



Ironbark Global Diversified Alternatives Fund

Monthly Investment Report

February 2012

The Ironbark Global Diversified Alternatives Fund returned 0.33% gross (0.24% net) for the month

Market Review

Markets continued their strong run in February as US economic data again showed improvement, market volatility and correlations continued to decline, and sovereign spreads tightened in Europe. Indeed, although many potential longer term risks remain, in the near future it appears the European Central Bank's (ECB) latest Long-Term Refinancing Operation (LTRO) is having the desired effect, as near term concerns surrounding banks and sovereign debt in the Euro zone have been effectively washed away by massive amounts of liquidity. Whether or not these efforts will have a materially constructive effect on long-term global economic growth remains to be seen, but at a minimum the immediate result has provided a nice tail wind to equity markets around the globe. As they say, perception is often reality, and the perception that risk in Europe has been mitigated has led to the reality of a clear move towards 'riskier' assets, with fundamentals again at the forefront in terms of price action and quality security selection again being rewarded.

The S&P 500 Index rose by 4.1%, only slightly less than in January, producing the best February result for the index since 1998. European stock markets also rallied, with the exception of Greece, and emerging market equities were strong as well. Japanese markets were especially buoyant, with the Topix jumping 10.7% on the heels of the Bank of Japan announcing an increase in its asset purchase program. In the US the Federal Reserve (the Fed) reiterated its commitment to maintaining sustained low rates, but at the same time appeared to be trying to distance itself from the idea of enacting any additional easing measures in the near term (based on our interpretation of Bernanke's public comments). Yields for 10-year government bonds remained at historically low levels, fluctuating around 2%, and the Barclays Capital Aggregate Bond Index declined very slightly over the month. Bond investors have continued to demonstrate a cautious outlook, despite improving economic fundamentals, and do not appear to share the full optimism of equity investors. Notwithstanding this, the dominant driver of the Treasury market is of course both Fed policy and the perceived risk levels associated with other assets. If fears continue to recede, Treasuries may begin to come under some selling pressure. Historically, when new unemployment claims have dropped to levels close to where they are in the US today, the Fed has raised rates within the next 18 months. Although the current environment differs from previous periods, investors might be well-served to keep this historical correlation in mind.

Market volatility continued to moderate as well, with the VIX (Volatility Index) falling month-end, while economic data – particularly in the US – remained mostly upbeat.

Performance Review & Portfolio Activity

The Fund returned 0.33% gross (0.24% net) for the month. The portfolio received strong performance from the majority of underlying funds, led by the hedge fund replication and relative value trading strategies. Only the portfolio's underlying currency funds detracted from the month's gains.

Performance for the hedge fund replication strategies was driven in large part by long exposure to global large capitalisation equities and short positions in small capitalisation stocks. In addition, short positions in both US Treasuries and the US Dollar were beneficial.

Performance for the portfolio's relative value manager was driven by positions associated with favourable corporate events and credit spread tightening. A number of positions which had been previously classified as bond floor trades were traded as volatility names and contributed profits through gamma trading. The manager increased delta hedges throughout the month as the bonds became more equity sensitive. As in previous months, the manager continued to see small gains from its allocations to distressed convertibles, but these were overshadowed in February due to the gains in bond floor, synthetic put, and volatility oriented trades.

The portfolio's currency managers in aggregate ended the month with small losses as they struggled with falling currency volatility. The trend-following managers in particular had a difficult time with several false breakouts. Our relative-value managers did better, as the correlations between currency moves have begun to break down. This allows managers to be less dependent on getting the direction of the US Dollar right, and instead focus on other pairs such as the New Zealand Dollar versus the Yen; the Swedish Krona versus the Euro, or cross trades



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Performance as at 29 February 2012

