

Glenmore Australian Equities Fund

Monthly performance update

April 2019

Fund Performance

Fund performance for April was +6.88% (after fees) versus the benchmark return of +2.54%. The Fund has delivered a total return of +60.84% since inception in June 2017, including +24.74% in the last 12 months.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
April 2019	+6.88%	+2.54%
Financial Year to date	+14.58%	+5.58%
Calendar Year to date	+23.92%	+13.87%
Since inception (total)	+60.84%	+20.42%

Fund commenced on 6 June 2017

Stock commentary

Jumbo Interactive (JIN) increased by +32.7% in April. Despite the sharp rise in the stock price, there was no specific news released, although there was new broker research published in April that highlighted the strong earnings outlook. As has been the case with a number of stocks that have been strong recent performers, we have trimmed our position in JIN but still believe the earnings outlook is sufficiently positive to warrant maintaining a holding in the company.

NRW Holdings (NWH) was up +24.4% in April. Early in the month, NWH announced its subsidiary, RCR Mining Technologies had won contracts in WA, totalling ~\$22m. In addition, NWH said it received a letter of intent from coal producer Coronado Curragh to increase Mining Plant at the Curragh Mine, which adds ~\$50m over the next 2 years to the existing contract which has a value of ~\$230m. These contract announcements were positives (albeit quite minor), with continued strength in the iron ore price also a factor in the recent stock price strength in our view, given it improves the health of NWH's main customer base.

NWH has been a very strong performer for the Fund since inception, however with the stock now trading on an FY20 PE of ~15x, the valuation is no longer compelling and as such we have reduced the holding quite significantly.

Magellan Financial Group (MFG) was again a strong performer for the Fund, rising by +22.5%. During the month, MFG released a Funds Under Management (FUM) update, which showed the business achieved net inflows of \$1,177m (Retail being \$357m and institutional \$820m), taking group FUM to \$79.4B. Clearly, buoyant equities markets have been a key factor in MFG's recent performance (up +90% in 2019 to date), and with the valuation now less attractive (FY20 PE

multiple of ~21x), we have reduced the position but remain positive on the stock.

Stanmore Coal (SMR) rose +16.4% in the month. We have written about SMR previously but continue to see the stock as undervalued. During the month, SMR released its March 2019 quarterly production report, which was largely in line with market expectations, with the positive news that SMR upgraded FY19 production guidance to 2.3mt. Full year earnings guidance was maintained at \$140-155m, whilst the balance sheet continues to improve with net cash increasing to \$58m (~17% of SMR's market cap). Whilst there is inherent risk around coal pricing, SMR's valuation remains very attractive, with an FY20 PE of ~5x and dividend yield of ~4.5%.

Other positive contributors included **Pinnacle Investment Management (PNI)** +15.1%, **Charter Hall Education Trust (CQE)** +7.2% and **Bravura Solutions (BVS)** +5.5%.

Detractors for the month were: **Mastermyne (MYE)** down -7.5% and **Atlas Arteria (ALX)** -3.0%.

Mastermyne (MYE), a coal-based mining services business, released a brief market update, which confirmed FY19 earnings were on track vs market expectations (FY19 EBITDA of \$21-22m).

Atlas Arteria (ALX) released its March 2019 quarter traffic and revenue statistics, which showed French network APRR perform in line with expectations, but US-based toll road Dulles Greenway delivered weaker traffic performance.

As is clear from the stock commentary section, the strong rally in equities in 2019 has resulted in valuations in a number of the Fund's key stocks become less attractive, which has led to us trimming our holdings in those stocks. Despite the lessening valuation appeal, our positive short- and medium-term view on the earnings outlook, has in these cases, led to us maintaining a holding in these stocks. To recap, risk management of the portfolio is mainly undertaken from a bottom up, individual stock basis (by ensuring we invest in high quality businesses at attractive valuations). In addition, sector weights are continuously monitored to ensure the Fund does not have over concentration to any particular sector or sectors.

Market commentary

Equities were strong in April across the major indices, with the US S&P 500 rising by +4.1%, Euro Stoxx 600 up +3.9%, the Japanese Nikkei up +5.0%, whilst in the UK the FTSE 100 rose +1.9%. Economic data from both the US and China was positive, which was well received by investment markets. In

Australia, underlying CPI remained weak (+1.2% year on year), which could potentially see a rate cut by the Reserve Bank of Australia in 2019.

Domestically, the ASX All Ordinaries Accumulation Index rose +2.5% in the month. Top performing sectors were consumer staples, technology and consumer discretionary, whilst REIT's and Resources were the laggards.

In commodities, iron ore rose +9% to US\$95/t, oil increased +6% to US\$72/barrel, met coal was flat at US\$206/t, and thermal coal was up +3% to US\$84/t. Base metals were broadly weaker, with nickel and aluminium both down -5%. The Australian dollar fell 0.7% in April to US\$0.705.

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	6.88									23.92

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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