

Glenmore Australian Equities Fund

Monthly performance update

August 2018

Fund Performance

Fund performance for August was +5.94% (after fees) versus the benchmark return of +1.71%. The Fund has delivered a total return of +50.73% since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
August 2018	+5.94%	+1.71%
Financial Year to date	+7.38%	+2.95%
Calendar Year to date	+17.26%	+7.12%
Since inception #	+50.73%	+17.42%

Fund commenced on 6 June 2017

Below is commentary on several stocks currently held by the Fund. August was a particularly busy month with virtually all the Fund's holdings reporting their financial results. The main driver of the strong return in August was a large number of portfolio stocks reporting strong results, which in many cases were better than market expectations.

Jumbo Interactive (JIN) rose +64.2% for the month. JIN has been listed on the ASX since 1999 and is a leading digital retailer of both national jackpot lotteries and charity lotteries. JIN delivered a very strong FY18 result, with NPAT of \$11.8m, up 55% vs pcp and EPS up a still impressive +34%. The result was ahead of guidance that was issued in early June. The key driver of the result was strong operating leverage, with a +21% increase in revenue generating a +38% increase in EBITDA. JIN should be able to generate further margin expansion as cost growth is expected to be quite minimal vs revenue growth. Note, JIN was a relatively small position for the Fund, with the stock contributing +0.4% in the month.

Appen (APX) rose +41.2% in the month. APX has been a very volatile stock in recent months with August being no exception. The main driver of the strong stock price performance was another strong result, with 1H18 NPAT of \$14.0m, up 73% vs pcp. The result itself was largely in line with market expectations, however positively APX upgraded full year FY18 guidance from EBITDA "trending to the upper end" of \$50-55m to now in the range of \$54-59m. Given the increase in APX's valuation multiples, the Fund again reduced its holding in the stock following the result, making it one of the smaller positions in the Fund. APX contributed +0.6% to Fund performance in the month.

Bravura Solutions (BVS) increased +30.6% in August. BVS is a global provider of software products for the wealth

management and funds administration sectors. Again, the driver was a very strong result and positive outlook statement. FY18 NPAT was \$27.2m, up 23% vs FY17. The result was ahead of market expectations and with the result, BVS issued guidance for FY19 EPS growth in the mid-teens. BVS is benefitting from a long period of investment in its key Sonata product (~\$100m over 10 years), which has a strong value proposition, both in terms of time saving and cost reduction for the client.

Pleasingly, the Fund also had a large number of stocks that returned in excess of +5% for the month. The more material contributors included **NRW Holdings (NWH)** +23.9%, **Pinnacle Investments (PNI)** +19.8%, **Alliance Aviation (AQZ)** +19.1%, **Fiducian Group (FID)** +18.8%, **Worley Parsons (WOR)** +12.6% and **Atlas Arteria (ALX)** +5.2%.

Axesstoday (AXL) fell -19.9% in August. AXL provides lease finance products, targeting small and medium enterprises in the hospitality and transport sectors. The headline result of FY18 NPAT of \$7.0m was in line with previous guidance, however the key negative was an unexpected increase in the level of arrears vs what was reported in FY17. In addition, disclosure in the result around such a key issue for a fast growing lender was low. Given the lack of clarity on this issue, we decided to exit the position following the result, pending further discussions with AXL management regarding the credit quality of its loan book. This action meant the stock had a relatively minimal impact on the Fund's performance in the month (-0.3%). Note, given the Fund exited AXL during the month, we did not incur the full extent of the -19.9% decline.

Market commentary

The Australian equity market had another positive month, with the All Ordinaries Accumulation Index rising +1.7%. Best performing sectors were IT, Healthcare and Telco's, whilst Materials and Energy underperformed. Globally, markets were strong. In the US, the S&P500 and NASDAQ were up +3.0% and +5.7% respectively. Japan's Nikkei was up +1.4%, whilst Europe was weaker, with the Euro Stoxx down -2.4%. Commodities were broadly weaker in the month, with nickel (-8.8%), iron ore (-2.2%), gold (-1.6%) all lower. Brent oil outperformed, rising +4.4%.

Of note, the Australian dollar continued to be under pressure, declining -3.2% to US\$0.72, due to lower commodity prices and a strong US dollar.

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%	5.9%					17.3%

FUND INFORMATION

Name	Glenmore Australian Equities Fund	Fund Administrator	Apex Fund Services
Inception	6 June 2017	Fund Custodian	AET Corporate Trust Pty Limited
Structure	Wholesale Unit Trust	Fund Auditor	Pitcher Partners
Investor Eligibility	Wholesale or 'sophisticated' investors only	Fund Manager	Glenmore Asset Management
Subscription Frequency	Monthly	Management Fee	1.2%
Redemption Frequency	Monthly	Performance Fee	20.0%
Unit pricing	Monthly	Benchmark	S&P/ASX All Ordinaries Accumulation Index
Domicile	Australia	High water mark	Yes

Contact details

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