

# **Annual General Meeting Ironbark Capital Limited 13 November 2024**

**Doug Hew  
Investment Manager  
Kaplan Funds Management**



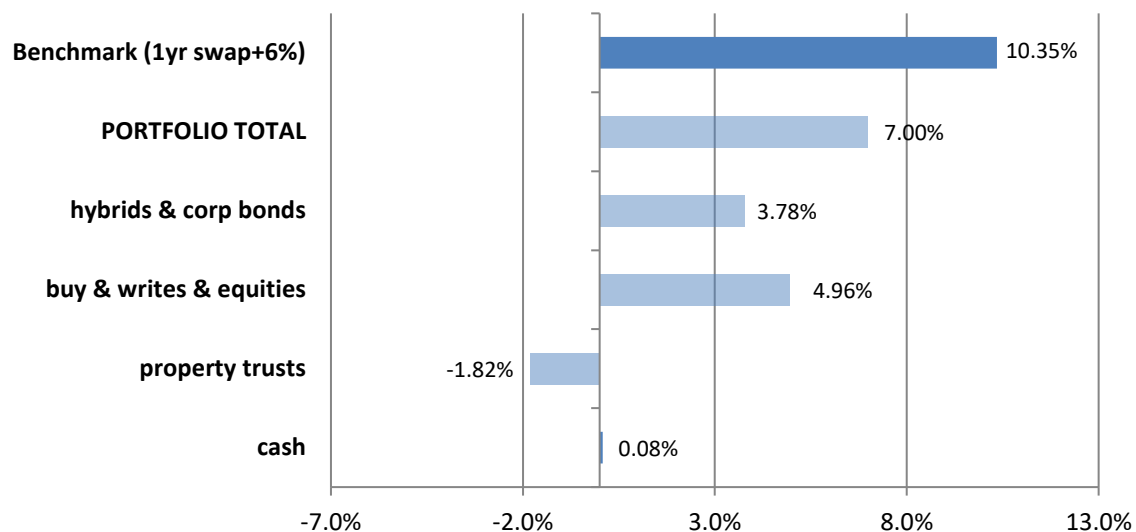
# Ironbark Capital Portfolio

- **Absolute Return Focus**  
Diversified and active portfolio: domestic equities, fixed interest, property and covered call option writing.
- **21.5 year track record (includes GFC & Covid-19)**  
8.9% pa return (pre fees, including franking credits) since inception (48% less volatility than ASX)
- **High Portfolio Yield:**  
Running yield of 6.9%\* (inclusive of franking credits)  
*\*excludes option premium income*
- **Consistent Returns and relatively low volatility**

<i>PERFORMANCE TO 30/6/24</i> \$60m	<b>Inception</b> 21.5yrs % pa	<b>10 Yr</b> % pa	<b>5 Yr</b> % pa	<b>4 Yr</b> % pa	<b>3 Yr</b> % pa	<b>2 Yr</b> % pa	<b>1 Yr</b> % pa	<b>FYTD</b> %
<b>IBC pre fees plus franking</b>	<b>8.90</b>	<b>7.14</b>	<b>7.12</b>	<b>10.21</b>	<b>8.18</b>	<b>10.30</b>	<b>7.00</b>	<b>4.40</b>
<b>1 yr swap +6%</b>	<u>9.50</u>	<u>7.94</u>	<u>7.93</u>	<u>8.26</u>	<u>9.01</u>	<u>10.06</u>	<u>10.35</u>	<u>3.41</u>
<b>Relative performance</b>	-0.61	-0.80	-0.81	1.95	-0.83	0.24	-3.34	1.00
<b>volatility IBC</b>	<b>7.1</b>	<b>7.7</b>	<b>9.6</b>	<b>5.8</b>	<b>6.3</b>	<b>5.4</b>	<b>4.7</b>	<b>4.1</b>
<b>volatility ASX300</b>	13.6	14.1	16.6	13.1	13.7	13.1	11.5	8.6
<b>*ASX 300 Accum</b>	<b>8.97</b>	<b>8.04</b>	<b>7.22</b>	<b>11.28</b>	<b>6.08</b>	<b>13.15</b>	<b>11.92</b>	<b>6.41</b>
<b>Vol relative to ASX</b>	52%	54%	58%	44%	46%	42%	41%	48%

