****

**AC Managed Equity Portfolio**

**March 2023 Quarterly Review**

PORTFOLIO PERFORMANCE

The AC Managed Equity Portfolio returned 4.77% compared to the benchmark S&P/ASX 200 (TR) return of 3.46% giving a relative performance of 1.31% for the period.

## PERFORMANCE TO 31 MARCH 2023

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Return %** | **1Mth** | **3Mths** | **6Mths** | **1Yr** | **3Yrs** | **5Yrs** | **SinceInception (29/10/2013)** |
| Portfolio | 0.61 | 4.77 | 20.28 | 10.56 | 20.00 | 13.26 | 11.77 |
| Benchmark | -0.16 | 3.46 | 13.19 | 0.10 | 16.52 | 8.69 | 7.39 |
| **Relative Performance** | **0.77** | **1.31** | **7.09** | **10.46** | **3.48** | **4.57** | **4.38** |

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

## QUARTERLY REVIEW

The decision to weight heavily into gold miners back in September continued to help the portfolio, and during the quarter direct gold (via etf) was added, in time to catch a pick up in the gold price. Elsewhere FMG gained ground, but Lynas retreated as Elon Musk signalled that Tesla would not be using rare metals in the long term, and the market believed him. We've added to the position.

The decision to buy back into RWC after its unexplained fall ahead of the dividend also was a strong performance contributor.

Weebit Nano, a small speculative stock that is potentially poised to revolutionise the chip market went for a major share price run, allowing us to take some major profits for the portfolio, and then buy back in when it fell back on announcing a capital raise. In the end it fell from over $9 to under $5, and that activated a rebuild of weighting and a minor "double or quit" play. As I write its going for another run in April.

The portfolio recently bought into Droneshield (DRO), with high hopes that its AI technology and anti-drone systems will get taken up by western militaries and airports and even formula 1 events! It’s somewhat reminiscent of Racal Electronics, which I discovered when it was capitalised at 2 million pounds (it now owns Vodafone and is a global business). At the time it had developed laser range finding technology that so improved the accuracy of infantry anti tank weapons that I decided there was no future in joining a tank regiment as a reservist!

Like all my very best ever investments, Racal immediately fell 10% after I bought into it (on behalf of the BBC Pension fund and Ford Europe), before commencing its stellar run.

So the fact that Droneshield underperformed over the quarter is not of immediate concern. I expect a flurry of new orders in 2023. The company is using its issue proceeds to buy in scarce inventory chips and build production ahead of orders. That is potentially a risky way to run a business, but its also demonstrating supreme confidence in future product orders and an entrepreneurial approach, which personally I think makes sense. They have already supplied Ukraine, Australian DOD and USA DoD as well as some other high profile "events", including Australian grand prix. The most likely event, I believe, is an early takeout by one of the major global defence companies seeking to fast track into drone defences. I have also bought a "double or quit" position for participating clients.

Long term clients may remember that I first bought into Bellevue Gold when it traded at 5c a share as an explorer and started drilling for the first time. This quarter it entered the ASX200 index, and is poised to mine its first gold.

## TOP 5 STOCKS BY WEIGHT AS AT 31 MARCH 2023

|  |  |
| --- | --- |
| **Company Name** | **Sector** |
| NORTHERN STAR ORDINARY | Materials |
| RELIANCE WORLDWIDE ORDINARY | Industrials |
| BETA GLOBAL GOLD ETF UNITS | Unidentified |
| BELLEVUE GOLD LTD ORDINARY | Materials |
| BETASHARES GOLD ETF ETF UNITS | Unidentified |

## MARKET OUTLOOK

As I write, the Reverse (sic) Bank has again increased interest rates. Some major economists expected a pause, but as I have been saying for months now, rates will probably have to rise much higher this cycle than almost all pundits expect, to choke off consumer demand and inflation. A similar set of circumstances exists in the USA.

 This is putting increasing pressure on the Equity Risk Premium, a term basically describing the excess return expected from equities compared with bond prices or more precisely the "risk -free rate". As interest rates rise, so equities have to justify a higher expected return. Currently there is some disconnect between what companies are experiencing and guiding and consensus expectations.

