GLENMORE ASSET MANAGEMENT

Glenmore Australian Equities Fund
Monthly performance update
April 2018

Fund Performance

Fund performance for April was +0.04% (after fees) versus the benchmark +0.13% as measured by the RBA Cash Rate (converted to monthly basis). The Fund has delivered a return of +28.94% since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore	Benchmark
April 2018	+0.04%	+0.13%
Financial Year to date	+27.30%	+1.26%
Since inception #	+28.94%	+1.38%

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

Below is commentary on several stocks currently held by the Fund that contributed to Fund performance.

Macquarie Atlas Roads (MQA) was up +13.3% in the month. MQA has been a consistent performer for the Fund and again produced a solid set of traffic results. The key highlight in the March quarter release was French toll road network APPR, which reported Light Vehicle traffic growth of +4.5% vs the previous corresponding quarter, whilst Heavy Vehicles also grew at an impressive +6.0%. Performance at MQA's US based toll road, the Dulles Greenway was again weak (down -6.5% vs March 2017 quarter) due to improvements to nearby competing routes, which has reduced nearby congestion. Note, however Dulles Greenway is a much smaller part of MQA's earnings and valuation (10% - 15%) and as such, is not the key driver of MQA's distribution growth over the next 3-4 years.
Bravura Solutions (BVS) was up +8.1% in April. During the month, BVS announced it signed a long-term contract with Commonwealth Superannuation Corporation (CSC) for the implementation of BVS's key Sonata software product as a managed cloud service. The CSC provides superannuation and pension services more than 700,000 Australian government employees and will use Sonata to administer claims for death and disability benefits within its defined benefit schemes.

Other positive contributors included Appen (APX) +8.4%, Jumbo Interactive (JIN) +6.6% and Imdex (IMD) +5.1%.

Fiducian Group (FID) declined -11.5% in the month, despite no company specific news flow. The stock price has been impacted by the ongoing Royal Commission into the behaviour of the big four banks and AMP, which all have been operating "vertically integrated" business models (where the company owns multiple parts of the value chain, eg. financial planners, platform and investment products). While there is no evidence at all that FID's financial planners have given poor or conflicted advice to their clients, currently there is uncertainty as to how ASIC will respond once its investigation into the larger players has concluded. At this stage, whilst we believe stronger regulation (and potentially a forced breakup) of the big four and AMP's current business models is a real possibility, similar regulation of fully compliant companies such as FID is less likely. We remain in regular contact with the company and will continue to assess whether the recent decline in stock price represents a buying opportunity for longer term investors.
Mastermyne (MYE) fell -7.8% in April despite no news being released. Note the stock has been a very strong performer for the Fund since it was acquired at an average cost price of $0.55 in August 2017 (up +62%). Our regular discussions with the company indicate the earnings outlook remains positive, driven by improving spend in the underground coal sector. In addition, MYE has an attractive valuation, trading on an FY18 EV/EBITDA of ~6.0x, and we remain comfortable holding the stock.
Emeco (EHL) fell -3.4%. Despite the modest decline in stock price, April was a busy month for the company. On the 18th of April it released an operational update for the 3rd quarter of FY18. The update was in line with our forecasts, with 3Q18 EBITDA of $41m, up +15% vs 2Q18 and EBITDA margin remaining healthy at 41%. In addition, late in the month, EHL announced the acquisition of national equipment rental business Matilda Equipment for $80m. The acquisition price represented an EBITDA multiple of just 3.3x. Given Matilda's focus on late model, ancillary mining equipment (and EHL's ongoing need for such assets), the business should prove to be highly complementary to EHL.
The acquisition further improves EHL's debt reduction strategy, where the medium-term goal is to achieve leverage below 1.5x by FY20.

Market commentary

The ASX200 had a strong month rising +3.9%. The key contributors of the return were Energy (+10.8%) and Materials (+7.6%). It should be noted the Fund has essentially no direct exposure to these sectors, although is invested in several mining services and one oil services company all of which have earnings strongly correlated to the specific underlying commodity price of the sector they specialise in. Globally, the performance of key indices was also positive, with the S&P500 up +1.1%, the NASDAQ up +0.8%, Euro Stoxx 50 +4.8% and the FTSE 100 +6.7%.

In commodities, iron ore was up +0.7% to US$65.30/t, gold fell -0.7% to US$1315/oz, whilst of note, aluminium rose +13.7% after sanctions were imposed on Rusal, the largest aluminium producer outside China. In energy, the WTI oil price rose +8.5% to US$74.69 per barrel.

In the domestic economy, the RBA kept interest rates on hold at 1.50% in April. CPI for Australia in 1Q of 2018 was again quite soft, with core measures at 0.5% over the quarter. The Australian dollar declined by -2% against the US dollar, driven by the strength of the US economy and likelihood of further interest rate rises in the US in 2018.

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