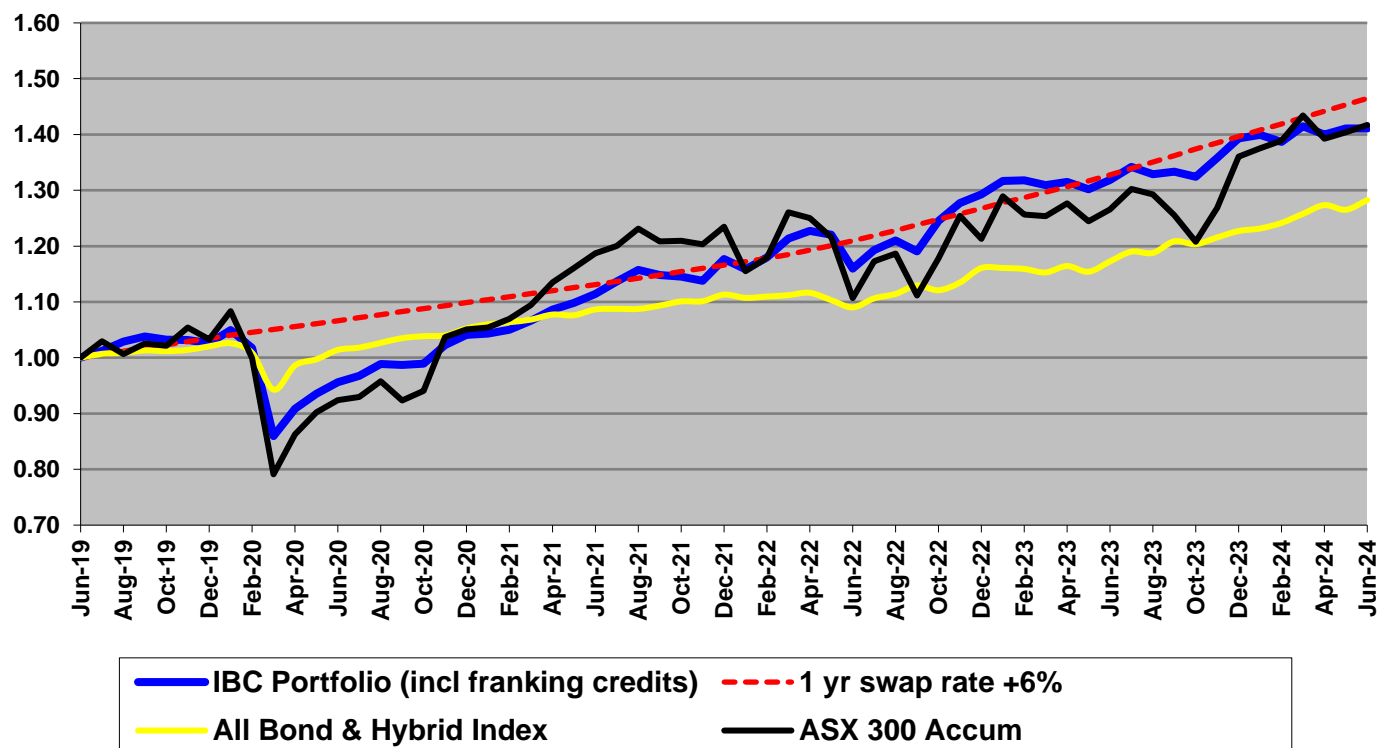
\*ASX 300 Accumulation Index return excludes franking credits

