



Ironbark Karara Australian Share Fund

Monthly Investment Report

March 2012

The Fund returned 1.50% (net of fees) for the month, outperforming the benchmark by 0.28%

Market Review

The Australian equity market posted a third consecutive positive monthly return in March. The benchmark S&P/ASX 300 Accumulation Index closed the month with a gain of 1.22%.

Globally, equity markets were mixed over the month. This reflected more variable newsflow, in contrast to the generally positive data over the first two months of the year.

There was a collective sigh of relief early in the month as restructuring of Greek debt held by the private sector was finally completed, saving Greece around €105 billion. The restructuring also triggered insurance contracts based on a Greek debt default. The default event barely rippled markets as the value of insurance contracts that had been written protecting against a Greek debt default was a much lower than initially feared.

While concerns around Greece were defused, fears around the Spanish economy grew over the month. Uncertainty was heightened by a clash between the Spanish government and the EU over Spain's budget deficit trajectory. Markets reacted predictably to events, the Spanish equity market finished the month down 5.8% and Spanish 10 year bond yield rose from 4.96% to 5.35%.

While economic data emanating from the US was mainly positive over the month nonetheless, towards the end of the month, the head of the US Central Bank expressed disappointment with stubbornly high unemployment and suggested that the economy would likely still require assistance to stimulate jobs growth. The US equity market responded strongly to these comments finishing the month up 3.1%.

In China, the government announced a growth target of 7.5% for 2012, down from 8% in 2011. This announcement served to renew controversy regarding how much slowing the government was seeking to engineer in 2012. A much watched survey of new orders and output in China was also weak. The Chinese equity market and regional China-sensitive equity markets (such as Hong Kong, Taiwan and Korea) reacted negatively to this newsflow. Metal prices also reacted negatively, with aluminium (-8.8%) the stand out.

The Australian metals and mining sector (-4.8%) was swept up in these sentiments and was the worst performing sector of the Australian equity market over the month.

The Australian energy sector (-2.1%) also fell back over the month, after strong performance in the previous month. While the oil price was little changed, bellicose rhetoric emanating from various countries in relation to

Performance as at 31 March 2012

	Net Fund Return (%)	Benchmark [^] (%)	Excess Return (%)	
Fund size: \$29.2 million				
	1 month	1.50	1.22	0.28
	3 months	9.90	8.58	1.32
Exit Price: \$1.1392	6 months	13.41	10.81	2.60
	Financial year to date	-1.40	-2.10	0.70
	1 year	-5.40	-6.27	0.87
Inception date: 30 June 2005	2 years (pa)	-2.09	-1.28	-0.81
	3 years (pa)	10.11	11.96	-1.85
	4 years (pa)	0.00	-0.91	0.91
	5 years (pa)	-2.31	-1.95	-0.36
	Since commencement of Fund* (pa)	4.47	4.88	-0.41

Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution.

Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund may be different from the information in this report.

[^]The S&P/ASX 300 Accumulation Index was adopted as the Fund's performance benchmark on 1 July 2010. Benchmark calculations prior to this date are based on the S&P/ASX All Ordinaries Index.

*This figure represents the annualised performance of the Fund since inception.



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Market Review (continued)

Iran's nuclear program moderated somewhat over the month and, with that, concerns of an imminent shock to global oil supply eased (Iran is the world's third largest oil exporter). Tensions remain high, however, and the risk of further escalation in the short term remains as US and European sanctions against Iran begin to bite and Iran progresses its nuclear ambitions.

Economic data released in Australia over the month was mixed. Jobs data released for February provided a good illustration of the "patchwork" nature of the economy at the current time. At a headline level, the unemployment rate rose to 5.2% in February, with overall employment declining by 15,400. Within this, jobs in Western Australia rose by 16,300 (leaving the WA unemployment rate at 4%), whereas in Queensland, hard hit by the decline in local and international tourism, net job losses of 18,500 were recorded, leaving the state unemployment rate at 5.7%.

Performance Review & Portfolio Activity

The Fund outperformed the benchmark in March, the banking sector was the key contributor to performance

The Fund rose 1.50% (net) in March outperforming the benchmark by 0.28%.

Driving the Australian market higher in March was the strong performance of the banking sector (3.8%). The sector is expected to benefit from lower funding costs as liquidity injected by the European Central Bank into the European banking system in February improves investor risk appetite for bank debt globally. Fund performance benefited from an overweight exposure to the sector. The fund added to its sector holdings by reducing its underweight exposure to Westpac Banking Corporation, the Australian bank with the largest international funding exposure, during the month for this reason.