Fund size:
\$72.8 million

Exit Price:
\$0.9965

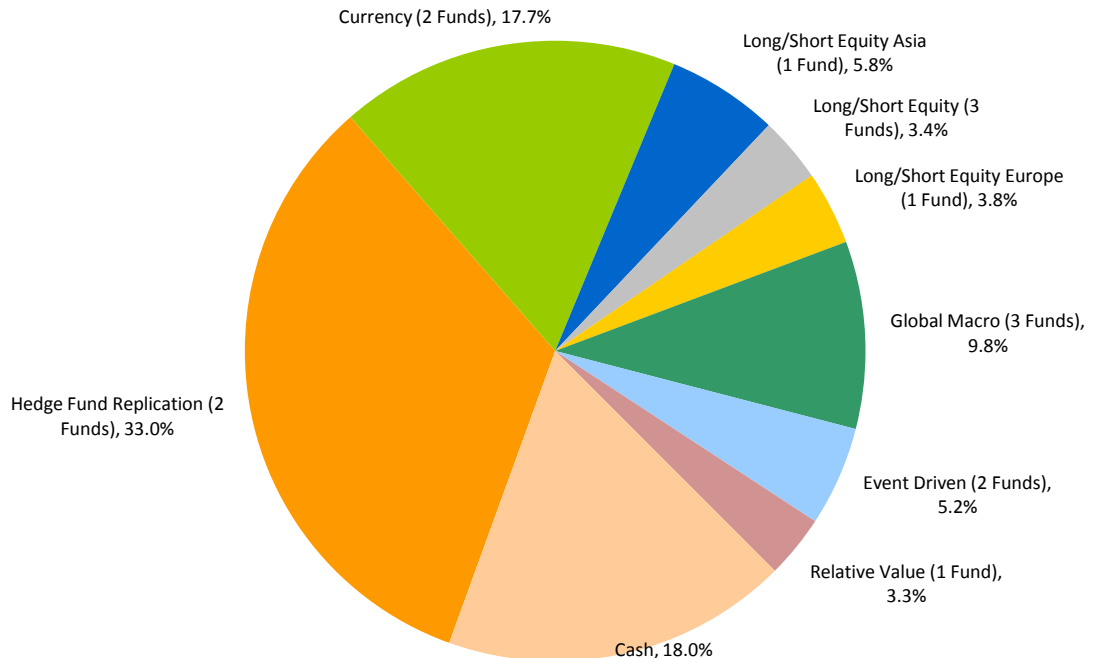
Inception date:
30 Nov 1999

	Gross Fund Return (%)	Net Fund Return (%)
1 month	0.33	0.24
3 months	2.04	1.77
6 months	0.79	0.24
Financial year to date	-0.99	-1.71
1 year	-0.24	-1.33
3 years (pa)	4.46	3.33
5 years (pa)	-0.33	-1.42
7 years (pa)	3.25	2.13
10 years (pa)	4.52	3.39
Since commencement of Fund* (pa)	5.47	4.30

Past performance is not an indication of future results. Gross performance figures are calculated using exit prices, pre-fees and reflect the annual reinvestment of distributions. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distributions.

*This figure represents the annualised performance of the Fund from the first full month of operation. Inception date: 30 November 1999.

Fund Asset Allocation as at 29 February 2012





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Performance Review & Portfolio Activity (continued)

within the emerging markets. Throughout 2011, these currencies were all quite highly correlated with one another, so there was a greater dependence on the US Dollar trade. Quite often months such as February, where currency markets “coil” within ranges, occur just before significant market breaks. We believe this may indeed be the case, and as the economic picture continues to clarify, the FX markets should begin to trade in a more directional manner.

For the portfolio’s long/short equity managers the aforementioned market dynamics resulted in another month of strong returns and good alpha capture, and in many cases on both sides of their books. In terms of sectors, technology related trades led the way for Profit & Loss impact, followed by healthcare and commodity stocks.

