

Longreach HQI – Global Market Neutral Fund

BENCHMARK

RBA cash rate

OBJECTIVE

The Fund aims to provide investment returns in excess of the Reserve Bank of Australia ('RBA') cash rate over a rolling 3-year period after fees.

APIR

DAM9817AU

FUND SIZE

\$36.3m

ARSN

631 270 276

EXIT PRICE

\$0.9615

INCEPTION DATE

 15 November 2019¹

Net performance (%)

	1 month	3 months	6 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception ²
Fund	-2.41	-0.64	n/a	n/a	n/a	n/a	n/a	-1.56
Benchmark	0.04	0.16	n/a	n/a	n/a	n/a	n/a	0.23
Active	-2.44	-0.80	n/a	n/a	n/a	n/a	n/a	-1.78

1 month rolling returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2020	2.34	-0.51	-2.41										-0.64
2019												-0.92	-0.92

Fund statistics

Performance metrics – from 1 December 2019²

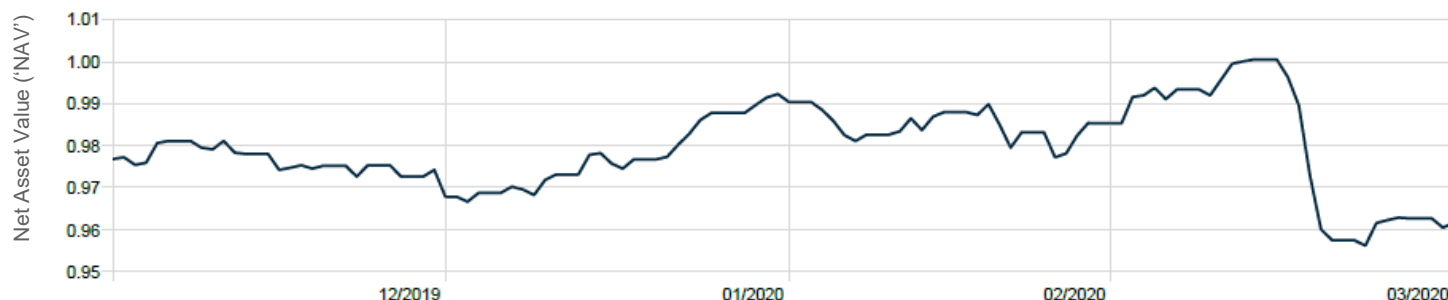
Since inception return	-1.56%
Annualised standard deviation	n/a ³
Sharpe ratio	n/a ³
% of positive months	25%
Correlation to the MSCI World Index	n/a ³

Portfolio positioning

Number of positions	1,761
Long positions	865
Short positions	896
Net portfolio exposure	0.97%
Gross portfolio exposure	299.91%

Growth of NAV⁴

Time Period: 1/12/2019 to 31/03/2020



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 Inception date for the Fund was 15 November 2019. During the first 2 weeks, the portfolio was being implemented.

² Performance measurement and portfolio metrics are calculated from the commencement of the Fund's first full month of operation.

³ Timeframe insufficient to generate relevant figure.

⁴ Source: Morningstar Direct.



Top 5 monthly contributors and detractors (%)

Stock	Region/country	Total effect	Stock	Region/country	Total effect
Ooh!Media	Australia	0.44	Eldorado Resorts	US	-0.50
Tivity Health	US	0.32	Adairs	Australia	-0.43
G8 Education	Australia	0.32	City Chic Collective	Australia	-0.38
Caleres	US	0.32	CGG	Europe	-0.30
AP Eagers	Australia	0.29	Electro Optic Systems	Australia	-0.28

Region/country exposure (%)

Region/country	Long weight	Short weight	Net exposure	Gross exposure
US	41.34	-40.79	0.54	-82.13
Australia	24.13	-24.53	-0.41	-48.66
Canada	18.83	-18.29	0.54	-37.11
Europe	14.78	-14.67	0.12	-29.45
UK	12.80	-12.78	0.02	-25.58
Japan	25.39	-25.14	0.25	-50.53
Hong Kong	13.03	-13.13	-0.1	-26.15
Singapore	0.15	-0.14	0.01	-0.30

Market Review

March was a volatile month, reminiscent of the GFC. Unprecedented intra-day volatility was observed during the month with the second largest single day falls in the S&P 500 since the GFC (down 12.0% on the 16th and down 9.5% on the 12th). However, the third and fourth largest positive days were also recorded (up 9.4% on the 24th and up 9.3% on the 13th). Peak to trough the fall (S&P500 down 33.9% on the 23rd), was not as large as the GFC.

