



Ironbark Karara Australian Small Companies Fund

Monthly Investment Report March 2012

The Fund returned 0.92% (net of fees) for the month, outperforming the benchmark by 0.73% (net of fees)

Market Review

Small Cap stocks underperformed Large Caps, gaining 0.19%, while the S&P/ASX 300 Accumulation index rose 1.22% in March

Australian equity markets continued their solid new year rally during March, spurred on by the US market's strongest first quarter performance since 1998. The broad based S&P/ASX 300 Accumulation Index rose 1.22%, but lagged other major markets once again such as Japan and the US. Small cap stocks rose 0.19% underperforming large cap stocks, largely reflecting the poor relative performance of the small cap mining sector amid renewed Chinese growth fears.

Europe remained in focus during March and global equities received a boost when the Greek government's collective 75% threshold participation in its bond swap deal was attained. This led to credit default swaps (CDS) on Greek government debt with a notional value of between \$3bn and \$5bn being activated. With the long standing issue seemingly resolved at least in the short term, the European Central Bank (ECB) held a policy meeting with an accompanying change in rhetoric driving a return in confidence in the Euro.

But just as Greece's recent issues appeared closer to resolution, the country considered next most likely to require a bail-out, Spain, shifted its 2012 fiscal deficit target from 4.4% of GDP to 5.8%. This followed a significant overshoot in the prior year of 8.5% from a planned 6% and served to remind markets that broader Euro sovereign debt issues will take some time to resolve.

March European data showed CPI steady at 2.7% year-on-year, while industrial production rose 0.2% in February after a 1.1% fall in January with the year-on-year number down 1.2%. Meanwhile, German investor sentiment surged according to the ZEW economic sentiment index which rose to 22.3 in March from 5.4 in February, the best result since June 2010.

In the US, the ISM manufacturing index dipped in February to 52.4 from 54.1 in January, however as the data was accompanied by improved jobless claims averaging 365,000 so far in 2012, compared with 410,000 in 2011, the market latched onto the positive and US stocks finished their best first quarter performance since 1998. Also boosting US market optimism was retail sales data up 1.1% in February and chain store sales rising 6.7% year-on-year in February according to the International Council of Shopping Centres (ICSC).

However, Federal Reserve Chairman Ben Bernake took some gloss off the mood around mid-month in testimony to Congress suggesting that although employment growth had been widespread across industries, the labour market remained far from normal and the fundamentals remained weak, effectively reassuring the market the Fed was committed to low US interest rates for some time yet.

The sell-off in global bonds continued during March. US 10-year yields rose from 2% to 2.2% over the course of

Performance as at 31 March 2012

**Fund size:
\$80.9 million**

**Exit Price:
\$2.4975**

**Inception date:
30 June 2005**

	Net Fund Return (%)	Benchmark (%)	Excess return (%)
1 month	0.92	0.19	0.73
3 months	15.86	14.98	0.88
6 months	18.32	14.30	4.02
Financial year to date	6.69	0.82	5.87
1 year	0.50	-8.57	9.07
2 years (pa)	11.10	1.86	9.24
3 years (pa)	25.27	17.93	7.34
4 years (pa)	12.65	-2.89	15.54
5 years (pa)	8.48	-3.85	12.33
Since commencement of Fund* (pa)	17.49	4.47	13.02

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.

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



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Market Review (continued)

the month, while the Italian 10-year month-end yield of 5.1% was still well below the key 7% psychological barrier.

In China the government announced a relatively soft growth target for 2012 of 7.5%, down from 8% in 2011. Markets were further reminded that China's economy may be slowing after BHP suggested iron ore demand was flattening. Given the generally tightening policy stance adopted by the Chinese Government up until fairly recently, it was somewhat surprising to see such a significant market reaction with the materials sector bearing the brunt of the market's incessant short-term focus.

Australian economic data was also weaker than expected with 4Q GDP growth only 0.4% quarter-on-quarter vs. expectations of 0.8%. The NAB business confidence index slipped in February to +1 from +4, the unemployment rate edged up to 5.2% and Australia posted its first trade deficit since February 2011 at \$673m. The Reserve Bank of Australia (RBA) left interest rates unchanged at 4.25% for the second consecutive month.

Key commodities mostly traded in a narrow range, driven down by a stronger USD and Chinese growth concerns and pulled up by strong risk appetite on the other hand. Oil prices (Spot Brent -0.3%) were affected by several qualitative reports such as Iran and EU negotiations over Iran's nuclear program, mooted plans to release oil from the strategic reserves of the US and UK, and the potential for Saudi Arabia to lift production by 25% if needed.

Base metals (LME index -3.4%) were affected by Chinese growth concerns with aluminium (spot LME -8.8%) the standout. Iron Ore prices (fines 3.2%) were up on higher Chinese inventories. Gold (spot -2.5%) fell with a stronger USD and receding hopes of monetary easing.

The AUD slipped 3.6% against the USD which firmed against most currencies.

Performance Review & Portfolio Activity

The Fund rose 0.92% (net) during March. This constituted 0.73% of outperformance when compared with the benchmark S&P/ASX Small Ordinaries Accumulation Index return of 0.19% for the month.

At a sector level the strongest contributors to Fund performance were overweight positions in Industrials and Energy, while an underweight position in Consumer Staples also contributed to performance. An overweight position in Consumer Discretionary detracted.

