Ironbark GCM Global Macro Fund

OBJECTIVE

Seeks to deliver returns with low correlation to the broader equity and fixed income markets and other alternative strategies.

APIR	DEU0109AU	**ARSN**	089 896 837
INCEPTION DATE	30 November 1999	**FUND SIZE**	$114.0m
MANAGER APPOINTED	1 April 2019	**EXIT PRICE**	$1.2337

Net performance (%) and statistics

	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.[2]
Fund[1]	**-5.03**	**-6.89**	**12.75**	**1.46**	**1.34**	**1.62**	**2.70**	**3.38**
[1]Fund performance prior to 1 April 2019 is not attributable to the current investment manager, but the previous investment manager. Presented below is the longer-term track record of the current investment manager's strategy since its inception.								
GCM Composite[3]	**--**	**--**	**--**	**--**	**5.79**	**6.53**	**n/a**	**7.11**

GCM Composite 1 month rolling returns[3]

CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2022	1.73	0.41	8.41	6.40	-0.68	2.14	-1.48	2.82	0.02	1.42	-3.33	-5.03	**12.75**
2021	-0.07	1.57	-3.08	3.30	0.56	0.55	-0.92	-0.81	-0.90	0.28	-1.74	-0.23	**-1.64**
2020	-2.52	-6.25	-4.79	2.28	0.02	-0.03	4.02	1.38	-3.02	1.44	0.66	1.36	**-5.82**
2019	0.69	2.51	2.31	2.34	-2.15	-0.02	2.97	3.07	0.10	-1.48	3.12	-2.55	**11.21**
2018	2.35	-3.51	0.91	3.53	2.56	1.60	-1.67	1.93	1.03	-1.04	5.87	0.02	**14.07**
2017	-4.56	5.30	-0.40	1.66	0.97	-2.93	2.33	3.71	-2.17	3.91	2.00	1.11	**10.96**
2016	4.76	-1.05	-1.07	-4.36	0.26	5.36	1.27	-1.86	0.07	2.68	-0.48	0.62	**5.94**

GCM Composite statistics since inception[3]	
Sharpe ratio	0.61
Standard deviation p.a.	9.69
% of winning months	62.24
Average win	2.26
% of losing months	37.76
Average loss	-2.14

GCM Composite correlations since inception[3]	
S&P 500 Total Return Index AUD	0.23
MSCI World NR Index AUD	0.19
S&P/ASX 300 TR	0.25
Bloomberg US Agg Bond TR AUD	-0.02
Bloomberg Ausbond Bank 0+Y TR AUD	-0.01

Investment growth of $10,000 since inception[3]

Time Period: 1/11/2014 to 31/12/2022

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]Returns since inception represent the annualised performance from the first full month of operation.

[3] The inception date of the GCM Composite is 1 November 2014. Performances periods from 1 November 2014 to 31 March 2019 represent the Graham Quant Macro Series A ('GCM strategy') track record in USD, converted to AUD, net of fees. From 1 November 2014 to 31 December 2015, the GCM strategy represents the pro forma rates of return of a proprietary account trading the strategy. No assurance can be made that any assumptions used in calculating the pro forma performance would not have a material impact on the performance presentations. From 1 January 2016 to 31 March 2019, the GCM strategy represents the actual net returns of Series A of the Graham Global Investment Fund SPC Ltd - Quant Macro Segregated Portfolio. Performance periods from 1 April 2019 represent the actual net returns of the Ironbark GCM Global Macro Fund. Source: GCM and Morningstar Direct.

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

Sector exposure (%)

Sectors	Long	Short	Net	Gross
Ags/Softs	7.6	6.7	1.0	14.3
Base Metals	2.8	1.9	0.9	4.7
Energy	17.2	1.3	15.9	18.5
Equities	70.5	10.6	59.9	81.1
FX	0.3	69.5	-69.1	69.8
Long Term/Intermediate Rates	62.8	10.6	52.2	73.4
Precious Metals	5.4	5.0	0.4	10.4
Short Term Rates	0.0	25.6	-25.6	25.6
Total[1]	**166.7**	**131.1**	**35.5**	**297.8**

[1]Data is stated in USD terms and reflects the underlying fund. Totals may not equal due to rounding.

All currency references in the commentary below are in US dollar terms unless stated otherwise.

Market review

Several major themes developed early in 2022 that influenced global markets throughout the year, including elevated and persistent inflation and the monetary policy response, recession fears, and Russia's war in Ukraine. The dramatic shift from highly accommodative monetary policy to aggressive tightening and the resurgence of geopolitical risk drove periods of sustained directional trends that were fruitful for macro strategies. While performance was excellent in absolute terms, it was even stronger on a relative basis, as a typical 60/40 bond portfolio and various alternative strategies struggled throughout the year. This outperformance and lack of correlation to beta serve as a reminder of the importance of a long-term, strategic allocation to macro, which can be beneficial in market conditions that are more challenging for traditional portfolios.

2022 featured extraordinary changes in monetary policy, as central banks globally were surprised by the persistence and scale of inflationary pressures and had to dramatically rethink their policy settings as the year progressed.