COVID-19 fears led global markets sharply lower, bond yields collapsed and the VIX exceeded its GFC peaks. Among global developed markets sectors, energy, financials and REITs underperformed, while health care, consumer staples and IT outperformed on a relative basis. The Australian dollar weakened against the US dollar, hitting a low of \$0.55 during the month. The gold price reached 2013 highs before falling to \$1,608.95 per ounce and the oil price slumped to a 17-year low. By country, Australia was down 21%, the US down 12%, the UK down 13%, Europe down 16%, HK down 9.7% and Japan down 9.7%.

Performance Review

The Longreach HQI – Global Market Neutral Fund (the ‘Fund’) returned -0.64% (net) for the quarter, an underperformance of 0.80% when compared to the RBA cash rate return of 0.16% for the quarter.

Given the high volatility of the market, the performance of the Fund was within expectations.

January saw the UK (up 7%), Canada (up 3.1%) and Australia (up 2.1%) all contributing with the only country to detract from performance being the US. On a sector basis, the strongest performance came from information technology (return of 5.01%, contribution of 1.21%), with energy being the weakest contributor (down 0.38%).

Moving into February, the Fund returned -0.51% (net). Given the heightened equity market volatility that month and the circa 10% falls in global markets, the investment manager was pleased that the Fund protected investors’ capital. The US sleeve underperformed (down 2.3%) and was the largest contributor to the negative result, whilst Canada and Hong Kong outperformed (up 1.5% and up 1.9% respectively).

Over the course of March, the Fund performed positively over the first half of the month, while experiencing under-performance during the 3rd week of the month when a significant forced deleveraging event hit the market. While the Fund was not directly linked, performance was temporarily affected by this deleveraging. Apart from this particularly poor week of extreme volatility, the Fund performed well and protected investor capital.



Attribution Results

The Fund allocates individually to each country sleeve according to its country allocation policy, which incorporates long term risk, returns, size and liquidity.

During the month of March, the Australian and European sleeves under-performed, whilst the UK and Canadian moderately outperformed.

Within each country sleeve, the investment manager runs a traditional attribution model to analyse the ex-country attribution effects. The attribution (gross of fees) over the quarter was as follows:

PERIOD	Industry	FX	Stock	TOTAL
January	-0.54%	-0.02%	3.02%	2.46%
February	-0.75%	-0.04%	0.43%	-0.40%
March	-2.03%	0.00%	-0.25%	-2.28%
March 2020 quarter	-3.00%	-0.06%	2.80%	-0.26%

Industry allocation was the weakest source of performance for both the month of March and the quarter.

March saw a strongly negative contribution from industry allocation, due to an underweight to the defensive sector (consumer staples) and an overweight to financials.

During the quarter, the largest detractors were overweight in financials (-0.89% contribution) and an underweight in communication services (-0.75% contribution). Overweights in both utilities and IT contributed 0.16% respectively.

The impact of FX was low given the currency neutral net positions at the country/currency level.

Stock selection was a strong contributor over the quarter, adding 2.80%.

Fund Risk

Ex-ante risk for the period was low at 5.3%.

The mix of risk was within expectations, at 68%/32% factor versus stock specific risk. This is expected to average around 50%/50% over the longer term. The factor risk component has changed substantially over the month of March, with the dominating components being trading activity and volatility. The contribution from success, i.e. momentum, was negligible.

Material matters

During the month 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.

Issued by Ironbark Asset Management (Fund Services) Limited ABN 63 166 232 154 AFSL 298626 ('Ironbark'). Ironbark is the responsible entity for the Fund(s) referred to in this document. Longreach Alternatives Ltd is the investment manager of the Fund and has delegated its investment management responsibilities to Longreach Harvest Quant Investors Ltd, the sub-advisor. The relevant offer document is available from www.ironbarkam.com/our-funds/ or by calling client services on 1800 034 402. You should consider the offer document before making an investment decision to acquire or to continue to hold units in the Fund. Ironbark and its representatives believe that the information in this document is correct at the time of compilation, but no warranty of the accuracy or reliability is given and no responsibility arising in any other way for errors or omissions (including responsibility to any person due to negligence) is accepted by Ironbark. This document contains general information only and is not intended to represent specific investment or professional advice. The information does not take into account an individual's financial circumstances. Past performance is not indicative of future performance. All currency references are shown in Australian dollars unless stated otherwise. All indices are copyrighted by and proprietary to the issuer of the index.