**IRONBARK CAPITAL Jun 2024**  
**12 months - performance & sector contribution**



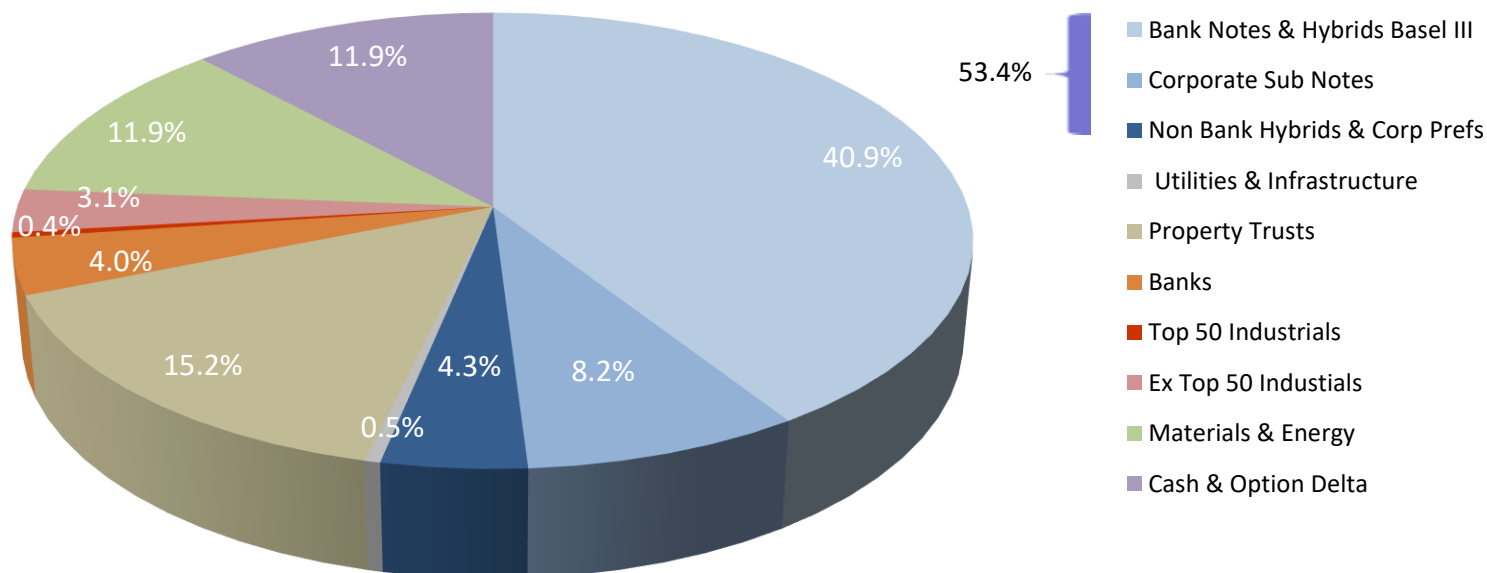
## KAPLAN FUNDS MANAGEMENT

IBC Portfolio performance before management fees + franking credits  
 (5 years to 30 June 2024)



