

## Glenmore Australian Equities Fund

### Monthly performance update

### May 2019

#### Fund Performance

Fund performance for May was +2.54% (after fees) versus the benchmark return of +1.67%. The Fund has delivered a total return of +64.93% in the two years since inception in June 2017, including +22.20% in the last 12 months.

#### Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
May 2019	+2.54%	+1.67%
Financial Year to date	+17.49%	+7.35%
Calendar Year to date	+27.07%	+15.78%
Since inception (total)	+64.93%	+22.43%

# Fund commenced on 6 June 2017

#### Stock commentary

**Phoslock (PET)** was up +76.5% in May. PET is a global water remediation group, based in Sydney. PET provides a range of products and services aimed at cleaning up polluted water bodies, with the main product being "Phoslock", which removes phosphates and other contaminants from water bodies. The product was developed by CSIRO and then later purchased by PET and is patented worldwide. China is PET's most prospective country (currently ~80% of group revenue), due to the large number of heavily polluted water bodies. The driver of the sharp stock price increase was news released late in May, where PET advised that the results from a trial application to a heavily polluted lake in South West China, resulted in a 75% decline in phosphorus, over the first four days of the application. Following this successful trial, PET expects to start generating revenue of ~\$1m per month, with potential for more work from nine other large polluted lakes in the area. Also, of note, the Phoslock product has now been recognised as an approved product in dealing with water pollution issues by the Chinese Ministry of Water Resources (a key Chinese water conservation and remediation body), which should be very positive for the likelihood of further sales in China. PET's current profit guidance for FY19 is for pre-tax profit of \$6m-\$8m, implying growth of 105% vs pcp, and we believe the next few years should see continued significant growth driven mainly from China and also from PET's other international operations.

**Dicker Data (DDR)** increased +22.7% in the month. During the month, DDR issued a brief trading update for the first quarter of 2019, stating revenue was up +21% to \$387m, whilst pre-tax profit (PBT) was up +47%, to \$13.5m. Revenue growth was driven by strong performance across all of DDR's vendor

partnerships. Whilst PBT was ahead of DDR's forecasts for the quarter, DDR made no change to existing full year guidance which was reiterated at PBT of \$51.4m; however the strong first quarter clearly bodes well for the balance of the year. In addition, we take confidence from the CEO having purchased ~\$170,000 worth of DDR stock in recent months.

**AP Eagers (APE)** was up +19.2% in May. APE is an automotive retail group focussed on operating motor vehicle dealerships across Australia, providing a full range of services including sales of new and used cars, servicing, spare parts and provision of finance products. APE was established in 1913 and has been listed on the ASX for 62 years, with a very capable management team and board led by Martin Ward who has been CEO since 2006, whilst key director Nick Politis owns a ~36% stake in the group.

As background, in April, APE proposed a merger with competitor Automotive Holdings Group (AHG), structured as 1 APE share for every 3.8 AHG shares owned. Note prior to this announcement, APE owned a 28% stake in AHG and hence the risk of a competing bid is low. The key attractions of the merger are cost out synergies from combining the two businesses and upside from APE improving AHG's automotive business (in particular profit margins), which we believe has been distracted from the non-core and underperforming Refrigerated Logistics division in recent years. The merged group would have market share of new car sales of ~12%. In early May, APE sweetened its bid for AHG from 1 for 3.8 shares to 1 for 3.6 shares, which saw the AHG board recommend the offer to shareholders. ACCC approval is now the last major hurdle, with a decision expected in the next few months.

Other positive contributors included **Polynovo (PNV)** +15.9%, **Auckland International Airport (AIA)** +9.1% and **People Infrastructure (PPE)** +8.6%.

Detractors for the month were: **Pinnacle Investment (PNI)** down -13.9%, **NRW Holdings (NWH)** down -6.8% and **Arena REIT (ARF)** down -6.1%.

#### Market commentary

Global equity markets were very weak in May, with the S&P 500 declining by -6.6%, the NASDAQ down -7.9%, the FTSE down -3.5%. Asian markets also fell, with the Nikkei down -7.5% and the Hang Seng falling -8.4%. The driver of the falls was a deterioration of relations between the US and China, which in turn fuelled fears of a fully blown US-China trade

war, which has the potential to materially impact global trade.

In contrast, Australia materially outperformed its global peers, due to the surprise Federal election result, APRA's easing of interest servicing buffers, as well as comments from the RBA that appeared to signal the potential for reductions in official interest rates in the near term.

The oil price fell by -14% to US\$62 per barrel in May, whilst other commodities were mixed – iron ore up +6%, coking coal down 1%, thermal coal down -14%, whilst base metals were broadly weaker (copper -10%, zinc -9%, and nickel -3%). The A\$/US\$ fell by -2% in May to close at \$0.69.

This month saw the Fund complete its first two years of performance. We would like to take this opportunity to thank all investors for their support. Whilst two years is a relatively small sample size, we would highlight the performance of the Fund places it amongst the top performing funds in the Australian equities category, which we believe provides evidence that our investment process is working well. Given there is significant evidence pointing to the benefits of investing in Funds early in their life cycle (with smaller FUM), we continue to believe the Fund is an excellent option for those seeking an exposure to Australian equities.

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
<b>2017</b>						1.29	1.52	7.03	3.05	5.32	3.81	3.66	28.55
<b>2018</b>	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
<b>2019</b>	2.84	9.77	2.72	6.88	2.54								27.07

#### FUND INFORMATION

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

**Contact details**

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