



**CHAIRMAN'S ADDRESS  
2020 ANNUAL GENERAL MEETING  
10 NOVEMBER 2020**

I will cover in my address today the 2020 results of Ironbark Capital Limited and the year ahead for the Company.

Ironbark 2020 results and investment performance

The 2020 year saw the deep market setback in response to the COVID-19 pandemic in March, followed by a strong rally as the year-end approached. This recovery has continued in the last four months particularly in sectors that have benefited from the lockdown.

The market downturn translated to a loss after tax of \$2.6 million, down on the \$5.6 million profit of the prior year and reflecting the performance of some of the large cap stock holdings. Unrealised losses contributed \$4.5 million to the result.

The ASX 300 Accumulation returned approximately negative 6.4% including franking for the year. In comparison, the portfolio returned negative 4.38% for the year inclusive of franking credits, underperforming its benchmark (one year swap interest rate plus 6%) of 6.62% on volatility that was 70% of the market. The turnaround in the market is reflected in the performance of the portfolio for the June quarter which returned a positive 11.24% compared to the benchmark of 1.46%, reflecting the strong rebound particularly in the hybrid market and banking sector.

Over the longer term of more than a decade since inception, the Ironbark investment performance is 8.6% per annum.

Revenue from the trading portfolio was \$2.76 million, down around 30% on the prior year as a result of the deferral or reduction in company dividends and due to the one-off special dividends in FY19 which were not repeated in the current financial year. Losses of \$1.87 million were realised.

Ironbark's expense ratio of 0.9% remains in the lower range for externally managed LICs.

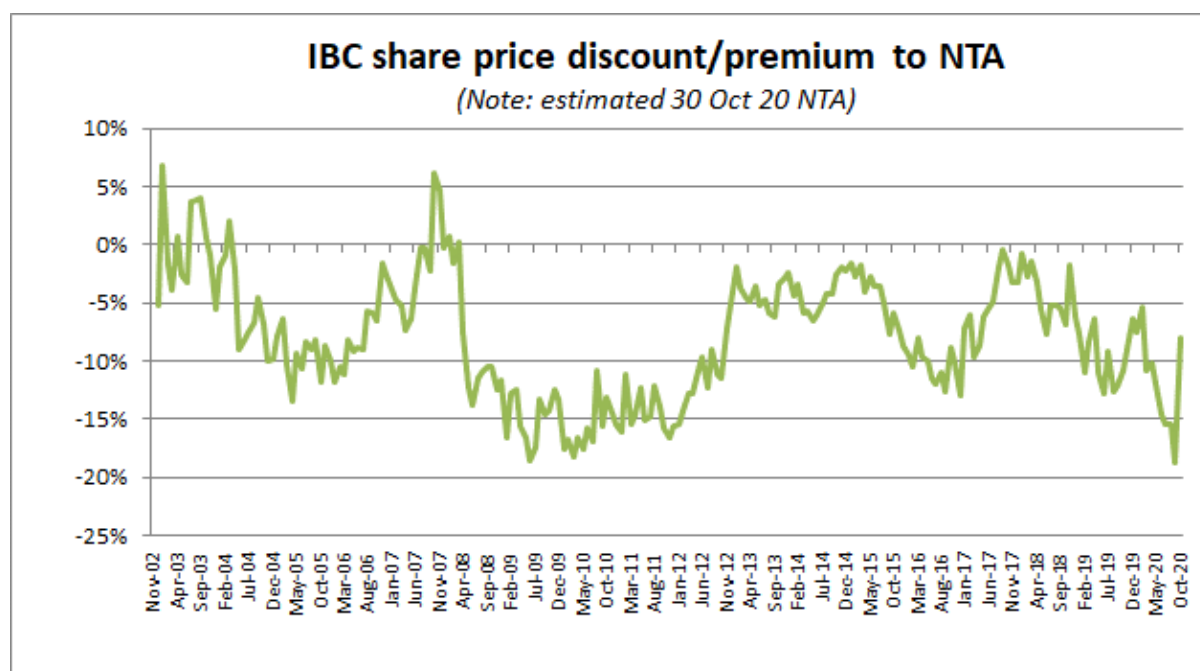
Dividends

The dividend yield as at 30 June 2020, grossed up for franking was a favourable 6.9%. Ironbark distributed fully franked dividends of 2.2 cents per share in FY20 as market conditions and accounting profits created the opportunity to do so.

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

### NTA Discount/Premium

The Ironbark shares have been trading at a significant discount to NTA after tax and as at 30 September the discount was around 19%. In the last month, the discount has narrowed. The directors believe the proposal for an on-market buy-back has assisted somewhat in reducing the discount, as indicated in the following chart.



### Proposed Buy-Back

A resolution for an on-market buy-back is being put to the meeting today, which is consistent with the Board's current policy. This policy was introduced to assist the narrowing of the NTA discount by providing some certainty of a periodic exit at or around NTA value.

The proposed Buy-Back is structured as an on-market buy-back which gives shareholders the choice whether to hold or sell their shares over the Buy-Back period. The details will be in the Appendix 3C to be released to the market subject to the approval of today's meeting. The buy-back will be in accordance with Corporations Act and ASX listing rules, with the current intention to commence on 5<sup>th</sup> October 2021 and complete this phase of the buy-back by 1<sup>st</sup> November 2021.

This periodic repurchase process will be reviewed following the conclusion of the forthcoming proposed buy-back, to ascertain the effectiveness in narrowing the share price discount to NTA. Shareholders will be advised the outcome of this review, as to whether it remains the most suitable mechanism for narrowing the NTA discount.

## The Year Ahead

For the first three months of this financial year the portfolio returned a pleasing 3.2% against a benchmark of 1.5%. Whilst the market has recovered better than expected in recent months, the uncertainty will prevail as the real economic impact on global and domestic markets of the COVID-19 pandemic presents itself. This will ensure the market volatility continues in a record low interest rate environment.

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

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