

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

\$71.7m

BUY / SELL SPREAD

+0.20% / -0.20%

EXIT PRICE

\$3.5173

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	2.70	6.25	34.26	16.79	6.15	7.77	7.42	10.77
Benchmark	1.42	1.80	24.96	13.44	6.85	9.15	8.64	5.50
Active	1.28	4.45	9.30	3.35	-0.70	-1.38	-1.22	5.27

Top 5 monthly contributors and detractors

Contributing stocks	Active position	Detracting stocks	Active position
Elevra Lithium	Overweight	Greatland Resources	Underweight
Corporate Travel Management	Underweight	AUB Group	Overweight
Bellevue Gold	Overweight	DroneShield	Underweight
Alkane Resources	Overweight	OFX Group	Overweight
Humm Group	Overweight	Alcoa Corporation	Underweight

Top 5 quarterly contributors and detractors

Contributing stocks	Active position	Detracting stocks	Active position
Elevra Lithium	Overweight	OFX Group	Overweight
Bellevue Gold	Overweight	PEXA Group	Overweight
Macmahon Holdings	Overweight	Greatland Resources	Underweight
Corporate Travel Management	Underweight	Alcoa Corporation	Underweight
Healius	Overweight	Nuix	Overweight

Top 5 holdings (In alphabetical order)

Stocks	Sector
Amotiv	Consumer Discretionary
Macquarie Technology Group	Information Technology
PEXA Group	Property Trusts
Vault Minerals	Metals & Mining
Westgold Resources	Metals & Mining

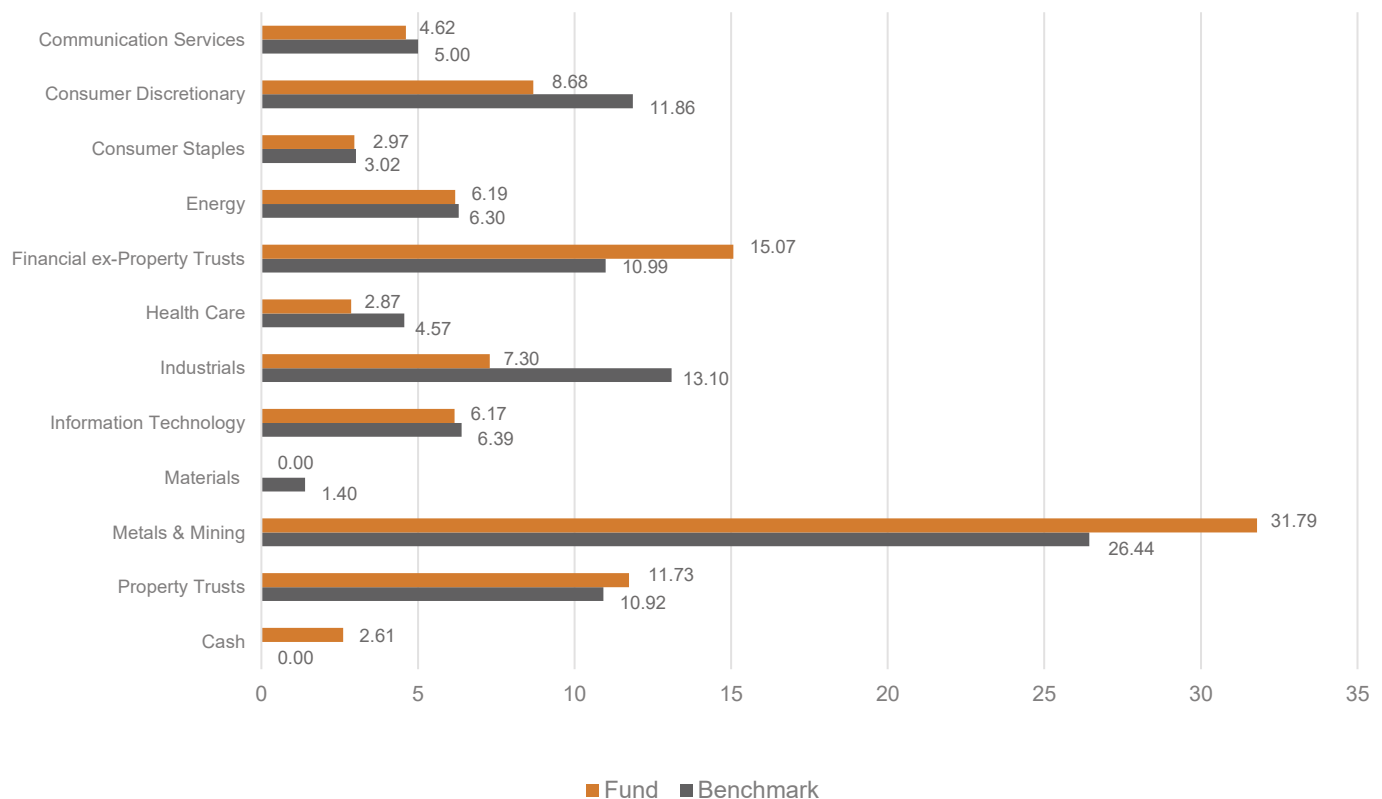
Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

¹Shaded 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.