\*ASX 300 Accumulation Index return excludes franking credits

# IRONBARK CAPITAL ASSET ALLOCATION - 30 June 2024



***portfolio running yield 6.9%***

***(includes franking credits but excludes option premium income)***

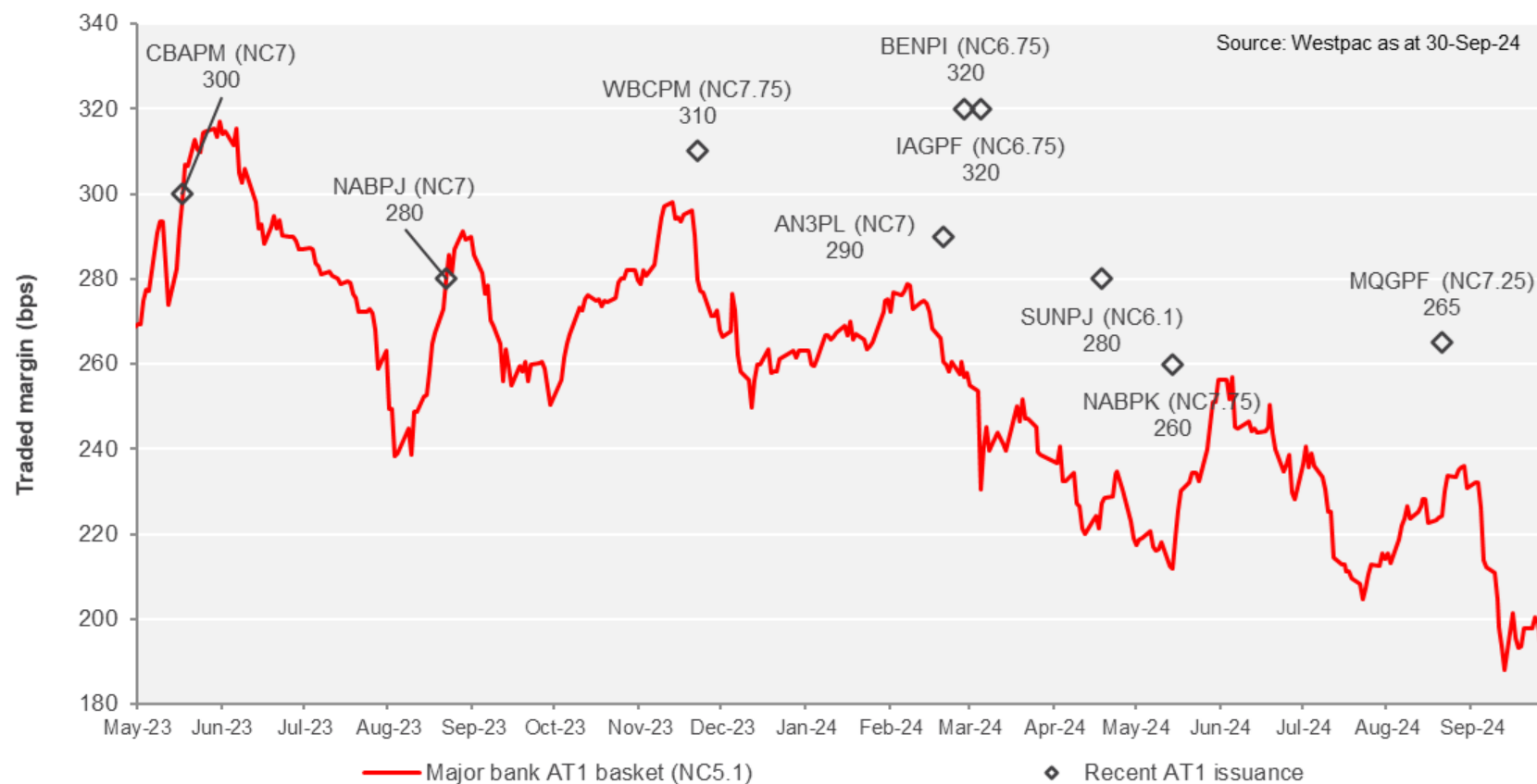
## **APRA is proposing that banks phase out the use of AT1 capital instruments (often called hybrids)**

- For the Advanced banks (4 Majors, Macq, ING) this is to be replaced with 1.25% Tier 2 (subordinated notes) and 0.25% CET1 (equity) and for the remaining banks it is to be fully replaced with Tier 2.

