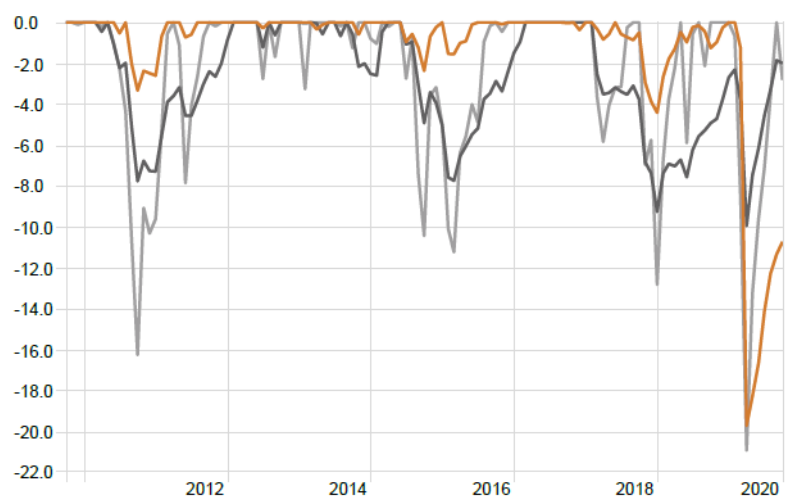
## Risk-reward over 10 years<sup>2</sup>

Time Period: 1/10/2010 to 30/09/2020



## Drawdown over 10 years<sup>2</sup>

Time Period: 1/10/2010 to 30/09/2020

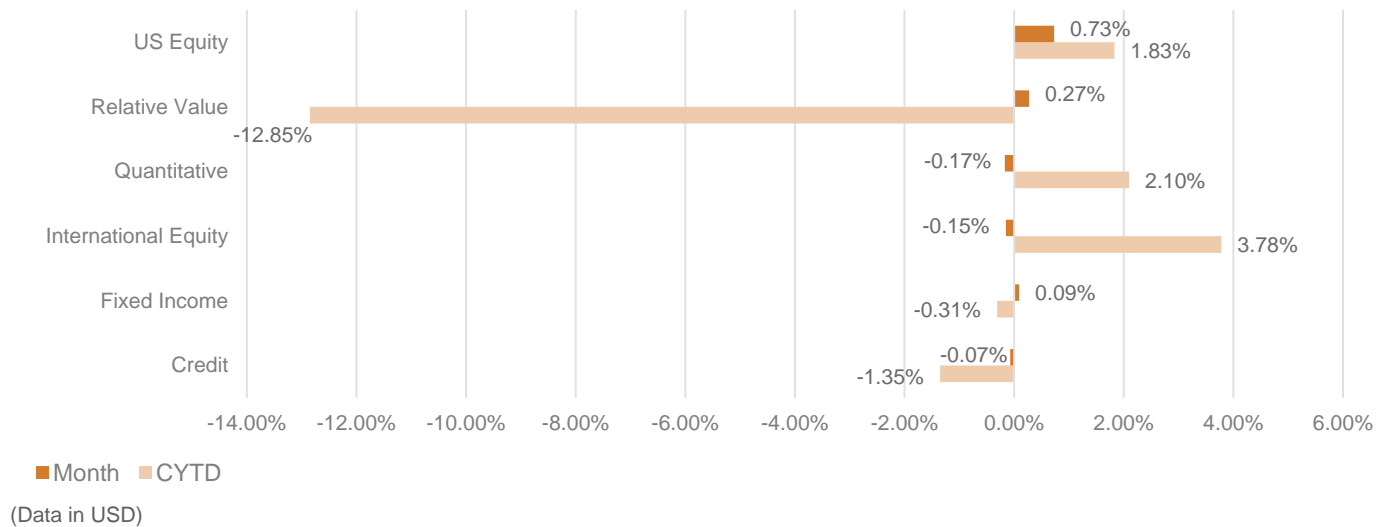
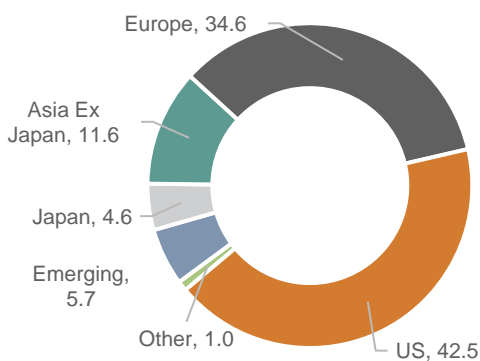
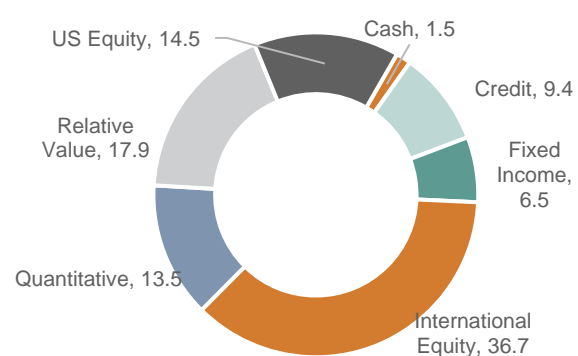