At a stock level the major contributors to Fund performance were Maverick Drilling and Exploration (58%), Global Construction Services (23%) and MACA Ltd (12%) while a nil holding in Intrepid (-44%) also contributed to relative performance. The major detractors to performance included overweight positions in Saracen (-23%), PanAust (-16%) and an underweight position in Telecom NZ (14%).

Top 5 Holdings

Security Name	Sector	% of Fund
Ramsay Health Care Ltd.	Health Care	3.86
M2 Telecommunications Group Ltd.	Telecommunications	3.72
Mineral Resources Ltd.	Industrials	3.68
Ausdrill Ltd.	Industrials	3.39
Qube Logistics Holdings Ltd.	Industrials	3.28



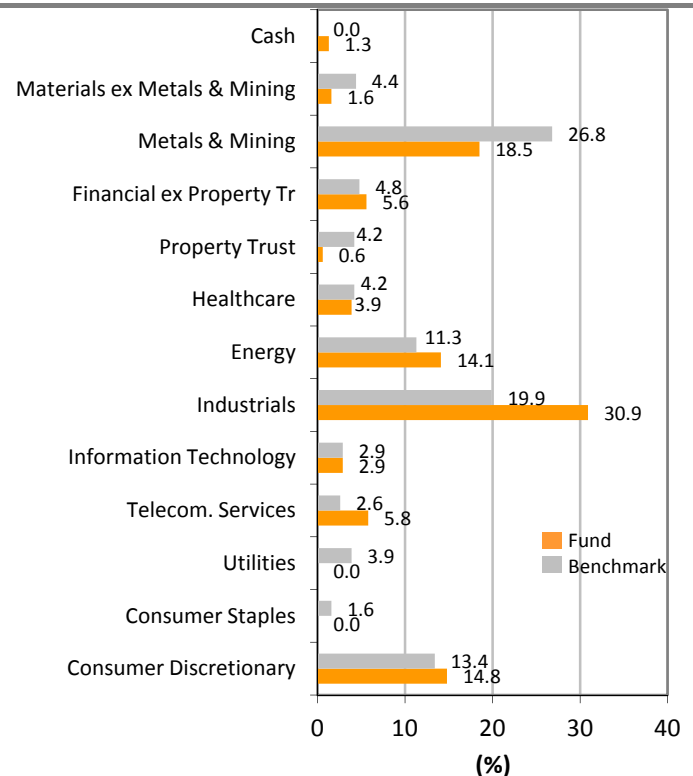
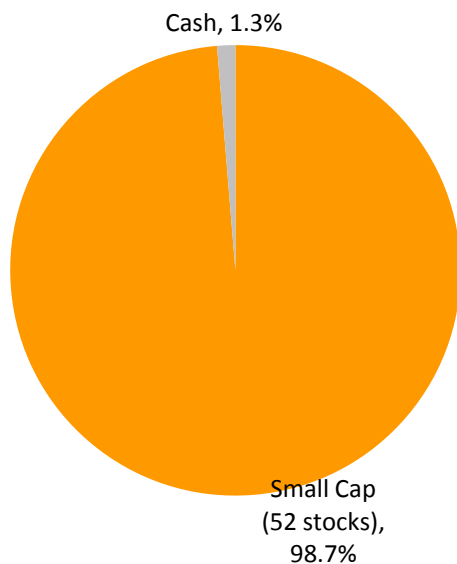
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Key Contributors & Detractors

Top 5 Contributors	Active Position	Top 5 Detractors	Active Position
Maverick Drilling & Exploration Ltd.	Overweight	Saracen Mineral Holdings Ltd.	Overweight
Global Construction Services Ltd.	Overweight	PanAust Ltd	Overweight
Maca Ltd.	Overweight	Red 5 Ltd.	Overweight
Intrepid Mines Ltd.	Underweight	Beadell Resources Ltd.	Overweight
Ramsay Health Care Ltd.	Overweight	Silver Lake Resources Ltd.	Overweight

Asset Allocation as at 31 March 2012



Market Outlook

Volatility, sovereign debt issues and slowing global economic growth are likely to be persistent themes throughout 2012.

While Europe is contracting and Asia is slowing, the US outlook has improved with some signs that the long awaited recovery might be underway with improvements in housing and unemployment indicators evident. Continued modest growth in the US would be positive for market recovery in 2012.

In Australia, macro uncertainties, in association with a relatively strong AUD and a weak consumer, have dampened investor sentiment. Australian equity market valuations are factoring in a weak outcome in 2012, one we believe is poorer than will eventuate. The Fund retains a significant exposure to the anticipated expansion in mining activity over the next three to five years and an underweight exposure to highly leveraged consumer discretionary stocks, among others.

We continue to believe a combination of attractive company valuations, strong corporate balance sheets and



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Market Outlook (continued)

low international interest rates provide an attractive backdrop for investment in equities over the medium term.

We believe the domestic economy remains relatively well positioned given strong linkages to faster growing developing nations and their demand for nation building commodities over the medium to long term.

In the short term, should a slowdown in global growth meaningfully impact the domestic economy, the RBA has significant scope to stimulate domestic economic activity via further cuts in official interest rates. The likely associated fall in the AUD would also improve Australia's international competitiveness and bolster the offshore revenues of Australian companies.

We continue to expect our Fund holdings to deliver earnings ahead of the wider market and elevated M&A activity in the small companies sector.

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