Glenmore Australian Equities Fund
Monthly performance update
December 2017

Fund Performance

Fund performance for December was +3.66% (after fees) versus the benchmark +0.13% as measured by the RBA Cash Rate (converted to monthly basis). The Fund has now delivered a return of +28.55% since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore	Benchmark
December 2017	3.66%	0.13%
Financial Year to date	26.92%	0.78%
Since inception #	28.55%	0.88%

Benchmark is the RBA Cash Rate.
Fund commenced on 6 June 2017

Below is commentary on several stocks currently held by the Fund. As is often the case in December, the month saw strong equity markets globally, with a number of the Fund's holdings rising despite no specific news flow.

NRW Holdings (NWH) rose 19.3% in December. During the month, NWH announced it had finalised terms for the mining works at Gascoyne Resources, an ASX listed gold miner. The contract is for open pit mining and drill and blast operations and is forecast to generate approximately $324m of revenue over 72 months. Historically, the stock price of NWH has had quite a strong correlation with the iron ore price, and hence the continued strength in the iron ore price no doubt was a driver as well. During the month, the Fund partially reduced its position in the stock, however with a robust earnings outlook, driven by strength in resources and East Coast infrastructure markets, the stock remains a meaningful position.

Praemium (PPS) rose 17.5% in the month. There was no specific news flow released in December, however strong equity markets likely helped, given its Investment Platform business earns revenue based on a percentage of funds on its platform and benefits from investor inflows. We remain confident in the earnings outlook and expect a strong interim result to be released in February.

Alliance Aviation Services (AQZ) continued its strong performance, rising +15.2% for the month. Late in the month, AQZ announced the renewal of its debt facilities for a 3-year term with CBA and ANZ. AQZ did not disclose the terms but did say it was on better terms than the previous facility due to a reduction in AQZ's debt and the improving earnings outlook. This should assist in AQZ increasing dividends in the coming years.

Detractors in the month included Mastermyne (MYE) down -9.0%, Arena REIT (ARF) down -8.3% and Emeco (EHL) down -3.8%. There were no specific news releases during December for all three and we remain comfortable holders going into reporting season in February.

Market commentary

Globally equity markets were strong in December, with the S&P500 up +1.0%, Dow Jones up +1.8%, FTSE 100 up +4.9%, whilst the Nikkei lagged, rising by +0.2%.

Domestically, the ASX200 rose +1.8% in the month, led by the energy and materials sectors. Utilities was the worst performing sector.

Commodity prices were strong in December, with all major commodities rising in the month. Coking coal was up +23%, nickel +15%, aluminium +11%, iron ore +6%, while in the energy space, Brent oil was up +7%, helped by supply cuts led by OPEC and Russia.

In the US, Donald Trump signed into law the tax reform bill that reduces the US corporate tax rate from 35% to 21%. As expected, the US central bank raised rates by 25bp to a target range of 1.25 – 1.50%. This was the fifth increase in the Fed's current cycle and the third in 2017.

Below is a summary of the major global and domestic indices in 2017.

Index	2017 performance
S&P500 (US)	+19.4%
Dow Jones (US)	+25.0%
NASDAQ (US)	+28.2%
FTSE 100 (UK)	+7.6%
MSCI Europe (Europe)	+22.1%
Nikkei (Japan)	+19.1%
ASX200 accumulation (Aust)	+11.8%
ASX Small Ords accumulation (Aust)	+20.0%
ASX300 Resources (Aust)	+21.7%
ASX Small Resources (Aust)	+35.6%

From the table above, it is clear 2017 was very strong for equity markets. Looking at the ASX, resources and in particular, small cap resources were very strong. While the Fund has benefitted from investing in several mining services companies, since inception, the Fund has had no exposure to pure resource stocks, given our focus on high quality businesses which generate strong free cash flow.

Regarding equity market valuations, we believe on aggregate, valuations of equities are elevated, but not extremely so, with numerous stock specific opportunities still present on the ASX, particularly in the small to mid-cap space (given their superior growth prospects vs large caps).
In constructing the portfolio, our objective is to build a portfolio of attractively priced companies with strong business models and under appreciated prospects for earnings growth over the medium to long term.
With that said, risk appetite has clearly increased in recent months, and the Fund has been selectively trimming positions in companies where the stock price has approached our valuation.

Looking forward, the next 12-18 months is highly likely to see an increase in equity market volatility vs 2017, which by historical standards was unusually low.
Currently the Fund holds around 20% cash and hence is well positioned for any stock specific opportunities that might be created from a market correction.

Thank you for your interest in the Fund, as always, I am available for those interested in discussing an investment.