### **Impact on hybrids:**

- Greater redemption certainty for hybrids
- Scarce supply
- Tighter trading margins (FYTD total return 3.4%, One-year total return 10.2%)
- Alternatives:
  - Wholesale Bank & Corporate notes
  - Wholesale Hybrid corporate debt with equity credit

## Major Bank ASX Listed AT1 ~NC5 Basket – Secondary pricing





A\$ Major Bank 5y T2 FRN Secondary Mid

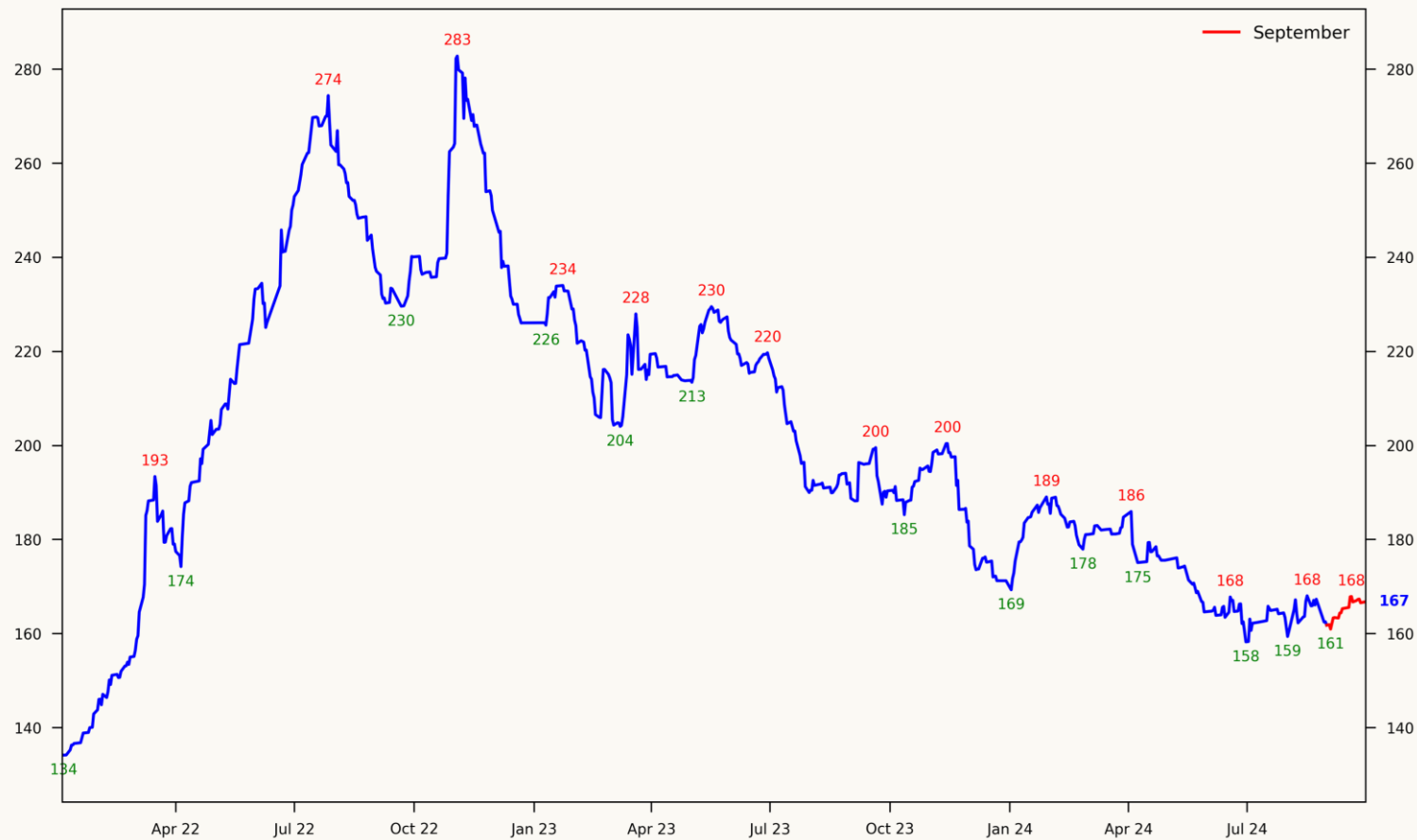


Figure 3: ASX200 and banks PE ratios (on 12m forward consensus earnings)



