

# Ironbark Renaissance Australian Small Companies Fund

**BENCHMARK**

S&amp;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**

\$92.2m

**BUY / SELL SPREAD**

+0.20% / -0.20%

**EXIT PRICE**

\$2.3295

## 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.
<b>Fund<sup>1</sup></b>	<b>2.71</b>	<b>2.61</b>	<b>6.09</b>	<b>-0.33</b>	<b>-0.18</b>	<b>2.29</b>	<b>5.72</b>	<b>9.66</b>
Benchmark	0.03	-0.54	8.45	5.16	2.25	5.83	6.81	4.15
Active	2.68	3.15	-2.36	-5.49	-2.43	-3.54	-1.09	5.51

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.

<sup>1</sup> Shaded Fund performance prior to 5 September 2022 is not attributable to the current investment manager. From 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.

## Top 3 monthly contributors and detractors

Contributing stocks	Active position	Detracting stocks	Active position
Austal	Overweight	Aurelia Metals	Overweight
Estia Health	Overweight	Gold Road Resources	Overweight
Service Stream	Overweight	Alliance Aviation Services	Overweight

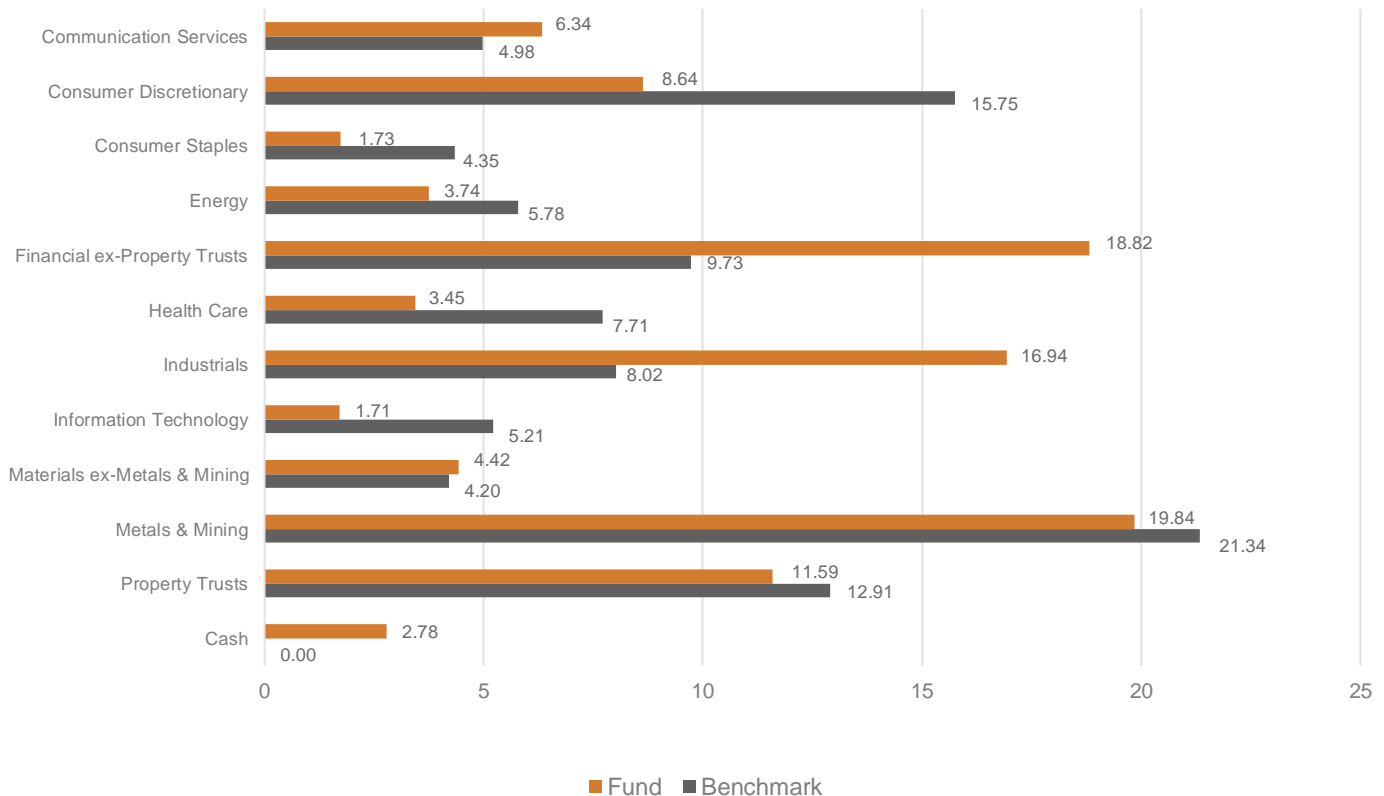
## Top 3 quarterly contributors and detractors