The Federal Reserve offers one of the most extreme examples: in December 2021, they were projecting just two 0.25% rate hikes in 2022 and still conducting quantitative easing. As inflation continued to surprise to the upside, the Federal Reserve ended quantitative easing in early March 2022 and lifted off the effective lower bound later that month. Ultimately, the Federal Reserve delivered 4.25% of tightening within nine months, nearly nine times the amount of tightening they had originally anticipated and started running down their balance sheet in June 2022.

Not only was this tightening extraordinary relative to expectations at the end of 2021, but also relative to the previous decade. Between 2010 and 2021, the Federal Reserve, European Central Bank, and Bank of England collectively delivered a total of thirteen 0.25% rate hikes; in 2022, those banks delivered the equivalent of forty 0.25% rate hikes as they hiked at sequential meetings and in increments of 0.25%, 0.50%, and 0.75%.

2022 also featured a resurgence of geopolitical risks, with the Russia-Ukraine war driving commodity prices meaningfully higher, contributing to high inflation and broader geopolitical instability. The UK also experienced significant political changes, with three Prime Ministers in the second half of the year and a move towards aggressive fiscal easing driving substantial volatility in gilt markets and the pound sterling late in the third quarter and into the fourth.

These developments drove large directional moves across various asset classes in 2022. Overall, global equities and bonds moved lower, with some major equity indices ending the year down double digits despite several reversals and short-lived rallies.

Bond yields saw their biggest moves in more than a decade, though this trend seemed to reverse towards the end of the year amidst speculation over "peak inflation" and potential dovish pivot from key central banks.

In currencies, the US dollar climbed versus its major peers mainly due to aggressive tightening from the Federal Reserve, relatively strong economic growth in the US, and its continued status as a safe haven currency. However, the fourth quarter featured a sharp reversal on the back of lower-than-expected US inflation data and China reopening, developments that helped fuel a shift in investor risk appetite across asset classes.

In commodities, crude oil experienced a massive rally in the first half of the year and then reversed those gains in the second half. Similarly, natural gas prices surged, sold off, and ended up lower for the year.

Performance review

The Ironbark GCM Global Macro Fund (the 'Fund') returned -6.89% (net) for the quarter (in Australian dollar terms).

The Portfolio generated strong gains during 2022, with all four underlying strategies contributing profits.

The portfolio recorded profits in commodities, primarily due to long positions in energy during the first half of the year. Long energy positions were driven by a combination of the underlying strategies throughout the year, particularly the carry, trend and value sub-strategies.

In currencies, profits resulted from long exposure to a stronger US dollar versus various global currencies, most notably the Japanese yen, euro, and British pound sterling. Positioning in currencies was influenced by a combination of the underlying strategies during the period as well as portfolio constructions considerations as the long US dollar position diversification to other portfolio risks.

Evolving positions in the front end of the yield curve in the US and Europe led to positive performance in fixed income, with positioning driven by a combination of the underlying strategies throughout the year.

The Portfolio experienced losses in equities, mainly due to evolving positions in US benchmark indices, with further losses from long positions in the Nikkei 225 Index. Each of the underlying strategies were responsible for generating long equity positions during 2022.

Market outlook

Last year was a vintage macro year and the investment manager was able to take significant advantage of the environment while effectively managing risk. Looking ahead, the investment manager is optimistic that the markets will continue to provide opportunities for macro strategies, particularly given the outlook for active central banks in Europe, Asia, and the US Amidst this backdrop, tactical trading and controlled risk management will remain, as always, a paramount priority for the investment manager.

Heading into 2023, many key central banks are signalling further policy tightening, but the outlook is becoming more nuanced as rates are now more decisively in restrictive territory in several jurisdictions. That said, the outlook for inflation remains uncertain and it is unclear how much further tightening central banks will need to deliver in order to achieve their inflation mandates and then how long they will remain at those highly restrictive levels.

Against this backdrop, the outlook for global growth looks more downbeat, while beta strategies may also remain under pressure. Indeed, various major central banks have signalled a high tolerance for economic pain in their pursuit of price stability, suggesting they will be much slower to ease than in the previous low inflation era, when the costs of monetary easing were limited.

As 2023 progresses and economies adjust to higher rates, we may also see greater divergence in monetary policy: whereas 2022 was essentially a race to the top with rates, with central banks across the globe moving at maximum speed, economies with higher debt burdens will likely feel the burden of higher rates more quickly than others. In addition, some of the central banks that started their tightening cycles later may continue tightening for longer than others. These shifts in monetary policy will continue to create opportunities in fixed income markets, while divergence in policy may also create opportunities in currency markets.

Geopolitical risks are also likely to remain at the forefront in 2023, as the Russia-Ukraine war continues to rage and create uncertainty in the commodity sector. China reopening will also have a significant impact on the global economy, though the path is unlikely to be straightforward as the country also battles surging infections.

Material matters

A new PDS for the Fund was issued on 30 September 2022, updated for FY2022 fees and costs and the new RG97 fees and costs disclosure regime.

There have been no 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.

The Fund is classified as a hedge fund in accordance with the Australian Securities and Investments Commission, Regulatory Guide 240 'Hedge funds: Improving disclosure'. This classification is based on the fact that the Fund currently exhibits two or more characteristics of a hedge fund, being:

- complexity of investment strategy or structure;
- use of leverage;
- use of derivatives;
- use of short selling;
- charges a performance fee.

This information 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 personal financial circumstances, objectives or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current target market determination and offer document before making an investment decision to acquire or to continue to hold units in the Fund.

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