The market's performance over the month was strong considering the headwinds from the metals and mining and energy sectors and also several downgrades to company profit guidance.

A key factor in many of the downgrades was the weather. March was an exceptionally wet month across large swathes of the country. Wet weather factored in downgrades from residential developer, Stockland (-7.3%), coal hauler, QR National (-4.6%) and infrastructure developer, Leighton Holdings (-14.2%).

Of these, the Fund's performance was negatively impacted through its exposure to Leighton. The company is currently engaged in the construction of the Airport Link road project in Brisbane. The project has a deadline of 30 June 2012. Wet weather, amongst other factors, have impacted the company's ability to undertake work on the project and, as a consequence, Leighton will be forced to dedicate extra resources to the project to ensure the deadline is met. Disappointingly, at the same time as the Airport Link announcement, the company revealed that additional cost overruns were expected on the desalination plant that the company is currently constructing at Wonthaggi in Victoria. Weather notwithstanding, the company's credibility has been damaged by these announcements, especially as investors had been reassured by the company as recently as February that both projects were on track. Nonetheless, we view the problems with these two large and complicated projects as isolated events rather than indicative of broader problems across the company's portfolio of

Key Contributors & Detractors

Top 5 Contributors	Active Position	Top 5 Detractors	Active Position
QBE Insurance Group Ltd.	Overweight	Leighton Holdings Ltd.	Overweight
Newcrest Mining Ltd.	Underweight	CSL Ltd.	Underweight
Woodside Petroleum Ltd.	Underweight	Rio Tinto Ltd.	Overweight
Macquarie Group Ltd.	Overweight	Woolworths Ltd.	Underweight
Crown Ltd.	Overweight	Saracen Mineral Holdings Ltd.	Overweight



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Performance Review & Portfolio Activity (continued)

projects. As these legacy projects are delivered over the balance of the year, we expect investors to focus back on the company's attractive longer term pipeline of opportunities.

The most significant positive contributor to Fund performance over the month was QBE Insurance (23.8%), a general insurer with global operations. At the end of February the company had sought capital from shareholders to bolster its balance sheet after abnormal losses from catastrophes (such as floods and hurricanes) in 2011. The Fund participated in the raising and added further to its position on market at that time. As discussed in the January commentary, we see the company well positioned to capitalise on higher future insurance premiums flowing from 2011's insurance industry losses. The appreciation in stock price over the month likely reflected other investors reaching the same conclusion. Also, QBE is a beneficiary of higher US bond yields as these boost its investment income, no doubt stronger US economic data in March led some to conclude that higher yields may eventuate sooner than previous expectations.

Top 5 Holdings

Security Name	Sector	% of Fund
BHP Billiton Ltd.	Materials	11.14
National Australia Bank Ltd.	Banks	8.52
Australia & New Zealand Banking Group Ltd.	Banks	7.99
Westpac Banking Corp.	Banks	5.21
Rio Tinto Ltd.	Materials	4.87

Market Outlook

While some progress has been made in attempts to resolve the debt and deficit crisis afflicting Europe, the issues are vexed, with social as well as economic dimensions. We expect governments to continue to iterate towards credible plans for tackling Europe's challenges over 2012. Nonetheless, the complexity of the problems faced inevitably means further turbulence can be expected before a sustainable resolution is reached.

The US is entering an electoral cycle in 2012 that promises little bipartisan agreement on needed fiscal initiatives. This situation will also likely periodically trouble financial markets over the course of the year. However, we do not expect a lack of positive policy initiatives in 2012 to derail the US economic recovery. Economic activity exhibited surprising resilience in the US over 2011 and we see evidence that the country's economic and financial systems are continuing to heal.

In China authorities are currently engaged in the tricky task of reining in inflation without derailing economic growth. In tandem, the government is also working on the medium term challenge of re-orienting the Chinese economy away from a reliance on property and infrastructure investment to fuel growth to a more sustainable growth dynamic which encompasses a higher proportion of household consumption.

The evidence to date suggests that Chinese authorities have had a remarkable amount of success in their key short term objective of inflation-fighting without unduly curtailing growth. Furthermore, should growth slow excessively, either through the government's own actions or due to an external shock, we are comforted by the fact that the Chinese government has a range of policy tools at its disposal to reignite activity.