In the end, an existential event may trigger the next correction. The most imminent risk is if Putin resorts to tactical nuclear weapons in a final desperate act if Ukraine defies predictions and routs the Russian forces as the counter-offensive gets underway in earnest..

China will trigger a USA response if it attempts to invade Taiwan, a mere 36,000 sq km of territory, so it is unlikely to do so until its relative military strength is greater, which is some years away.

It is unlikely to provoke a response if it instead invades "Outer Manchuria" once Russia implodes into chaos. It will be restoring the territory lost to the Russians in 1858-1860. Over 1 million sq km of very resource rich, sparsely populated territory is on offer, largely occupied now by businesses owned by China and people of Asian origin.  This represents a strategic opportunity that China may find hard to resist taking, which would fundamentally change the geopolitical framework and might be just months away.

With Putin and Xi both exercising ruthless autocratic control over their economies, and operating with questionable information from their remaining advisers, geopolitical risks are at least as high as I can recall since the late seventies. Which is one of the reasons I've been holding, since September, my largest gold stock weightings since 1979.

The USA is once again approaching its’ “debt ceiling”, which has to be raised else it triggers a debt default. Politicians play at brinkmanship every time, but with the state of US politics this time who knows?. So while this coming quarter may end up being positive for equities, led probably by AI mania, the main aim is to avoid losing too much if one of these scenarios comes to fruition. IMPORTANT INFORMATION

The financial commentary contained within this quarterly report has been prepared and provided by Aldersley Capital Pty Ltd (ABN 14 002 972 901) a corporate authorised representative (No. 420193) of Andika Pty Ltd (ABN 41 117 403 326 and AFSL 297069), who is the Portfolio Manager of the managed portfolio options available through the HUB24 Managed Portfolio Service.

The information in this report is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. The information is not intended to be financial product advice or legal advice. The suitability of the HUB24 Managed Portfolio Service to your needs and the suitability of a particular Managed Portfolio option depends on your individual circumstances and objectives and should be discussed with your adviser. Potential investors must read the Financial Services Guide (‘FSG’), target market determination (‘TMD’) and HUB24 Managed Portfolio Service Product Disclosure Statement (‘PDS’), along with any accompanying materials.

Ironbark Asset Management (Fund Services) Limited ABN 63 116 232 154 AFSL 298626 (‘Ironbark’, ‘Responsible Entity’, ‘we’, ‘us’, or ‘our’) is the issuer of the PDS and TMD and is the responsible entity of the HUB24 Managed Portfolio Service ARSN 645 033 941 ('HUB24 Managed Portfolio Service', 'Scheme'). The HUB24 Managed Portfolio Service is a non-unitised registered managed investment scheme. The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this Portfolio is appropriate for you and should not be relied upon in making a decision to invest in this Service or Fund.

Aldersley Capital Pty Ltd has designed the Managed Portfolio options in Part 2 of the PDS offered through the HUB24 Managed Portfolio Service. No representations or warranties express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this report. Ironbark have relied upon and assumed, without independent verification, the accuracy and completeness of all information available and provided to Ironbark.

To the extent permitted by law, Ironbark, its employees, consultants, advisers, officers, and representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material.

No guarantee is made as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by Ironbark. Past performance is not a reliable indicator of future performance. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This report may contain information (the “Information”) sourced from MSCI Inc., its affiliates or information providers (the “MSCI Parties”) and may have been used to calculate scores, ratings or other indicators. The Information is for internal use only, and may not be reproduced/redisseminated in any form, or used as a basis for or a component of any financial instruments or products or indices. The MSCI Parties do not warrant or guarantee the originality, accuracy and/or completeness of any data or Information herein and expressly disclaim all express or implied warranties, including of merchantability and fitness for a particular purpose. The Information is not intended to constitute investment advice or a recommendation to make (or refrain from making) any investment decision and may not be relied on as such, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the MSCI Parties shall have any liability for any errors or omissions in connection with any data or Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Aldersley Capital Pty Ltd, Ironbark and their associates and respective directors and other staff each declare that they may, from time to time, hold interests in securities that are contained in the HUB24 Managed Portfolio Service.

© 2023 Ironbark. All rights reserved.