

Glenmore Australian Equities Fund

Monthly performance update

September 2019

Fund Performance

Fund performance for September was +2.60% (after fees) versus the benchmark return of +2.13%. The Fund has delivered a total return of +90.29% (after fees) since inception in June 2017.

Fund Returns (after fees)

| Period | Glenmore Fund | All Ords. Accum. Index |
|-------------------------|---------------|------------------------|
| September 2019 | +2.60% | +2.13% |
| 1 Year | +26.83% | +12.07% |
| Since Inception (p.a.) | +31.75% | +11.98% |
| Since inception (total) | +90.29% | +30.20% |

Fund commenced on 6 June 2017

Stock commentary

VGI Partners (VGI) increased +29.6% in September. VGI is an Australian based fund manager that listed on the ASX in June 2019. Whilst the IPO was quite recent, VGI commenced operations in 2009 and since then has built a strong reputation in delivering consistent returns in a risk adjusted manner. At the time of IPO, VGI was a single Fund company, though in the prospectus it had been well flagged that new funds would be considered, and hence it was our view that whilst timing was uncertain, new fund/s were reasonably likely (given VGI's reputation), and would be highly value accretive for VGI if they were introduced. In August this year, VGI announced a new Asian focussed fund, which would be a listed investment company (LIC), with stock code "VG8". The capital raising process for VG8 has not concluded yet, however, at the time of writing, VG8 has raised ~\$500m. Excluding VG8, as at 30 June 2019, VGI had FUM of \$2.6B, hence the new Fund will provide a step change in VGI earnings. We believe VGI has significant earnings potential (in particular from performance fees) given its enlarged FUM base of \$3.0B - \$3.5B (depending on the eventual FUM raised from VG8) and continue to hold the stock.

Dicker Data (DDR) rose +22.9% in the month. During the month, DDR senior management undertook a roadshow, meeting with a number of institutional investors (including ourselves), which highlighted the strong earnings outlook. Also, of note, during September, DDR declared a special dividend of 5 cps, funded from the sale of a property in Sydney for \$36m. We believe DDR's guidance for CY19, for pre-tax profit to be \$51.4m (up +11% vs CY18), appears very

conservative given what was achieved in 1H19 and continue to be positive on the group's prospects.

AP Eagers (APE) increased +16.1% in the month. The main driver in our view is a growing appreciation of the merits of the recent merger between APE and listed competitor Automotive Holdings Group (AHG). In particular, several brokers released research during the month, highlighting the potential synergies from the merger. APE has been a very strong performer this year, having risen +137% in 2019 to date, however we continue to hold the stock as we believe there is further likelihood of positive earnings surprises over the next few years, as APE reaps the benefits of an improving new car market, reduced cost base (excluding AHG), improved Finance contract penetration, and operational synergies from combining AHG with its existing automotive business.

Detractors to performance in the month included **Bravura Solutions (BVS)** -14.4%, **Hotel Property Investments (HPI)** -7.5%, and **People Infrastructure (PPE)** -7.1%. BVS (which is a relatively small position for the Fund) has de rated materially in recent months due to slowing sales of its key sonata product, investor dissatisfaction regarding a capital raising in May, as well as political uncertainty in key markets. Despite this, we believe the sales pipeline for sonata is still substantial, albeit now more weighted to the medium term, given the long sales cycle (1-3 years) for the product.

Market commentary

September was a strong month for equities with the US S&P 500 up +1.7%, the FTSE100 was up +2.8%, whilst in Japan, the Nikkei225 was +5.1%. The key driver of the buoyant markets was increased optimism on the US-China trade war and continued likelihood of accommodative monetary policy in Australia, Europe and the US. A recent example was on 1 October, where the RBA announced a cut in the cash rate to 0.75%. In Australia, the All Ordinaries Accumulation Index rose +2.1% in the month. Financials were the best performing sector, likely helped by a small increase in bond yields, whilst defensive sectors such as Telco's, Healthcare and Real Estate underperformed.

In commodities, gold was a notable underperformer, falling -3% in the month, which led to significant falls in listed gold miners. Bulk commodities were mixed - iron ore up +9% to US\$93/t, coking coal -10% to US\$141/t and thermal coal +7% to US\$64/t. The oil price was very volatile, rising ~14% mid-month following a drone attack on Saudi Arabia oil

processing facilities, however ended the month flat at US\$59/barrel.

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 | 2.54 | 5.21 | 7.71 | -0.76 | 2.60 | | | | 46.61 |

FUND INFORMATION

| | | | |
|-------------------------------|---|---------------------------|---|
| Name | Glenmore Australian Equities Fund | Fund Administrator | Apex Fund Services |
| Inception | 6 June 2017 | Fund Custodian | Sargon Corporate Trust Pty Ltd |
| 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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