The pace of China's growth and the composition of that growth have been, and continue to be, vital issues for Australia's economic prosperity. Over the past decade it has been the rapid pace of Chinese growth, in

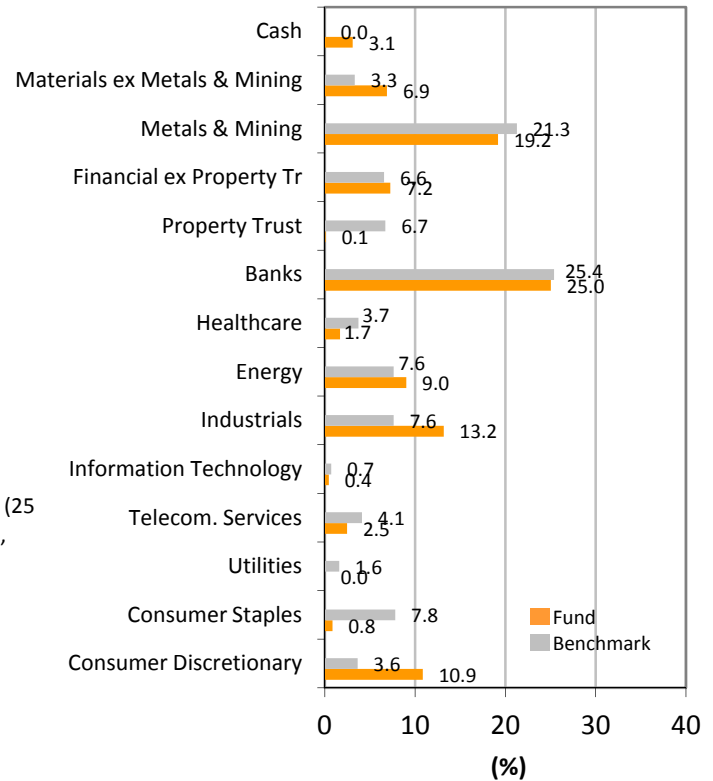
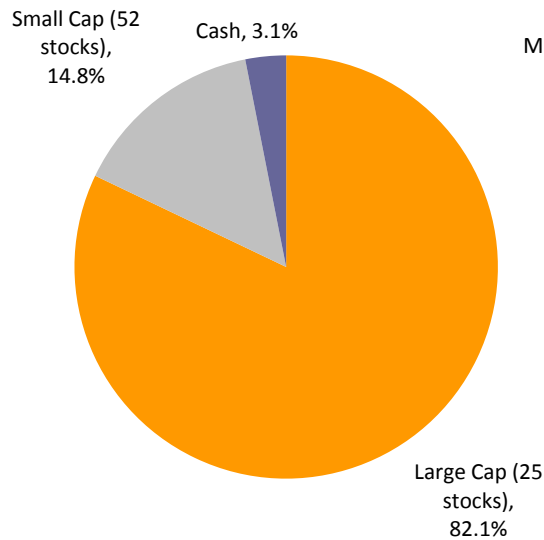


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Asset Allocation as at 31 March 2012



Market Outlook (continued)

conjunction with the commodity-intensive nature of that growth, which has propelled the prices of Australian commodity exports to record highs and, in the process, delivered an enormous tailwind to Australia's resources sector and to the Australian economy more broadly.

In the medium term, as new sources of commodity supply are opened up and Chinese economic growth slows, and the mix of that growth changes, and the upward impetus to commodity prices from Chinese demand will abate. Of course, there are a range of other industrialising countries that may assume China's role and, even if prices fall, Australia's national income will be somewhat buffered by rising export volumes. We continue to closely monitor the way in which this situation unfolds, in particular, the path for resource company profitability and national income is unlikely to be a smooth one.

In the short term, Australia's economic health and resilience to external economic shocks remains strong. In particular, in the event of adverse external conditions, the Reserve Bank of Australia (RBA) has significant scope to stimulate domestic economic activity through ongoing reductions in the official interest rate.

Stock markets are acutely attuned to changes in global growth expectations. With the global economic outlook likely to remain uncertain in the immediate future, we expect equity markets to remain volatile. However, in the medium term, we remain optimistic that governments will undertake the reforms necessary to entrench



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Market Outlook (continued)

global economic expansion. On this medium term perspective, equity markets appear attractive at current levels.

While investors ride out any short term market gyrations, they can take comfort from the balance sheet strength of corporate Australia and benefit from the attractive dividend yield currently on offer in the Australian equity market.

Important information

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