

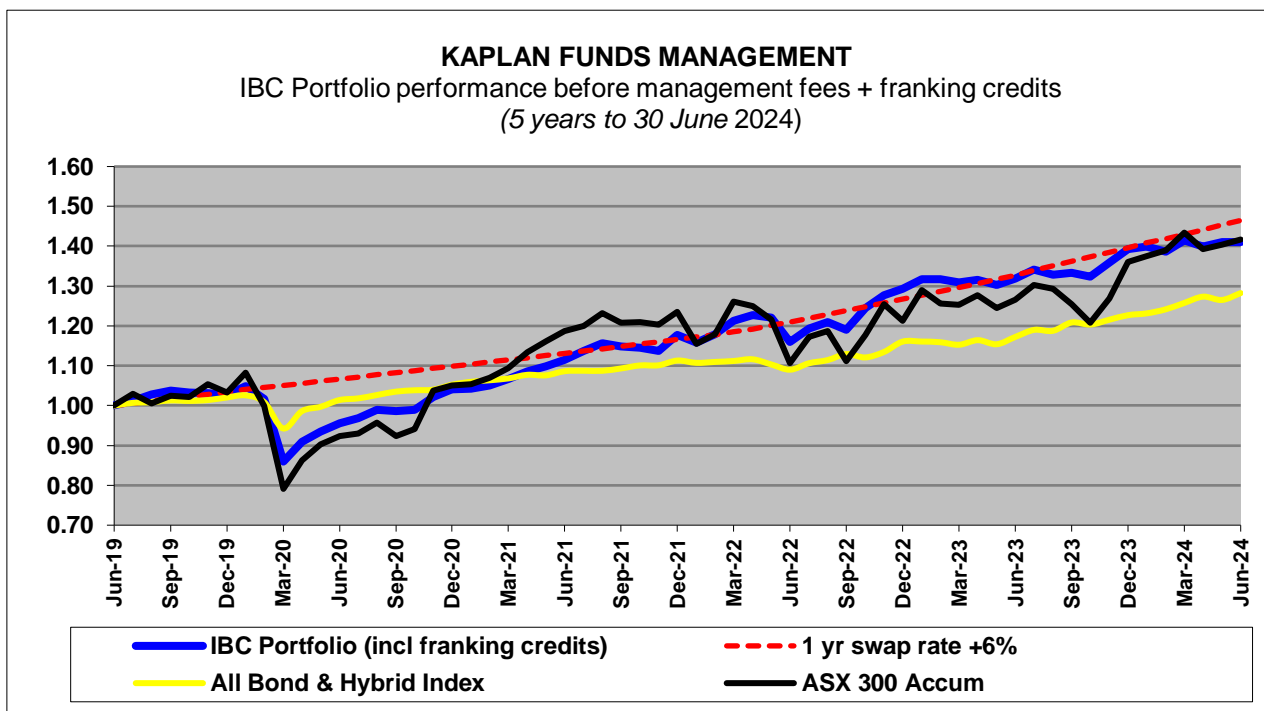
Investment Manager Report –financial year to 30 June 2024

The manager’s focus is to deliver consistent returns and a high fully franked dividend yield from the portfolio. IBC’s performance benchmark is the 1-year swap rate plus 6% per annum.

Performance measurement includes franking credits and option premium income. Franking credits are included in performance because they are a significant source of return from IBC’s hybrid investments and are beneficial for shareholders. Option premium income is generated from buy & write activity and varies with market conditions. Over the year, realised option premium income was around \$0.8m (1.3% of the portfolio). The calculation of the portfolio’s current running yield of 6.97% excludes option income because realised option premiums are highly variable from year to year.

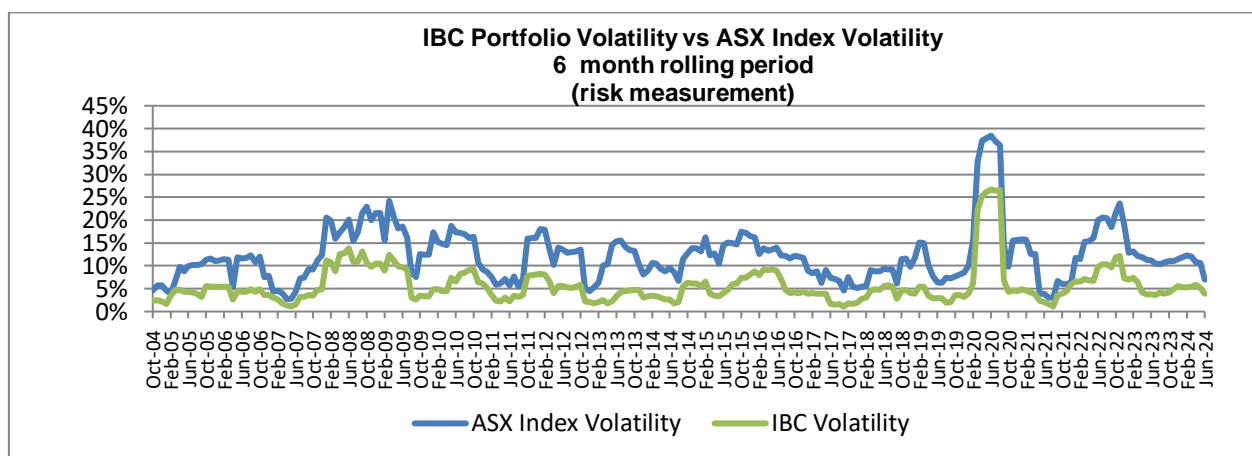
IBC recorded a sound return of 7.0% over the financial year with conservative settings and low relative volatility. The return, however, underperformed the benchmark return of 10.35% (1 year swap rate +6%pa). Since inception, over 20 years including two crisis periods (GFC & Covid-19) the portfolio achieved a return of 8.9%pa with 52% of equity market risk measured in terms of volatility.

