# Glenmore Australian Equities Fund
## Monthly performance update
## December 2018

### Fund Performance

Fund performance for December was -3.26% (after fees) versus the benchmark return of -0.45%. The Fund has delivered a total return of +29.79% since inception in June 2017.

**Fund Returns (after fees)**

| Period | Glenmore Fund | All Ords. Accum. Index |
|---|---|---|
| December 2018 | -3.26% | -0.45% |
| Financial Year to date | -7.54% | -7.28% |
| Calendar Year to date | +0.97% | -3.53% |
| Since inception # | +29.79% | +5.75% |

# Fund commenced on 6 June 2017

Note December was a relatively quiet month in terms of announcements from companies in the Fund. On the positive side, the Fund managed to avoid any stocks that announced specific profit downgrades. Despite this, again negative sentiment towards stocks was the key theme, with the result that many stocks declined despite no news.

Of note for the Fund given its exposure to small/mid cap stocks, the ASX Small Ords Accumulation Index fell by -4.2% in the month. To give some further context to the Fund's performance versus benchmark in December, the benchmark was boosted by strong performances from gold stocks and large cap miners (BHP, Rio Tinto, South32 and Fortescue) – both of which the Fund has no exposure to.

Below is commentary on several stocks currently held by the Fund.

Hotel Property Investments (HPI) was up +3.7% in December. To recap, HPI is an internally managed REIT, acting as landlord to a portfolio of Australian hotel assets (~90% are located in Queensland). HPI's income is derived from leases to quality tenants (Coles and ALH), with locked in annual rental growth. During the month, HPI announced it would pay a 1H19 distribution of 9.8 cents per share, which was in line with our expectations. The stock trades on an FY19 distribution yield of ~6.5% which we continue to see as attractive given the forecast distribution growth and defensive characteristics of the business.

NRW Holdings (NWH) fell -11.5% in the month. During the month, NWH disclosed that the Forrestfield-Airport Link project, of which NWH is a 20% partner, with Italian-based Salini Impregilo making up the other 80% - is running ~4 months behind schedule. The delays are due mainly to Tunnel Boring Machine stoppages, directed by the client (the Public Transport Authority). With the ASX release, NWH said it does not anticipate any change to the guidance issued on 20th of November 2018. Also, late in the month, NWH announced it had won a $57m contract with Fortescue to deliver stage 1 Earthworks, Roadworks and Drainage Works for the Eliwana iron ore project.

Jumbo Interactive (JIN) declined -12.0% in December. Despite the decline, during the month JIN issued a very positive trading update, where it said based on trading in FY19 to date, it expects FY19 revenue of ~$55m (+38% vs FY18) and FY19 NPAT of ~$21m (+69% vs FY18). The guidance was ~20% ahead of consensus expectations. JIN said it expects the number of large jackpots (being defined as $15m or more) in FY19 to be ~37, vs 32 in FY18. Clearly, the higher number of large jackpots is a factor but even adjusting for this, the update showed strong improvement vs FY18, with operating leverage continuing to improve. Given the positive announcement, it was surprising to see the stock fall but is symptomatic of the negative sentiment towards many small/mid cap stocks currently. At a stock price of $7.20, JIN trades on an FY19 cash adjusted PE of ~18x, which in our view is attractive given the strong earnings outlook.

Regarding other detractors, as was the case in November, there were a number of stocks that traded lower in line with the overall market, despite no company specific news flow: Atlas Arteria (ALX), Magellan Financial Group (MFG), Worley Parsons (WOR), and Mastermyne (MYE).

### Market commentary

December was another highly volatile (and weak) month for global markets. In the US, the S&P500 fell -9.2%, its worst December since 1931. In Japan, the Nikkei fell -10.5%, whilst in the UK, the FTSE100 declined -3.6%. US central bank, the Federal Reserve increased rates by 25bp (as expected) and flagged another 2 rate rises for 2019.

In Australia, our equity indices significantly outperformed vs global peers, with the All Ordinaries Accumulation Index falling by -0.45%. Best performing sectors were materials (in particular gold stocks), resources and health care, whilst communications and technology lagged.

The Australian economy grew by +0.3% over the 3rd quarter of 2018, whilst the unemployment rate rose from 5.0% to 5.1%. The Australian dollar continued its fall versus the US dollar, depreciating 3.5% to close at 70.5 cents.

In commodities, iron ore was the best performer, rising +9.8%. Oil continued its recent underperformance, falling -10% to US$53.8/barrel due to fears of global over supply. Base metals also were weak, with zinc (-5.1%) and aluminium

(-4.8%) recording the largest declines. Bucking the trend, gold increased +4.9% to US$1282/ounce.

Thank you for your interest in the Fund, as always, I would welcome any questions, and 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 | | | | | | 1.29 | 1.52 | 7.03 | 3.05 | 5.32 | 3.81 | 3.66 | 28.55 |
| 2018 | 3.47 | -0.30 | -2.80 | 0.04 | 4.68 | 4.01 | 1.35 | 5.94 | -0.46 | -8.70 | -2.06 | -3.26 | 0.97 |

**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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