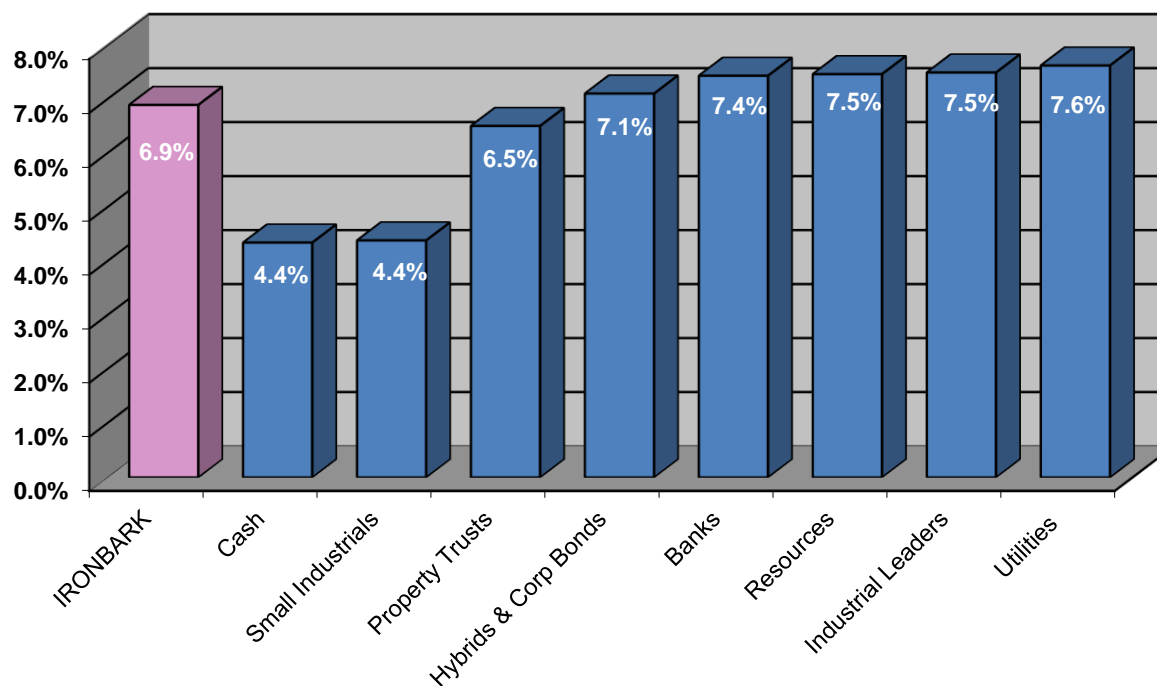
Source: S&P, IBES, Refinitiv, Canaccord Genuity

Figure 4: International bank PE ratios (on 12m forward consensus earnings)



Source: MSCI, IBES, Refinitiv, Canaccord Genuity

**Running Yield Composition of IRONBARK CAPITAL**  
(inclusive of franking credits) 30-6-24



# Outlook

- Official interest rates are likely to remain higher for longer benefiting floating rate corporate bonds and hybrid securities, representing over half of the portfolio.
- Market volatility is expected to remain moderately elevated particularly as global geopolitical risks unfold. High volatility and higher for longer interest rates raises option premiums and buy & write returns, representing around a quarter of the portfolio.
- APRA's proposed phasing out of the hybrid market has increased the attractiveness of Ironbark's established hybrid portfolio. Ironbark is well placed to manage the transition out of hybrids through access to wholesale fixed interest markets.
- IBC's focus on income generation and defensive strategies provides useful diversification for investor's portfolios.

## Questions