

Ironbark Renaissance Australian Small Companies Fund

BENCHMARK

S&P/ASX Small Ordinaries Accumulation Index

OBJECTIVE

To outperform the benchmark (before fees) over rolling 4-year periods.

APIR

PAT0002AU

ARSN

114 291 486

INCEPTION DATE

30 June 2005

MANAGER APPOINTED

5 September 2022

MANAGEMENT FEE

1.1275% p.a.

FUND SIZE

\$81.5m

BUY / SELL SPREAD

+0.20% / -0.20%

EXIT PRICE

\$2.3351

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.
Fund¹	-2.76	0.24	9.34	-1.92	0.03	1.78	4.19	9.54
Benchmark	-4.04	-1.94	6.85	2.57	1.63	4.31	5.13	3.98
Active	1.28	2.18	2.49	-4.49	-1.60	-2.53	-0.94	5.56

Top 3 monthly contributors and detractors

Contributing stocks	Active position	Detracting stocks	Active position
Seven Group Holdings	Overweight	Paladin Energy	Underweight
Coronado Global Resources Chess Depository Interests	Overweight	Pro Medicus	Underweight
Leo Lithium	Underweight	Liontown Resources	Underweight
Stanmore Resources	Overweight	Boss Energy	Underweight
Star Entertainment Group	Underweight	New Hope Corporation	Underweight

Top 3 quarterly contributors and detractors

Contributing stocks	Active position	Detracting stocks	Active position
G.U.D. Holdings	Overweight	Aeris Resources	Overweight
Seven Group Holdings	Overweight	Austal	Overweight
Chalice Mining	Underweight	Paladin Energy	Underweight
John Lyng Group	Overweight	Pro Medicus	Underweight
Pacific Current Group	Overweight	New Hope Corporation	Underweight

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.

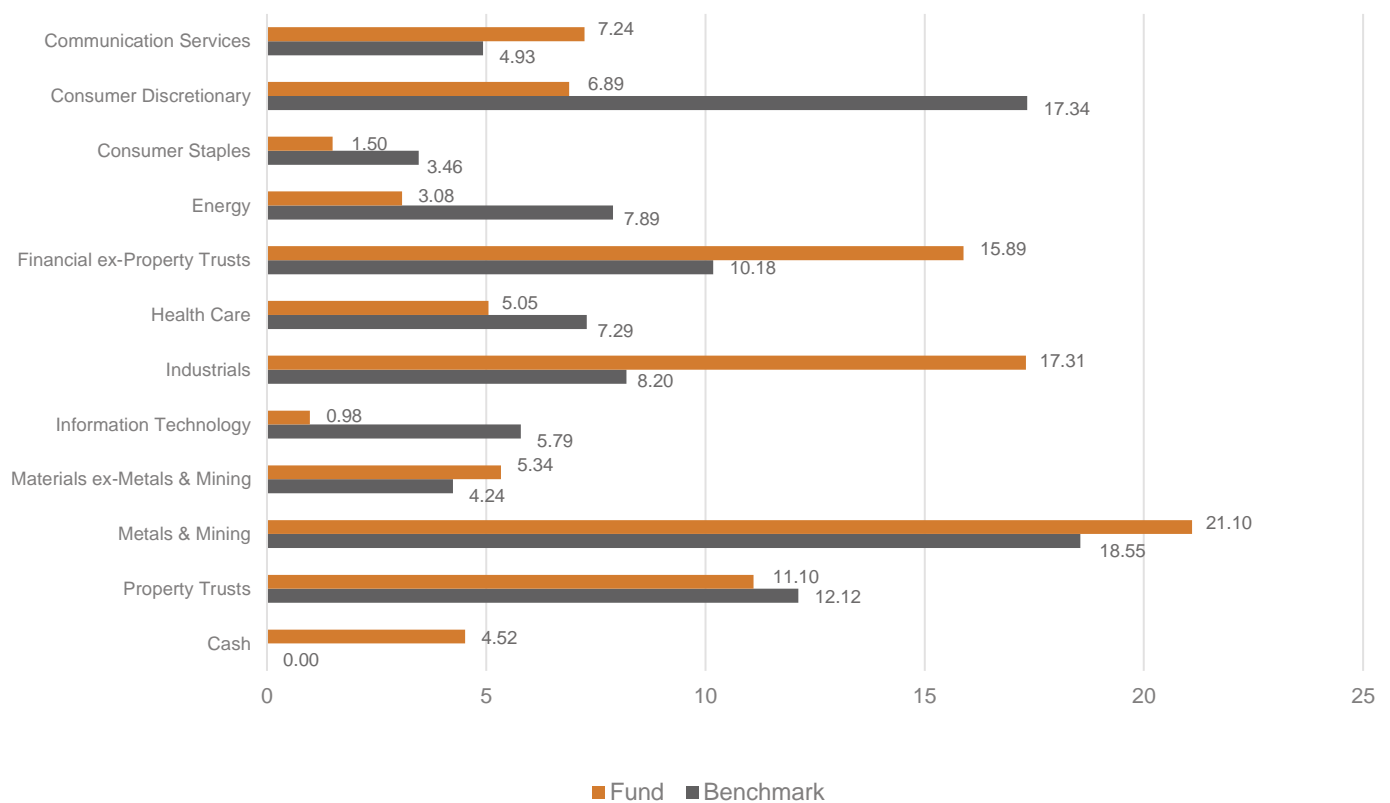
¹From 8 August 2022 to 4 September 2022, State Street Bank and Trust Company was appointed as the Fund's Transition Manager and coordinated an orderly transition of the portfolio from the prior investment manager over this period. Returns prior to 8 August 2022, reflect the previous investment manager(s) of the Fund.

