

Glenmore Australian Equities Fund

Monthly performance update

January 2019

Fund Performance

Fund performance for January was +2.84% (after fees) versus the benchmark return of +3.99%. The Fund has delivered a total return of +33.47% since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
January 2019	+2.84%	+3.99%
Financial Year to date	-4.92%	-3.58%
Calendar Year to date	+2.84%	+3.99%
Since inception #	+33.47%	+9.97%

Fund commenced on 6 June 2017

Following three months of successive declines, it was encouraging to see equities markets globally recover strongly in January. The key driver of the rally was comments from the US Federal Reserve Chairman Jerome Powell early in the month that the Fed would not raise interest rates at the pace that had been previously been signalled. This was a significant change of tone from comments made in December 2018, which had pointed to continued restrictive monetary policy.

Stock commentary

Worley Parsons (WOR) rose +21.5% in the month. There were no specific company announcements to point to however undoubtedly, the recovery in the oil price (which historically has a strong correlation to the WOR stock price) was a key factor, as well as the recovery in many cyclical stocks from over sold levels in late 2018. To recap, following a very material acquisition of US peer Jacobs, the WOR stock price was sold off aggressively in the last quarter of 2018, based on fears of the acquisition being too ambitious in size, a sharp decline in the oil price, and generally fears of slowing global growth. At a stock price of \$13.88, WOR trades on an FY20 PE of ~14x, which appears attractive despite the not insignificant integration risks from the Jacobs acquisition.

Magellan Financial Group (MFG) rose +21.2% in January. As with Worley Parsons, there was no company specific catalysts for the rise in stock price, however clearly improved sentiment in equities markets benefitted the stock. In addition, both of MFG's key funds had strong performance in 2018, which bodes well for flows in 2019. Despite the recent appreciation, MFG trades on an FY19 PE of ~16x and dividend yield of ~5.5%, which we continue to see as attractive.

Other positive contributors included **NRW Holdings (NWH)** up +19.2%, **Bravura Solutions (BVS)** up +13.5%, **Arena REIT (ARF)** +11.6%, and **Jumbo Interactive (JIN)** +10.6%.

Navigator Global Investments (NGI) was the sole detractor of any note for the Fund in the month. During the month, NGI released an earnings update, with earnings guidance for FY19 being 10-15% below our, and the market's expectations. The drivers of the downgrade were: weaker than expected investment performance from its key absolute return funds, higher than expected redemptions, and a general slowdown in the sales conversion pipeline. Given the earnings uncertainty, in particular the risk of further redemptions due to poor investment performance, we decided to exit our position in the stock and await more details from the 1H19 result. This action resulted in the Fund realising a loss in January of ~20%, noting the stock continued to fall post the downgrade and ended the month down -28%. On the positive side, the Fund had significantly reduced its position in NGI following the FY18 result in August, initially on valuation grounds and then also due to our concern around risk of accelerated redemptions from investors in the recently acquired Mesirow funds. This resulted in the stock having a relatively minor negative impact on Fund performance in January (~0.2%).

Notwithstanding that we have exited the stock, we will continue to monitor NGI with a view to revisiting an investment if we can gain sufficient confidence in the earnings outlook, in particular the performance of NGI's key funds and the pace of redemptions from the recently acquired MAS funds.

Market commentary

Equity markets were very strong in January, driven by more accommodative commentary from the Federal Reserve, and renewed optimism around a US-Chinese trade deal. In Australia, the All Ordinaries Accumulation Index rose +4.0%, whilst globally markets were even stronger (S&P500 up +8.0%, FTSE 100 +3.6%, Euro Stoxx 50 +5.6%, MSCI Asia ex Japan +7.2%). US 10-year Treasury bond yields fell slightly over the month to 2.63%. In commodities, the oil price rose by +13% to US\$61/barrel, after falling by 35% in the December 2018 quarter. Other commodities were mixed: iron ore (+17%), coking coal (-9%), thermal coal (-6%) and copper (+3%). The AUD/USD rose 3% to US\$0.73.

As always, reporting season in February is a key litmus test for the financial health of ASX listed companies, and we look forward to reporting on the progress of the portfolio in the February newsletter.

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
2019	2.84												2.84

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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