

Glenmore Australian Equities Fund

Monthly performance update

July 2018

Fund Performance

Fund performance for July was +1.35% (after fees) versus the benchmark return of +1.22%. The Fund has delivered a total return of +42.28% since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
July 2018	+1.35%	+1.22%
Financial Year to date	+1.35%	+1.22%
Calendar Year to date	+10.68%	+5.32%
Since inception #	+42.28%	+15.45%

Fund commenced on 6 June 2017

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

Pinnacle Investments (PNI) rose +15.3% for the month.

During July, PNI announced investments in Metrics Credit Partners (MCP) and Omega Global Investors for combined consideration of \$48m, with the vast majority being related to the purchase of a 35% stake in MCP.

Established in 2011, MCP provides corporate borrowers with tailored direct lending options while providing investors with access to Australia's inter-bank corporate lending market. As at 30 June 2018, MCP had FUM of ~\$2.5B. Note PNI had already been providing distribution to MCP since 2013 (and hence understands the business well), which reduces the normal M&A risks.

Also in the ASX release, PNI pre-announced its FY18 results, with NPAT of \$23.1m (+92.5% vs FY17) and EPS of 14.3cps (+76.5% vs FY17). Excluding the earnings accretive acquisition of MCP, the FY18 results for the group were ahead of consensus forecasts, showing the business continues to perform very strongly. FUM across its affiliates was \$38B at 30 June 2018, up +43% vs 30 June 2017. Key drivers of the result were strong performances from Hyperion, Solaris and ResCap.

Pacific Current (PAC) increased +8.2% in July. During the month, PAC announced it had acquired a 24.9% stake in US based private credit manager, Victory Park (VP). VP was founded in 2007 and provides debt and equity funding across specialty finance, special situations and private debt. Funds under management is US\$3.2B, having increased strongly in recent years. PAC paid A\$95m for the stake which implied a PE multiple of ~10x. The acquisition is consistent with PAC's previously stated M&A focus for businesses which have

contracted revenues and less exposure to the fluctuations of equity markets.

Other positive contributors included **Mastermyne (MYE) +9.3%**, **Navigator Global Investments (NGI) +8.4%**, and **WorleyParsons (WOR) +5.2%**.

Appen (APX) fell -18.8% in the July. There was no news flow from the company during the month, but it should be noted that the stock had risen +31.0% in June as well as being a very strong performer over the preceding 12 months. As discussed in the June newsletter, the Fund had reduced its position in APX given the stock price appreciation and lessening valuation appeal.

Emeco Holdings (EHL) fell -6.7% in the month. During July, EHL released its quarterly update and pre announced its FY18 result (EBITDA of \$153m, up +83% vs FY17). Importantly, the deleveraging of the group's balance sheet continues, with pro forma FY18 net debt/EBITDA of 2.0x. The financial results were in line with our and market expectations and the Fund continues to hold the stock.

Pleasingly, during the month, the Fund received some positive media coverage in the Australian Financial Review on 20 July 2018, where it was placed in the top 5 best performing managed funds in Australia for Financial Year 2018 (source: Australian Fund Monitors).

Market commentary

The Australian equity market had a positive month, with the All Ordinaries Accumulation Index rising +1.2%. Best performing sectors were Telco's, Industrials and Consumer Discretionary, while Utilities and Consumer Staples lagged. Globally, markets were also strong, with the US (S&P500 +3.7%) and Europe (EURO STOXX +3.5%) outperforming, whilst the UK (FTSE100 +1.5%) rose, but underperformed in a relative sense.

In commodities, oil (Brent) was -6% down to US\$74/bl, iron ore up +5%, met coal -14%, thermal coal +2%, whilst base metals were generally weaker (copper -7%, nickel -8%, zinc -11%). The AUD/USD was flat at US\$0.74.

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

Monthly performance by calendar year

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017						1.3%	1.5%	7.0%	3.1%	5.3%	3.8%	3.7%	28.6%
2018	3.5%	-0.3%	-2.8%	0.0%	4.7%	4.0%	1.4%						10.7%

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