

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	\$123.9m
MANAGER APPOINTED	1 April 2019	EXIT PRICE	\$1.2330

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.
Fund¹	-5.86	-0.06	1.76	6.26	1.55	1.73	2.47	3.34
GCM Composite²	--	--	--	--	5.85	6.14	n/a	6.89

¹Fund performance prior to 1 April 2019 is not attributable to the current investment manager, but the previous investment manager. The GCM composite is presented below to provide a longer-term view of the Fund's current investment strategy.

GCM Composite 1 month rolling returns ²													
CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2023	2.67	3.40	-5.86										-0.06
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

GCM Composite statistics since inception²

Sharpe ratio	0.58
Standard deviation p.a.	9.87
% of winning months	62.38
Average win	2.28
% of losing months	37.62
Average loss	-2.24

GCM Composite correlations since inception²

S&P 500 Total Return Index AUD	0.20
MSCI World NR Index AUD	0.17
S&P/ASX 300 TR	0.24
Bloomberg US Agg Bond TR AUD	-0.04
Bloomberg Ausbond Bank 0+Y TR AUD	-0.02

Investment growth of \$10,000 since inception²



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.

²The 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, SSAL and Morningstar Direct.

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Sector exposure (%)¹

Sectors	Long	Short	Net	Gross
Ags/Softs	7.0	5.5	1.5	12.5
Base Metals	2.4	2.3	0.2	4.7
Energy	3.3	2.8	0.5	6.1
Equities	26.1	4.4	21.8	30.5
FX	4.7	38.0	-33.3	42.8
Long Term/Intermediate Rates	13.0	19.0	-6.0	32.0
Precious Metals	0.7	2.8	-2.1	3.5
Short Term Rates	0.0	9.6	-9.6	9.6
Total	57.3	84.4	-27.1	141.7

¹Totals may not equal due to rounding. Data is stated in USD terms and reflects the GCM Quant Macro Strategy, the underlying strategy of the Fund. Source: GCM.

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

Market review

The reversal in bonds and short-term rates dominated headlines during March. The 15 standard deviations decline in yields over the 3-business day period from March 9th to the 13th was a move that would equate to a 30-40% decline in the S&P 500 over a similar period of time. Going into 2023, the dramatic repricing of Federal Reserve expectations had driven yields up. However, in the aftermath of the bank closures and Federal Reserve policy response, yields plummeted across the curve. The US 2-year yield fell below 4%, recording its largest single day decline since Black Monday in 1987 and falling more than 1% in a matter of days. Bond prices soared, increasing more than 2% over the 3-business day period amidst a flight to safety.

Equity volatility increased to recent highs; global equities experienced choppy trading conditions for most of the month amidst banking turmoil. However, most global equity markets rallied in late March, finishing the month in positive territory as concerns over the health of the banking industry began to subside and inflation data improved versus expectations.

Currencies were generally difficult to trade as the narrative shifted during the month. Ultimately, the crisis resulted in a significantly weaker US dollar while the Japanese yen benefitted from increased demand for safe-haven assets as the health of other global economies came into question following the banking collapse.

In commodities, energy prices generally declined in March due to inflationary and economic concerns in the US and Europe, as well as production surpluses and weakened demand in several markets. Natural gas futures plummeted more than 50% year-to-date through March, setting a record for the largest drop in a single quarter. This drop in price can mostly be attributed to rising output and an unseasonably warm winter across much of the northern hemisphere, which reduced demand. Gold and silver both made strong gains as the US dollar weakened, and investors searched for safe haven assets. Precious and base metals continued to benefit from China reopening.

From a market liquidity perspective, the investment manager saw a significant reduction in order book size in some markets during March. For example, the S&P 500 E-mini and US 10-year futures are two of the most heavily traded contracts in the world but, by March 14th, the available size in both contracts had fallen by more than 80% on a month-to-date basis. There has been improvement since then, however this type of decline can lead to higher costs of execution and needs to be navigated carefully.

Performance review

The Ironbark GCM Global Macro Fund (the 'Fund') returned -0.06% (net) for the quarter (in Australian dollar terms).

The portfolio experienced losses in fixed income due to short positions across the yield curve following the major reversal in markets triggered by the collapse of Silicon Valley Bank. The carry and trend sub-strategies were mainly responsible for generating short positions in fixed income, but long signals from the value/reversion strategy helped mitigate losses.

In commodities, mixed positions in energy and short positions in gold led to losses, which were partially offset by gains from positions in agricultural commodities. Energy positions were influenced by a combination of signals from the underlying strategies, while short precious metals positions were driven by the carry and value sub-strategies.

Losses in equities were driven by long positions in UK and European benchmark indices during the middle part of the month when markets reversed. Long equity positions were the result of signals from the macro, trend, and value sub-strategies.

The portfolio recorded modest losses in currencies from long exposure to the US dollar versus several global currencies, particularly the Swiss Franc. Long US dollar positions were generated by the underlying carry and value strategies.

Market outlook

While performance during March was disappointing on an absolute basis, the investment manager acknowledges that these types of sharp reversals are challenging for directional strategies in the short term and results were within expectations of their strategies' various risk-return profiles. The investment manager remains confident that the opportunity set will remain constructive for macro strategies in the coming months as markets return to more normal, directional paths.

Looking ahead, with the collapse of Silicon Valley Bank and the contagion effect, this may materially impact the next steps for the Federal Reserve, which will now be faced with weighing the implications of stronger momentum in the economy against potential headwinds from the prospect of additional tightening of credit conditions. Even if the Federal Reserve and other central banks successfully contain contagion, credit conditions look set to tighten more rapidly because of pressure from both markets and regulators. On balance, these new developments narrow the potential for a soft landing and reduce the likelihood of materially higher policy rates from here.

While the focus during March was almost exclusively on the banking sector, other themes continue to be impactful; for example, the geopolitical backdrop remains challenging with no end in sight to the war in Ukraine and ongoing tensions between the US and China. Post-COVID reopening in China also continues to impact markets. This confluence of themes combined with the shock caused by the banking collapse underscore the importance of active risk management.

Ultimately, the investment manager believes there is both an art and a science to risk management, but a disciplined process must be at the heart of any robust program. The foundation of their process is their Risk Committee, which is comprised of many of their most senior leaders across various departments. The committee has met daily since late 2007 to discuss both investment and operational risks across the firm and all their strategies – the group has met and reviewed risk nearly 4,000 times, which reflects a process that is consistent and proactive. When events like those during March happen, the process is in place to manage both investment and operational risks.

Despite difficult market conditions during March, the investment manager continues to believe that the current environment should be constructive for quantitative macro strategies. Markets are moving, volatility is elevated, central banks are active with both rate hikes and cuts priced in over the coming months, and there are numerous geopolitical risk factors that remain unresolved. These various crosscurrents may well create macro trading opportunities and the investment manager believes they are prepared to capitalise on them as the year develops.

Material matters

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.

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