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



IRONBARK CAPITAL LIMITED

IBC's focus on income generation and capital preservation from a balanced portfolio structure has delivered very good risk adjusted returns compared to the equities market.



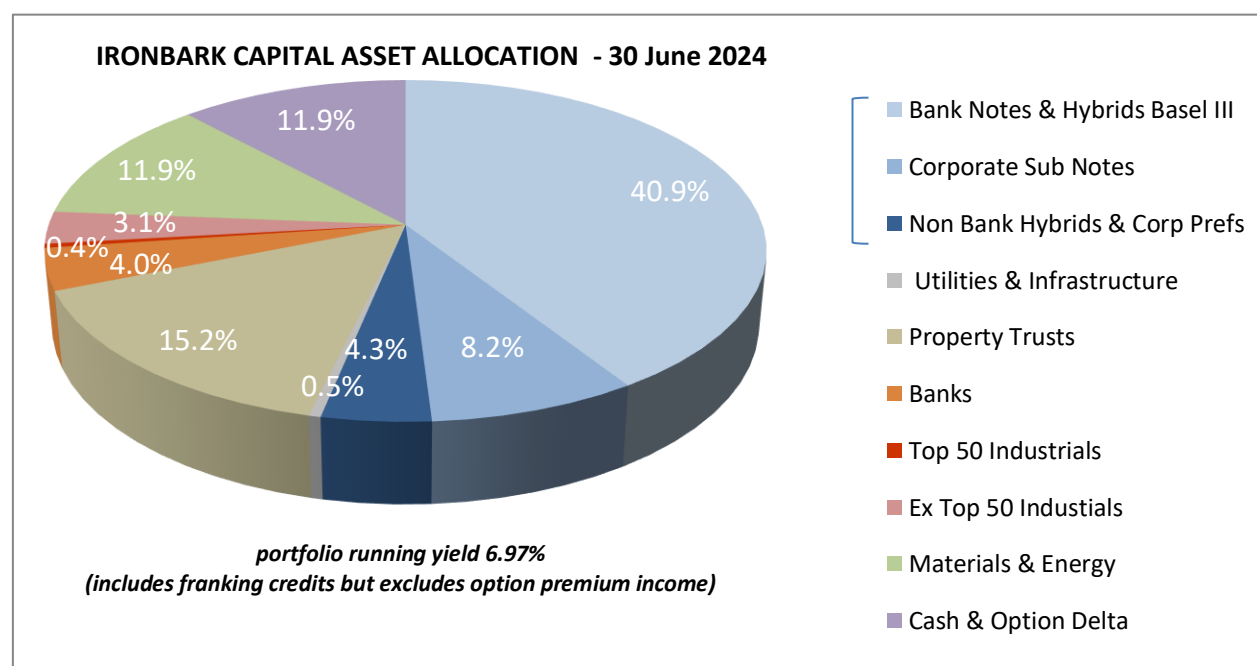
Portfolio

The portfolio is structured with an emphasis on income through yield orientated securities (hybrids and corporate bonds, utilities, property trusts) and buy & write positions in leading companies. The portfolio's running yield was 6.97% inclusive of franking credits but excluding option premium income.

The buy & write strategy involves buying selective shares and selling, subject to appropriate timing, call options over those shares. This strategy gives away some of the upside potential from a shareholding but generates option premium income consistent with the income emphasis of the portfolio.

The portfolio is diversified across 21 different entities. Higher risk exposures in banks, industrials and resources are largely held through buy & write option positions for income enhancement or added protection. The portfolio's hybrid and corporate bond holdings are mostly floating rate securities with little duration risk.

Approximately 53% of the portfolio was held in hybrids and corporate bonds and 25% in buy & write physical exposures (15.4% net of delta) in Banks, Telstra, BHP and Woodside. The balance was represented by 15% in property trusts, 3% in mid-small industrial companies, 1.2% in small resources, 0.5% utilities, and 11.9% held in cash & option delta.



Portfolio Performance-financial year to 30 June 2024

The portfolio recorded a return of 7.0% for the financial year.

The main change to the portfolio over the year involved a further increase in floating rate wholesale unlisted subordinate notes and major bank hybrids from 46% to 53% of the portfolio. Subordinate notes were purchased on issue margins ranging from 1.95% and 2.35% above the bank bill rate. Hybrids were purchased on higher issue margins ranging from 2.6% to 3.1%. Hybrid and corporate bonds delivered a good return of around 8% over the year.

Buy & writes returned 15% and benefited from stronger bank share prices and the introduction of Origin Energy, whilst resource shares were flat. However, the buy & write contribution was limited by rising option delta as share prices rallied. Option writing contributed 0.8% (realised and unrealised profits) to the total portfolio return over the year.

Property trust holdings returned -10% more than reversing the rally in the first half of the year. High interest rates, office vacancies, and cyclical costs pressures in healthcare weighed on the sector with only industrial property performing well.

