Ironbark Karara Australian Small Companies Fund

BENCHMARK S&P/ASX Small Ordinaries Accumulation Index	**OBJECTIVE** To outperform the benchmark (before fees) over rolling 4-year periods.		
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INCEPTION DATE	30 June 2005	**MANAGER APPOINTED**	1 May 2010
MANAGEMENT FEE	1.1275% p.a.	**FUND SIZE**	$353.7m
BUY / SELL SPREAD	+0.20% / -0.20%	**EXIT PRICE**	$3.4290

Net performance (%)

	1 month	3 months	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since inception p.a.[1]
Fund	**5.53**	**-7.70**	**5.73**	**6.75**	**7.51**	**7.82**	**11.61**
Benchmark	5.26	-4.21	9.68	9.64	9.90	6.02	5.39
Active	*0.27*	*-3.49*	*-3.95*	*-2.89*	*-2.39*	*1.80*	*6.22*

Top 5 monthly contributors and detractors

Contributing stocks	Active position
Uniti Group	Overweight
Mineral Resources	Overweight
Silver Lake Resources	Overweight
Johns Lyng Group	Overweight
Pilbara Minerals	Overweight

Detracting stocks	Active position
Ardent Leisure Group	Overweight
AVZ Minerals	Underweight
United Malt Group	Overweight
Whitehaven Coal	Underweight
Liontown Resources	Underweight

Top 5 quarterly contributors and detractors

Contributing stocks	Active position
Silver Lake Resources	Overweight
Uniti Group	Overweight
Aussie Broadband	Overweight
Zip Co	Underweight
NOVONIX	Underweight

Detracting stocks	Active position
Praemium	Overweight
ARB Corporation	Overweight
Whitehaven Coal	Underweight
Lark Distilling Co.	Overweight
City Chic Collective	Overweight

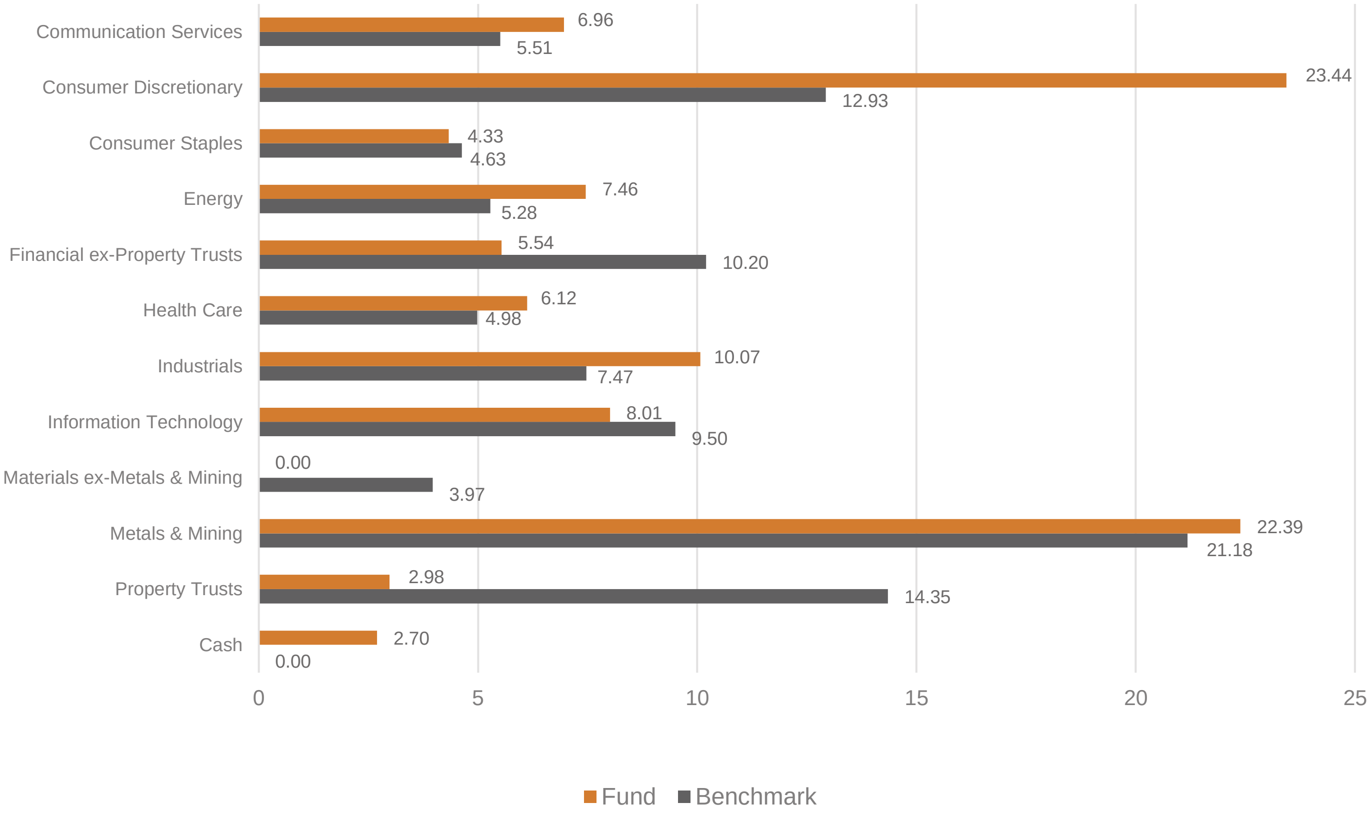
Top 5 holdings (In alphabetical order)