Contributing stocks	Active position	Detracting stocks	Active position
OFX Group	Overweight	Syrah Resources	Overweight
Austal	Overweight	oOh media	Overweight
Allkem	Overweight	Telix Pharmaceuticals	Underweight

## Top 5 holdings (In alphabetical order)

Stocks	Sector
AUB Group	Financial ex-Property Trusts
Austal	Industrial
Estia Health	Health Care
G.U.D. Holdings	Consumer Discretionary
OFX Group	Financial ex-Property Trusts

## Sector asset allocation (%)<sup>1</sup>



<sup>1</sup>Totals may not equal due to rounding.

## Market review

Global equity markets continued their strong run from the March Quarter into the end of the fiscal year. The concerns regarding US regional bank failures were pushed aside early in the year and the focus switched to the emergence of Artificial Intelligence (AI) and how equity investors could benefit from the theme. Not surprisingly, the tech heavy Nasdaq led the charge in the US with a return of 13.1% during the quarter & 26.1% over the year. Once again, the returns were driven by the mega tech stocks as well as a select group of AI related or leveraged stocks. This thematic played out throughout indices across the globe where local AI related stocks outperformed their respective markets.

In Australia, the market produced a mildly positive return with the ASX 100 Index up 1.2% over the quarter whilst the Small Cap Index retraced slightly. Over the year the broader market produced a healthy 15.1% return & small cap's lagged with a return of 8.4%. Smaller resource stocks struggled reflecting weaker commodity prices during the period and concern about the pace of growth in China whilst smaller industrial stocks eked out a moderate return for the quarter & a healthy return for the year. For some time, the markets have been increasingly macro focussed as investors weighed up various economic data in an attempt to ascertain whether we are nearing the end of the RBA's tightening cycle. The RBA paused in April and again in July as whilst inflation remained high, there was some evidence of the economic data softening. There has been a clear slowdown in discretionary retail sales, particularly from April and this will flow into lower inflationary pressures, but the key concern of the RBA remains the labour market. The RBA sees wages growth as a threat to their objectives and that pressure has not subsided. In discussions with management, the investment manager sees the supply constraints of labour easing but wages remaining high. Overall, the investment manager believes that the RBA is close to the end of the tightening cycle but we could see another two rate increases before the pause becomes more permanent.

## Performance review

The Ironbark Renaissance Australian Small Companies Fund (the 'Fund') returned 2.61% (net) for the quarter, an outperformance of 3.15% when compared to the S&P/ASX Small Ordinaries Accumulation Index which returned -0.54%.

## Performance review (continued)

At a sector level in defensive services the Fund's holding in OFX Group performed strongly after reporting a strong full year result and positive outlook statement. Also in defensive services, shipbuilder Austal contributed strongly to performance after a series of new contract announcements and numerous reports of a potential takeover offer. Stock selection in precious metals and tourism also added value, while the Fund's overweight to the financials sector contributed positively this quarter.

Sectors that detracted included the investment manager's stock selection in metals led by falls in Aurelia Metals and Aeris Resources after base metal prices were lower over the quarter. The investment manager's stock selection in Media also detracted, namely their holding in oOH Media after it provided a weak trading update in May. Also hurting performance was the Fund's zero weighting to nuclear stocks which benefited from a rising uranium price during the quarter. The Fund's underweight to information technology and stock selection in food and beverage also detracted in the period.

Other stocks that added value over the quarter include holding in lithium producer Alkem which announced a merger deal with lithium processing business Livent. Service Stream performed strongly after being awarded additional work by NBN and receiving a material tax refund from the ATO, as did the Fund's holding in insurance broker AUB Group which continues to benefit from the Tyser's acquisition and ongoing premium rate increases in the insurance market.

## Market outlook

As the investment manager looks forward Central Banks continue to maintain the battle against inflation while global recession fears will be a shadow over equity markets. Central Banks will continue the balancing act of driving inflation lower while also ensuring that economic growth does not grind to a complete halt. During the June quarter there were positive signs that inflation was cooling, but there will need to be further economic data before markets are fully convinced.

The investment manager believes we will see less restrictive monetary policy going forward, and as a result less reliance by the market on macro news as potential earnings drivers for companies, in particular small caps.

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. 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 will have the ability to provide meaningful returns as conditions start to normalise.

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## CONTACT DETAILS

T. 1800 034 402 | E. [Client.Services@ironbarkam.com](mailto:Client.Services@ironbarkam.com) | W. [www.ironbarkam.com](http://www.ironbarkam.com)