Top 5 Holdings by size

Manager	Strategy	Sub-Strategy
Goldman Sachs Structured Investments SICAV	Hedge Fund Replication	Hedge Fund Replication
K2 Hedge Fund Tracker LLC	Hedge Fund Replication	Hedge Fund Replication
K2 Currency Fund, Ltd	Currency	Currency - Fundamental
EB Asia Absolute Return Fund Limited	Long/Short Equity Asia	Long/Short Equity Asia
Lynx (DB FX Select Swap GDAF)	Global Macro	Macro - Systematic

Source: K2 Advisors

Top 5 managers represent 58.91% of Ironbark Global Diversified Alternatives Fund assets as at 29 February 2012.

Market Outlook

The outlook still remains largely unchanged from last month. Three key issues will likely shape investment performance in 2012, and for all intents and purposes they are the same issues we faced throughout 2011: The continuing European sovereign debt crisis; the fiscal position and strength of the US economy; and the potential for a Chinese economic soft-landing.

In Europe much work remains to be done to move towards a more established fiscal union; however policymakers appear to have at last captured the upper hand over panicked markets – at least temporarily. Results from the extension of the 3-year ECB credit line to banks (LTRO) have been encouraging. Since late last year, sovereign and corporate credit spreads have retraced much of the widening experienced during the summer of 2011. Euro zone banks have utilised the ECB liquidity to address the significant near-term debt maturities, while some of the funds have also found their way into the peripheral European sovereign debt markets. For example, Italian 10-year bond yields narrowed by well over 100bps in January. At a minimum these lending lines have demonstrated an ability to alleviate the near term deleveraging pressure, but longer term significant structural and fiscal challenges remain.

In the U.S economic data continues to show greater strength than was expected. Notwithstanding this, unemployment remains high relative to previous economic recoveries, spending growth has not yet recovered to pre-crisis levels, and the risk of rising levels of campaign ‘noise’ in 2012 also poses a threat to market stability. In addition, the ratings agencies could become more vocal should political infighting escalate to absurdly childish levels. Despite these risks the sentiment for forward looking economic growth in North America is generally optimistic.