Stocks	Sector
G.U.D. Holdings	Consumer Discretionary
Johns Lyng Group	Industrials
Mineral Resources	Metals & Mining
Silver Lake Resources	Metals & Mining
Uniti Group	Communication Services

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.
[1]This figure represents the annualised performance of the Fund since inception.

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

Sector asset allocation (%)



Market review

Global stocks whipsawed, government bonds rallied, and commodities soared after Russia sent troops into Ukraine and the US Federal Reserve raised interest rates during an eventful March quarter. While most markets were rattled by events, the ASX's heavy weighting to resources and energy saw it post the largest outperformance against the S&P 500 since 2015. The broad-based S&P/ ASX 300 Index ended the quarter up 2.09% while the Small Ordinaries Index lost 4.21%.

Domestically, bond traders brought forward the timing of first projected interest rate increases from July to June, and the AUD traded above USD $0.73 in response to inflationary pressures and more hawkish central banks. A strong jobs report also helped after Australian Bureau of Statistics data showed the unemployment rate dropped to a 14-year low in February.

Still, a dovish RBA reiterated patience, wanting inflation and wages to be sustainably elevated before raising rates. Annual pay growth expanded 2.3% in December, but the central bank signalled 3% is required for inflation to be sustainably in the 2% to 3% target band.

Strong consumer spending after the delta-variant COVID-19 lockdowns in the lead-up to Christmas helped the economy rebound 3.4% in the December quarter to be up 4.2% through 2019. That result came after a 1.9% contraction in the September quarter.

Amongst commodities, West Texas Intermediate (WTI) and Brent soared 34% and 36% respectively. The nickel price (+59.1%) rocketed to a record high as fears of a Russian supply shock left buyers exposed to a short-term squeeze. The broad-based rally in commodities (copper +6.5%, aluminium +22.9%, zinc +110.8%) pushed the Bloomberg Spot Commodity Price Index to its largest monthly gain since 1960 during March. Benchmark iron ore prices rose 29.2% for the quarter and the price of gold climbed to a 19-month high $2,061 (in USD terms) as investors sought protection from war and inflation before closing +7% for the three months.

Performance review

The fund fell -7.70% (net) during the March quarter. This constituted -3.49% of underperformance when compared with the benchmark S&P/ASX Small Ordinaries Accumulation Index return of –4.21% for the three months.

The strongest contributors to Fund performance at a sector level were overweight positions in communication services and underweight positions in financial ex-property trusts. An overweight position in metals & mining detracted from relative performance.

Performance review (continued)

At a stock level, positive contributors to quarterly performance included overweight positions in Silver Lake Resources, Uniti Group, Aussie Broadband and Eagers Automotive.

Silver Lake Resources shares gained 21% following a solid quarter for the gold price (+6%) and confirmation of a strong first half of 2022 result. The company's operating profit beat market estimates on lower operating and corporate costs. Silver Lake also announced the finalisation of the Harte Gold acquisition, which comes with 100% of the Sugar Zone mine in northern Ontario, Canada. The company's outlook for the second half was confirmed, which will benefit from stockpile processing at the company's Mount Monger operations in Western Australia. The next major catalyst for the company is likely to be the provision of specific guidance regarding the strategy and outlook at Sugar Zone during the fourth quarter.

Uniti shares added 6% for the quarter, bouncing back in March following a poorly received first half of 2022 result in February (shares closed that month down 21%). Uniti received indicative proposals from two separate parties during March, first priced at $4.50 per share, then $5 per share eight days later. At the time of writing, the company has entered a four-week exclusive due diligence process with a combined Morrison & Co/ Brookfield Infrastructure consortium.

Shares in Aussie Broadband gained 12%. Highlights from the first half of 2022 result included continued market share gains over incumbents with an estimated market share of 5.7% at year-end, up from 5.2% in the September quarter. The company's projections are for costs per customer acquisition to decline in the second half. The company's planned infrastructure fibre roll-out of 1,200km to 63 Points of Interconnect on the NBN is also on-track to be completed by June and should drive material margin improvement over time.

