

Glenmore Australian Equities Fund

Monthly performance update

March 2019

Fund Performance

Fund performance for March was +2.72% (after fees) versus the benchmark return of +0.70%. The Fund has delivered a total return of +50.49% since inception in June 2017, including +16.75% in the last 12 months.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
March 2019	+2.72%	+0.70%
Financial Year to date	+7.20%	+2.97%
Calendar Year to date	+15.95%	+11.05%
Since inception (total)	+50.49%	+17.44%

Fund commenced on 6 June 2017

March was a much quieter month in terms of news flow following reporting season in February. Most of the stock price moves were not announcement related but rather driven by investors fully digesting the results and outlooks of the companies that reported in February.

Stock commentary

Jumbo Interactive (JIN) was again a strong performer for the Fund, increasing by +24.6% in March. There were no company specific announcements made, with the stock price likely to have been driven by growing awareness of JIN's positive earnings outlook. The fund first invested in JIN in July 2017 at a stock price of ~\$3, versus the current price of ~\$16, so clearly it has been a very strong contributor to Fund returns. Following the sharp rise in stock price, the valuation metrics have become less attractive (FY19/20/21 PE's of 37x, 29x and 23x), and we have trimmed our holding, but retain a meaningful position given our positive view on the business. In particular, we believe there is material operating leverage inherent in the business, particularly if JIN's "Powered by Jumbo" business is successful in winning additional contracts over the next 12-24 months.

Dicker Data (DDR) was up 23.1% in March. DDR is a valued added distributor of a wide range of IT products and services, operating in Australia and New Zealand. Commencing operations in 1978 and then listing on the ASX in 2011 DDR, despite its low profile, has a very consistent track record in terms of profit and dividend growth. The company has very strong expertise in the complex logistics of high volume IT products distribution and we believe the earnings outlook is positive, driven by organic industry growth as well contributions from new vendors. In February, DDR released a

strong full year profit result, with revenue up 14% to \$1.5B, NPAT up 21% to \$32.5m and dividend per share up 10%. Following on from that, in March, DDR issued earnings guidance for CY19, which implies revenue and profit growth in excess of 10% vs CY18. The guidance was ahead of analyst expectations by ~7%, which not surprisingly was well received by the market.

Other positive contributors included **Charter Hall Group (CHC)** up +16.7%, **Bravura Solutions (BVS)** up +7.9%, **Arena REIT (ARF)** +7.8%, **Auckland International Airport (AIA)** up 6.4%, and **Pinnacle Investment Management (PNI)** +5.1%.

The most material detractors for the month were **Fiducian Group (FID)** -5.0%, **Worley Parsons (WOR)** -5.0% and **Stanmore Coal (SMR)** -3.3%, although there was no actual news flow released for these companies during the month.

Regarding the very strong rally in the first three months of 2019, we thought it would be worthwhile commenting on our views on the market and how it has impacted our stock selection and portfolio construction. Whilst the rally in equities has clearly seen valuations become more expensive (albeit from oversold levels in late 2018), on balance we believe equities are likely to be supported given the outlook is for a combination of softening economic growth and benign monetary policy. The key factor regarding economic conditions is that they are sufficiently healthy to allow companies to execute on their growth strategies, which we believe is the case. Regarding managing the Fund, where we have stocks that have reached our valuation, we will reduce or exit that position. Overall, we are long term investors and remain very comfortable with the earnings outlooks for all of investments.

We would reiterate our focus is on bottom up stock picking and the main driver of Fund returns will always be from our portfolio companies delivering strong earnings results.

Market commentary

Equity markets globally were positive in March. In the US, the S&P500 was up +1.8%, NASDAQ was up +2.6%, in the UK, the FTSE 100 was up +2.9%, whilst in Europe the Euro Stoxx 50 rose +1.6%. In Australia, the All Ordinaries Accumulation Index was up 0.7%. Sector wise, the best performers were REITs and Staples.

Falling bond yields were a key theme in the month. In Australia, the 10-year bond yield fell 32 basis points (bp) to 1.78%, whilst in the US, the 10-year bond yield declined by

32 bp. The main driver of the falling yields has been downward revisions of both global economic growth and inflation.

In commodities, zinc (+6.6%) saw the largest increase, followed by iron ore (+2.8%) whilst lead was down -6.7%, copper down -1.1% and nickel fell -0.6%. Gold fell -1.6% to US\$1292/oz. The AUD/USD was flat at 71 cents.

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	9.77	2.72										15.95

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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