



**CHAIRMAN'S ADDRESS  
2017 ANNUAL GENERAL MEETING  
25 OCTOBER 2017**

I will cover in my address today the 2017 results, the most recent investment performance of Ironbark Capital Limited and the year ahead for the Company.

Ironbark 2017 results and investment performance

The performance of the investment portfolio contributed to the pleasing result in the 2017 year of a \$4.6 million net profit up from \$0.4 million in the previous year. 2017 saw a continuing reduction in the MER from 0.86% in the prior year to 0.77% in the current year, assisted by an increase in the average funds under management following a successful capital raising. This MER is in the lower range for externally managed LICs.

The portfolio returned 11.1% for the year inclusive of franking credits, outperforming the benchmark which is the one year swap rate plus 6%, by 3.3%. This was a reflection of the absolute return focus and income emphasis and was achieved with a portfolio that has a lower volatility than the market.

Over the longer term of more than a decade since inception, the Ironbark investment performance was 9.3% per annum at 30 June 2017, 1% behind the long term absolute return benchmark of 10.3% per annum.

NTA after provision for tax on unrealised gains was \$0.538 at 30 June 2017, compared to \$0.540 at 30 June 2016. The NTA result is after a 3 cents per share fully franked dividend paid in the period.

The latest performance has seen a return of 7.8% per annum for the year to 30 September 2017 which is in line with the benchmark.

Preservation of shareholder capital continues to be paramount and the lower volatility of the Ironbark portfolio means that the embedded risk is somewhat less than the share market.

### The expected fully franked dividend in FY 2018

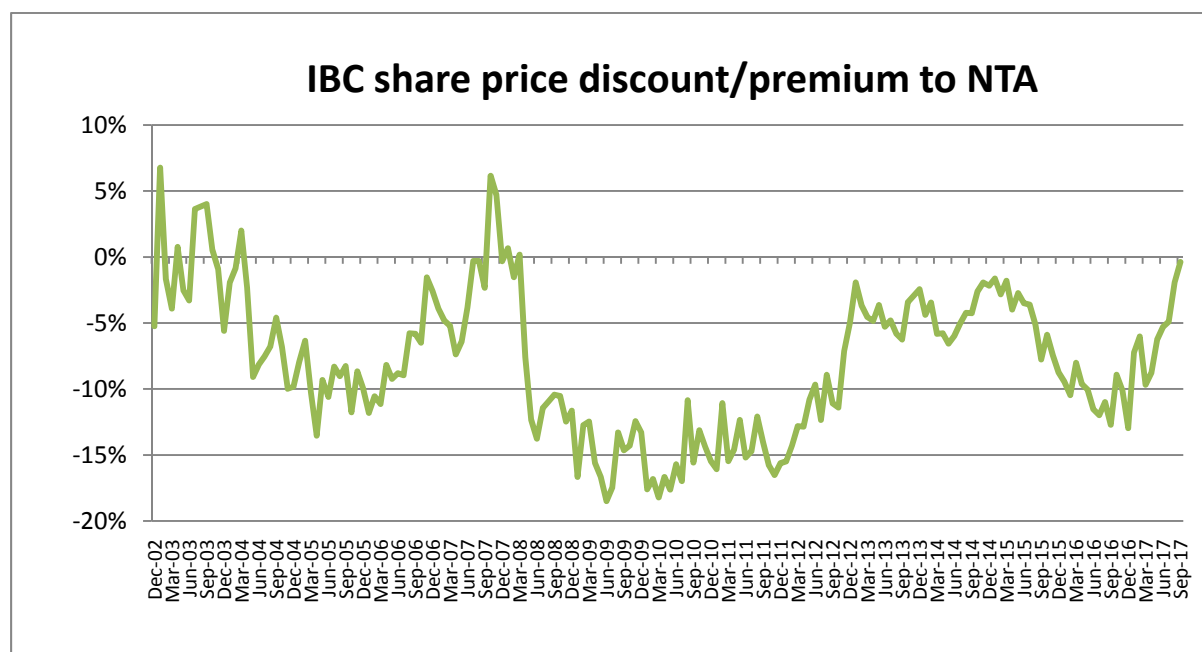
Ironbark's capacity to pay fully franked dividends continues to depend on the accumulation of franking credits and accounting profit generation.

Ironbark distributed fully franked dividends of 3 cents per share in FY2017 as favourable market conditions and accounting profits created the opportunity to do so. Ironbark paid in September a fully franked dividend of 0.75 cents per share out of the current year's Profit Reserve. Based on current legislation, Ironbark is now subject to franking at the 27.5% tax rate in the 2018 year.

Ironbark has a policy of distributing the majority of franking credits received each year as fully franked dividends. The franking capacity for the 2018 year is consistent with a fully franked dividend forecast of around 2.5 cents per share however the dividend limitation factor will again be subject to economic and market conditions which impact accounting profits.

### NTA Discount/Premium

We have seen a positive impact on closing the gap between NTA and share price. As at 30 June 2017, the share price was trading at a 5.3% discount to NTA pre-tax. Based on the closing price as at 30 September 2017, the share price has closed significantly and is trading at a slight discount of 0.4% to NTA pre-tax.



The Directors of Ironbark have a current policy to provide liquidity to shareholders every three years through an off market buy-back facility. This policy was introduced to assist the narrowing of the NTA discount by providing the certainty of a periodic exit at NTA. The previous buy-back was in June 2015 so it is due for reactivation mid-2018.

As noted above the current share price is around NTA, so I believe the policy has been effective and the Directors remain committed to the periodic buy-back policy. If the nil discount prevails we will explore other more cost effective alternatives that will provide market liquidity at NTA. For example implementing an on market buy-back at NTA for up to 10% of shares would achieve the same outcome and avoid off market administrative costs of over \$50,000.

The Directors will provide further information at the time of release of the interim profit result next year.

The Directors will continue to set a policy direction for Ironbark consistent with our view of the best opportunities for the company in the current investment climate.

This concludes my address and I will now hand over to Doug Hew who will discuss the outlook for equity markets and investment performance on behalf of the Investment Manager.