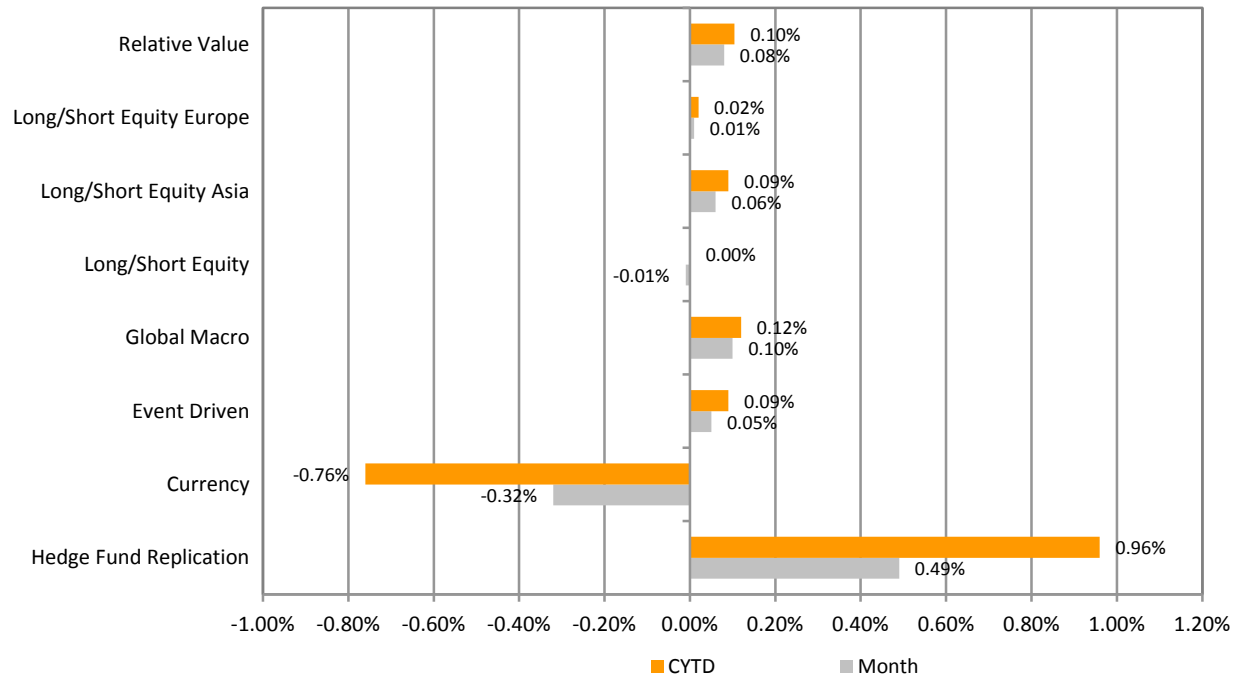


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Fund Performance Attribution as at 29 February 2012



Source: K2 Advisors.

Data is as at 29 February 2012 (excluding cash). The sector contribution referenced above represents the Global Diversified Alternatives Fund (Cayman) ('Master Fund') (stated in USD) in which Ironbark Global Diversified Alternatives Fund (in AUD) invests its assets. These contributions are net of underlying funds' fees but gross of the Fund's fees and expenses.

Fund versus market indices

29 February 2012	Ironbark Global Diversified Alternatives Fund (Net) in AUD	UBS Australia Bank Bill Index in AUD	MSCI World Index hedged in AUD	HFRI Fund of Funds Composite Index in USD	Barclays US Aggr. Bond Index in USD
1 year return	-1.33%	4.92%	-0.84%	-3.06%	8.37%
3 year return pa	3.33%	4.39%	19.29%	4.75%	7.52%
5 year return pa	-1.42%	5.42%	-2.46%	-0.42%	6.36%
Since Fund Inception*					
Net return pa	4.30%	5.48%	0.51%	4.09%	6.37%
Standard deviation pa	5.89%	0.31%	15.75%	5.85%	3.63%
Correlation (Fund vs Index)		-25.84%	59.78%	82.79%	3.24%
Maximum drawdown [^]	-24.29%	0.00%	-52.38%	-22.20%	-3.83%
Best month	4.80%	0.71%	9.77%	6.85%	3.73%
Worst month	-10.22%	0.25%	-18.90%	-6.54%	-3.36%

Past performance is not an indication of future results. Source: K2 Advisors, Ironbark Funds Management (RE) Ltd, Bloomberg.

The Ironbark Global Diversified Alternatives Fund, UBS Australian Bank Bill Index and MSCI World Index Hedged are stated in Australian Dollars, the HFRI Fund of Funds Composite Index and Barclays US Aggregate Bond Index are stated in US Dollars.

*Inception: 30 November 1999; this data represents the annualised performance of the Fund or Index from the first full month of operation of the Fund.

[^]Maximum drawdown refers to the largest overall drop in the Fund or Index value which occurred in a given period before it returned to its previous high.



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Market Outlook (continued)

Overall we are hopeful recent declining market volatility and behaviour is portending good things to come in 2012 in the form of more orderly, fundamentally based and rational market trading. Our managers in general are equally optimistic (though not all of course, as we presume they would not be), and are anticipating continued incremental policy progress and monitoring market reactions in early 2012. While most began the year with a neutral attitude toward risk, the buoyant conditions and continued improvement in macroeconomic data have some beginning to re-price the tail-end event that global equities make a run to the upside, with double-digit positive returns reminiscent of 2003 or 2009. After a year of Euro zone-related distress, such an outcome would be a welcome surprise. In the interim, most are still keeping beta relatively low as they continue to assess market conditions, explore pockets of value and take profits when prudent.

Important information

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