Eagers Automotive added 6% following a result that was also ahead of forecasts and guidance. Most importantly, the company's outlook comments pointed to ongoing strong demand conditions in all markets across Australia and New Zealand, despite ongoing supply chain constraints and logistics disruptions.

The main detractors to relative performance were overweight positions in Praemium, ARB and Lark Distilling.

Praemium shares lost 53%. The company released a disappointing first half update which saw earnings fall short of expectations, despite posting strong revenue growth. The company was forced to add to its cost base to support this growth, which management explained as being one-off. The share price sell-off was further exacerbated by the decline in Netwealth shares after Netwealth also cited rising costs in its first half of 2022 result. The investment manager continues to hold Praemium on the expectation independent platform providers continue to win market share from legacy incumbents and margins improve after the first half cost reset. Further, the investment manager sees Praemium's suite of products (managed account capability and non-custodial administration) and client base (high net worth investors) as offering significant strategic value to a corporate suitor.

ARB shares lost 21% over the three months. The market's key concern appears to be COVID-19 related demand pull forward over the past 18 months which has delivered exceptional financial results over that period. The investment manager believes ARB's strong order book, new product release catalogue attaching to major new model releases such as the 2022 Ford Ranger (a global model) as well as structural growth from new export markets will offset any unwind of perceived COVID-19 benefits. The company's construction of a new Thai factory that will triple existing capacity highlights management's confidence in the company's outlook and should also drive margin improvement over time.

Lark Distillery shares fell 25% following the sudden resignation of the company's CEO, and key driver of the company's strategy over recent years, for personal reasons. The investment manager exited the position in the days following the announcement.

Market outlook

Global markets across most asset classes have been significantly unsettled by the recent Russian invasion of Ukraine, with many commodity markets materially impacted across both the industrial metals complex and with many soft commodities (notably wheat) also hitting multi-year highs, sometimes on parabolic moves. To date, the western response has seen onerous sanctions imposed on Russia at numerous levels which have served, in part, to drive a number of commodity prices even higher, also negatively impacting western markets (notably the European energy complex). From here, a negotiated end to hostilities and a return to peace in the region is clearly the preferred outcome, but this may take time to achieve – should the sanctions fail, it is difficult to fathom what a military defeat of Russia would look like for the apparent "victor."

The additional inflationary pressures caused by the Russia/Ukraine conflict come at a most challenging time, with inflation levels already at multi-decade highs in many countries and the "transitory" inflation narrative now long discredited. Inflationary expectations are becoming more entrenched. Heightened geo-political tensions will only serve to further drive de-globalisation and re-onshoring of manufacturing to higher cost jurisdictions – security of supply of key commodities and manufactured goods is receiving renewed focus.

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Market outlook (continued)

Although some global central banks have either commenced raising short term interest rates (or have signalled an intention to do so), highly elevated debt levels following the COVID-19 fiscal response, will likely limit the ability of central banks to meaningfully increase interest rates to counter persistent elevated inflation levels, should they eventuate. This is the gordian knot facing many of the world's central bankers.

As a result, markets in 2022 may be expected to be volatile, driven by both central bank rhetoric about the need to combat inflation and by the inflation-fighting measures actually implemented. The January 2019 "Powell Pivot" is a salient reminder of how quickly monetary policy can change (or even reverse course), especially if markets fall materially. The possibility of stagflation (an economic outcome that many active investors and policymakers alike have not lived through) will also be increasingly at the forefront of debates in 2022 as government stimulus measures roll off. As the world emerges from COVID 19 related lock-downs, Governments and policymakers will have little appetite for any meaningful tightening in financial conditions while the recovery is still fragile, so any transition is likely to be "managed" in an attempt to smooth outcomes.

Despite the heightened macro and geo-political uncertainty, an area of relative strength appears to be the consumer's balance sheet which is healthy, albeit dependent on elevated asset prices, particularly housing. As a result, the consumer is well placed to spend as economies re-open, particularly in Australia. Significant pent-up demand still exists, and with the opportunity to spend, COVID-19 weary consumers are expected to draw down on excess savings and drive economic growth, even though that growth is likely to be slower than the stimulus induced growth seen over the last 12-18 months. At the same time Governments are increasing other fiscal spending initiatives to support economic activity as the benefits of the prior stimulus fade. The flow on effects of such initiatives will be evident over the next 12 months and should provide some support to markets.

In an uncertain macro environment and with medium term inflation and supply chain concerns elevated, the investment manager focus remains on identifying businesses that can drive growth irrespective of the prevailing economic backdrop, and those that have a reasonable degree of pricing power

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