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Top 5 holdings (In alphabetical order)

Stocks	Sector
Austal	Industrial
G.U.D. Holdings	Consumer Discretionary
OFX Group	Financial ex-Property Trusts
TPG Telecom	Communication Services
Viva Energy Group	Energy

Sector asset allocation (%)¹


¹Totals may not equal due to rounding.

Market review

Global equity markets weakened in the September quarter after starting the period on a positive note thinking that the US had orchestrated a soft landing for the economy. Investor sentiment turned in August and September as the prospect of a sustained period of “higher for longer” started to sink in, as the Federal Reserve released a revised dot plot showing each Federal Reserve’s policymakers forecast for interest rates. US markets were down with the S&P 500 -3.3%, and the NASDAQ -3.9%, while the Euro STOXX 50 was down -4.8%. The FTSE 100 was up 2.2% over the quarter, buoyed by the recovery in oil prices, a weaker sterling and improving consumer confidence. The global rout in government bonds continues with US Treasuries rising to yields not seen since 2007, resulting in what is looking like another negative year for bonds. US mortgage rates have also climbed higher with the average long-term mortgage rate reaching 7.3%, its highest level in nearly 23 years.

Australian markets also weakened into the September quarter with the S&P/ASX 100 down 0.7%, and the ASX Small Ords down 1.9%. Australian bond yields were higher also, in September the Australian 10-year bond yield rose to 4.49% amid expectations for higher rates to persist to combat inflation. Rising energy and food prices saw inflation tick higher in August with the figure rising to 5.2% year-on-year. The rise in inflation was not enough for the RBA to raise rates over the quarter, with the cash rate remaining at 4.1% over the period.

As the investment manager has discussed previously, the underperformance of the Small Ordinaries continues for a variety of reasons – inflation, rising interest rates, investor sentiment. Their view is the small companies segment is being put into the “too hard basket”. The investment manager is seeing this through turnover in the market and the lack of new IPO’s coming to market. The investment manager believes at some point this must change, as it has done in previous cycles. When comparing the rolling 3-year return of the Small Industrials versus the All Ords over the past 25 years, there are only two data points in the 1,336 weeks in the 25-year sample that are lower than where we are currently. Both points are in the middle of the GFC back in mid-2008, which means it is now at the 0.6th percentile, so the anticipated bounce in small companies when this inflection point has been reached could be substantial.

Performance review

The Ironbark Renaissance Australian Small Companies Fund (the ‘Fund’) returned 0.24% (net) for the quarter, an outperformance of 2.18% when compared to the S&P/ASX Small Ordinaries Accumulation Index which returned -1.94%

Stock selection in Health names Telix Pharmaceuticals and Estia, and the Fund’s underweight to this sector were the biggest contributors to the Fund’s outperformance over the quarter. Stock selection and overweight to mining services, gold and building materials added value. In mining services, Seven Group (+27%), NRW (+10%) were strong, in Gold stocks, Red 5 (+40%), Ramelius Resources (+16%) and Gold Road Resources (+10%) all outperformed the market, while Johns Lyng (+26%) and CSR (+9%) were strong in building materials. The Fund’s underweight to the lithium space has continued to add value with this sector significantly down as the lithium spot price slumps over the strength of Chinese demand for the material. Retail stocks were surprisingly strong over the reporting season, and the quarter. The investment manager’s stock selection in G.U.D. Holdings (+36%), Autosports (+22%) and Shaver Shop (+16%) contributed positively for the period.

Energy was the strongest sector over the quarter, particularly uranium with the spot price rallying over 30%. The investment manager’s zero weighting to uranium was the biggest detractor with stocks Paladin Energy (+51%), Boss Energy (+56%) and Deep Yellow (+74%) rallying hard as the spot price reached an 8-year high as the nuclear power debate resurfaced around the world. The Fund’s underweight positioning in coal, oil and gas also detracted. Stock selection in Services, Tourism and IT Services detracted with Iress down after a disappointing earnings result and forecasting challenging markets to continue into the 2024 financial year.

Market outlook

The slump in government bonds and the sell-off in equity markets around the world has been fuelled by expectations among investors that the major central banks will keep interest rates “higher for longer” to bring inflation back down to their targets. At the start of the quarter, investors were of the belief that inflation was easing and the investment manager would see less restrictive monetary policy going forward. The higher for longer rhetoric has now turned that belief around. Policymakers are walking a tightrope of maintaining the rage against inflation whilst also maintaining global economic growth.

The investment manager accepts that whilst there remain uncertainties in the world and equity markets today, they believe there are ample opportunities to find quality companies at attractive valuations.

Market outlook (continued)

The portfolio will continue to be weighted towards holding quality companies that are underpinned by stable earnings and cashflows, have a strong balance sheet and are trading at justifiable valuations. The investment manager believes they are well-positioned to provide meaningful returns as conditions start to normalise.

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