■ Ironbark LHP Diversified Investments Fund ■ HFRX Global Hedge Fund Index 100% Hedged to AUD ■ MSCI ACWI Hdg NR AUD

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.

<sup>1</sup>This figure represents the annualised performance of the Fund from the first full month of operation.

<sup>2</sup>Source: Morningstar Direct, MSCI. Data in AUD.

**Contribution by strategy (%)**

**Regional asset allocation (%)<sup>1</sup>**

**Strategy asset allocation (%)<sup>1</sup>**

**Market review**

Global equity markets, as represented by the MSCI All Country World Index, continued their remarkable recovery in the third quarter, cresting into positive territory for the year. The third quarter did, however, end on an off note, capped by four straight weeks of stock market losses and the first monthly loss for global equity markets since March. While almost all geographies and types of stocks rose in the third quarter, size and growth factors continued to outperform.

Technology stocks seemed to lead the September reversal, but anxiety spread more broadly across markets as COVID 19 cases began to rise once again in Europe, including in areas where it was considered well contained. As the pace of the global economic recovery from the pandemic slows, market volatility remains elevated due to the upcoming US presidential election, lack of new fiscal stimulus, and renewed trade tensions.

Concerns about the path of recovery are highlighted most notably in US Federal Reserve Chair Jerome Powell's speech to the National Association for Business Economics, where he warned that without further fiscal stimulus, the economy risks falling into "recessionary dynamics." Unemployment rates in the United States have dropped significantly from the decade highs of April but remain elevated and near levels last seen in the lingering aftermath of the 2008 financial crisis, even as banks and airlines announce renewed layoffs. While consumer behaviour and supply chains may be permanently altered by the pandemic, accelerating changes that were already occurring, many small and retail-oriented businesses struggle to survive while waiting for an effective and broadly available vaccine, the timing of which is still unknown.

Interest rates across the curve moved very little over the quarter, although the 2 – 10 year spread ticked up slightly indicating some steepening. This may be due, in part, to the US Federal Reserve's newly announced policy framework to allow inflation to remain moderately above their target of 2% (before acting) to make up for the long periods of underachievement of that goal. While market participants accordingly expect interest rates to stay lower for longer, which drove spread compression in corporate and mortgage credit, this policy change raises the distant spectre of inflation as the US Congressional Budget Office predicts US federal net debt to far exceed World War II levels in the next five years.

<sup>1</sup> Weights at the underlying fund level, including an allocation to cash. The underlying fund is the Lighthouse Multi-Strategy Fund Limited – AUD denominated class.

## Fund performance

The Ironbark LHP Diversified Investments Fund (the 'Fund') produced a net return of 3.96% for the quarter.

As markets continued to recover in the third quarter before retreating in September, the investment manager was pleased to generate positive results in the Fund each month of the quarter. Both the long-standing core allocations in long and short equity, quantitative and macro strategies as well as tactical additions in the relative value and fixed income strategy groups continued to produce positive returns. Relative value and long and short equity proved the most effective strategies.