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Sector asset allocation (%)¹



¹Totals may not equal due to rounding.

Market review

Global markets continued a strong six-month period during the December quarter, seemingly ignoring ongoing geopolitical instability and turbulence, benign economic data and ongoing uncertainty around US Federal Reserve interest rate moves to finish on their highs. Whilst tariff and trade tensions are still ongoing, equity markets are a long way from where they were in early April post Liberation Day. A very strong AI thematic, whilst tapering somewhat towards the end of the year was a key driver, with the Nasdaq ending the quarter up 2.7%, and the year up 21%. European markets were strong during the quarter, with the FTSE 100 up 6.9% and the Euro Stoxx 50 up 5.2%. The European Central Bank and the Bank of England led the way with interest rate cuts to support their economies from late 2024 and through 2025, whilst a stronger Euro and some albeit stalled indications of peace in the war in Ukraine also contributed to sentiment.

Commodities, in particular Gold, Lithium and Copper continued to drive Australian resources companies higher during the December quarter. The Small Resources Index rallied 15.6% over the quarter, and an incredible 73% over year, outperforming their larger counterparts significantly. Gold rallied a further 12% in the quarter, pushing through \$4,500 per oz (in USD terms) before closing at \$4,341 per oz as continued geopolitical instability and inflation concerns spurred continued investor interest. Spodumene prices rallied from \$860 (in USD terms) in September which was well into the cost curve, to around \$1300 per tonne by the end of the quarter (up 51%). Strong demand for Battery Energy Storage Systems (BESSs) and ongoing global growth in Electric Vehicles (EVs) along with supply cuts has seen recovery in the commodity price and driven producers stock prices higher. Copper also pushed all-time highs nearing \$6 per pound on supply constraints and the continuing electrification demand thematic. For industrial companies the picture wasn't as rosy, rallying in October before weakening over November and December as elevated valuations unwound in a number of high profile growth stocks in both the large and small end of the market, and consumer discretionary names fell after October inflation data came in much higher than expected at 3.8%, driving hawkish commentary from Reserve Bank Governor Bullock and markets reversing rate cut expectations and factoring in rate hikes into 2026. Cost of living pressures continued to weight on retailers, with the likes of Premier Investments, Accent Group and Bapcor all announcing difficult trading updates at the small end and JB Hi-Fi and Wesfarmers in the large caps.

Performance review

The Ironbark Renaissance Australian Small Companies Fund (the 'Fund') returned 6.25% (net) for the quarter, an outperformance of 4.45% when compared to the S&P/ASX Small Ordinaries Accumulation Index which returned 1.80%.

Stock selection and a sector overweight to Battery Minerals was the biggest contribution from a sector level with improving spodumene prices driving strong outperformance in both Elevra (up 123%) and Pilbara (up 66%). The Fund's underweight to the retail sector added relatively as higher than expected inflation during the quarter saw the expectation of interest rate cuts reverse into forecasts that the next move in interest rates by the Reserve Bank of Australia may in fact be up in the new year. Mining services also contributed as resources continued to rally, with Macmahon (up 66%) and Develop (up 50%) adding after only recently being added to the portfolio in the September and December quarters respectively. Gold stocks in the portfolio continued their stellar run (Bellevue up 49%, Vault up 27%, Westgold up 44%) after the precious metal surpassed \$4,300 per oz (in USD terms) by year end.

On the negative end of the spectrum, OFX Group fell 43% as investors abandoned the company after a trading update in late October saw continued economic uncertainty impact trading volumes despite some early positive signs on the introduction of the new client platform. PEXA also underperformed (-14%) despite reconfirming guidance at its AGM and the UK expansion progressing to plan. An underweight to the Iron Ore sector also detracted.

Market outlook

The investment manager believes current markets warrant a degree of caution. Equity valuations are elevated with the AI thematic dominating US investor sentiment, and other non-correlated asset classes such as gold at all-time highs. Investors will be focused on US economic data to determine if the weakness in the economy is accelerating, at the same time as inflation is accelerating, which is not a good combination for the US and global economy.

The investment manager believes the portfolio is well placed under the current environment. There is limited direct exposure to tariffs, and generally small caps have less exposure than large caps. There will be significant indirect impacts globally, but Australia seems to be better placed than most countries, although there is still significant uncertainty about the impact that will be inflicted on the economy. The investment manager believes the de-rating of the high PE/Growth names will continue in this market and there are buying opportunities emerging within core small industrials that are looking attractive from a valuation perspective. 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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