Relative value strategies continued their strong run of performance since April, with a primary driver being convertible bond exposure that benefited from trades set up during the extreme volatility earlier in the year and new issue trading, while special purpose acquisition company exposure was also additive, particularly in September. Trading in both instruments has demonstrated the type of positive skew the investment manager seeks in such strategies. Event strategies were also broadly positive, as most merger and catalyst positions progressed according to plan. The investment manager is pleased with the returns they have been able to generate from dislocations in asset classes in relative value strategies, while remaining ready to quickly reallocate capital should the opportunity set becomes less favourable.

Long and short equity strategies generated gains across regions. Within the US, the key driver of positive performance was the investment manager's low-net, sector-focused program, North Rock, which saw noteworthy gains from information technology and health care exposure as well as capital markets strategies. Gains in Europe were driven by exposure within industrials, but companies in health care and technology also proved beneficial. Fundamental equity strategies in China were the largest contributor from Asia, while exposure to India detracted modestly. The investment manager was particularly pleased with the steady alpha generation from their North Rock program over the quarter and the overall performance of the long and short equity strategy in September when equity markets sold off.

In quantitative and macro strategies, most sub-strategies contributed positively to performance, led by discretionary macro and systematic equity strategies. This strategy group continues to be a standout for the year.

Fixed income strategies posted positive performance each month of the quarter, with collateralised loan obligations and corporate mortgage back securities driving gains. While credit conditions normalised to some extent, the investment manager continues to focus on opportunities that are expected to generate attractive returns even in stressed economic conditions.

Within credit, emerging markets exposure drove gains as restructurings proved favourable to corporate and sovereign positions. Developed markets long and short credit exposure was also positive. The investment manager continues to examine the opportunity set in liquid credit strategies, preferring nimble and more hedged approaches at present while assessing the potential for an investable distressed cycle to emerge.

## Market outlook

The Fund's returns over the past two quarters have come from a combination of core, long-term allocations in hedged, liquid strategies and opportunistic investments across a range of dislocated asset classes, many of which the investment manager upsized coming out of March. These results were produced without reaching for increased market risk or illiquidity, which is consistent with the investment manager's longstanding philosophy. Generating positive returns in September when global markets retreated demonstrated the risk profile the investment manager seeks to achieve.

The investment manager has a high degree of conviction in the Fund's current exposures and the opportunities they see. The Fund is concentrated in a set of strategies and portfolio managers that the investment manager believes have been the most consistent performers over the past two decades. One of the investment manager's core values is to continuously improve, which means that they learn from mistakes whilst refining their process. They further believe a blend of core allocations in long and short equity and quantitative and macro strategies with smaller but more nimble allocations in opportunistic strategies such as relative value, credit, and fixed income is the best approach in an environment of uncertainty.

## Material matters

On 29 July 2020, Ironbark announced its intention to appoint Fulcrum Asset Management as the investment manager of the Fund and change the underlying fund in which the Fund invests on or around 2 November 2020. As a result of this change the Fund will be renamed the Fulcrum Diversified Investments Fund and will invest into the Fulcrum Diversified Absolute Return Fund, which is managed by Fulcrum Asset Management.

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

Issued by Ironbark Asset Management (Fund Services) Limited ABN 63 116 232 154 AFSL 298626 ('Ironbark'). Ironbark is the responsible entity for the Fund(s) referred to in this document. The relevant offer document is available from [www.ironbarkam.com/our-funds/](http://www.ironbarkam.com/our-funds/) or by calling client services on 1800 034 402. You should consider the offer document before making an investment decision to acquire or to continue to hold units in the Fund. Ironbark and its representatives believe that the information in this document is correct at the time of compilation, but no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors or omissions (including responsibility to any person due to negligence) is accepted by Ironbark. This document contains general information only and is not intended to represent specific investment or professional advice. The information does not take into account an individual's financial circumstances. Past performance is not indicative of future performance. All currency references are shown in Australian dollars unless stated otherwise. All indices are copyrighted by and proprietary to the issuer of the index.