

## Glenmore Australian Equities Fund

### Monthly performance update

### November 2019

#### Fund Performance

Fund performance for November was -1.65% (after fees) versus the benchmark return of +3.07%. The Fund has delivered a total return of +85.15% (after fees) since inception in June 2017.

#### Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
November 2019	-1.65%	+3.07%
1 Year	+38.01%	+25.86%
Since Inception (p.a.)	+27.94%	+12.32%
Since inception (total)	+85.15%	+33.70%

# Fund commenced on 6 June 2017

#### Stock commentary

**NRW Holdings (NWH)** rose +32.4% in the month. During November, NWH acquired WA based competitor BGC Contracting for ~\$300m. BGC was established in 1970 and later acquired by Len Buckeridge in 1992 and operates in the resources, energy and public infrastructure sectors. To fund the acquisition, NWH announced a \$130m capital raising, which the Fund participated in. Whilst the size of the acquisition is reasonably large, we believe NWH has strong integration capabilities, given the highly successful integration of Goldings, which was acquired in August 2017. Following the purchase of BGC, on a pro forma basis, net debt of the combined companies would have been \$230m at 30 June 2019, and given the strong free cash flow generation, net debt should fall materially in the 12 months post the acquisition. Pleasingly, the acquisition is highly EPS accretive: >14% pre synergies and >25% post synergies, with NWH trading on an FY20 PE of ~12x.

**Bravura Solutions (BVS)** rose +20.7% in November. During the month, BVS held its AGM where it provided an update on trading for FY20 year to date. The key positive was BVS reiterated FY20 guidance of NPAT growth in the mid-teens, which was better than market expectations, where there had been fears of a downgrade due to Brexit impact and a weak first half. BVS said recent acquisitions would contribute an additional ~\$3m to FY20 NPAT. BVS also made numerous comments around the sales pipeline being very healthy, with a particular focus going forward on Europe where it sees strong growth potential. Following material stock price underperformance since May this year, BVS trades on much

more attractive valuation metrics (cash adjusted FY21 PE of ~21x) which combined with long-term recurring revenue and solid growth prospects from its key software product Sonata, sees it well positioned over the next 12-18 months.

**Polynovo (PNV)** declined -20.8% in October. There was no specific negative news released during the month, with the key event being the company's AGM, where it provided some commentary on trading, sales outlook and the status of some of its key new products in its pipeline, in particular Hernia and Breast. Of note at its AGM, PNV did not provide a forecast for FY20 which may have disappointed investors. The company did say that in the four months to October 2019 it is more than 100% up vs the four months to October 2018, which was in line with our expectations. It should be noted the stock has been a very strong performer (up +198% in the last 12 months) and given the company is still in the very early stage in its growth phase, stock price volatility is not surprising. Also, we would highlight the Fund reduced its holding quite significantly at stock prices in excess of \$2.10, which reduced the impact of the stock price fall in November.

**AP Eagers (APE)** fell -20.1% in the month. The driver was a weaker than expected trading update, which showed the impact of the weak new car market on both APE and AHG (which APE recently acquired), having taken control in September 2019. APE (ex AHG) pre-tax profit for the 10 months to 31 October was down -6.0%, which given the state of the car market was in line with our expectations. However, the trading performance of AHG was very weak, delivering pre-tax profit of \$4.8m for the period 1 July to 31 October 2019. The two key drivers of the underperformance were AHG's Victorian operations and AHG's fixed price, used car business "easyauto123". In both cases, the underperformance has come from weak revenue performance combined with a cost base that is too high for the current trading environment. On a more positive note, APE said the integration of AHG is on track, with the full \$30m synergies savings target to be delivered within 12 months. Given the significant amount of recent underperformance from AHG (which has lowered our earnings forecasts for this business) we have reduced our position in APE slightly but have maintained a holding given our belief that on a medium term basis, there is significant earnings and valuation upside from the combination of APE and AHG, particularly when the current downturn in new car sales improves.

### Market commentary

Globally equity markets in November were strong across the board. November was a particularly strong month on the NASDAQ, which rose +4.5%, taking 2019 year to date gains to +30.6%. Other indices were also positive: Russell 2000 (+4.0%), S&P 500 (+3.4%), Nikkei 225 (+1.6%), and in the UK, the FTSE 100 was up +1.4%. The main driver of the strength in our view was some progress being made between the US and China on a trade deal and the view that monetary policy globally will remain favourable for the foreseeable future (noting the US Federal Reserve cut rates in late October, the third in 2019).

In Australia, the All Ordinaries Accumulation Index rose +3.07%. Technology, Healthcare and Consumer Staples were the top performers, whilst Banks underperformed due to weak earnings trends, capital raisings and in the case of Westpac, AUSTRAC began civil proceedings which impacted sentiment. The RBA kept rates on hold at 0.75% in November, following 3 cuts in 5 months, with further reductions a possibility if economic growth remains weak.

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. Given this is our last newsletter of 2019, we would like to wish everyone a safe and prosperous Christmas holidays and New Year.

### 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	5.21	7.71	-0.76	2.60	-1.07	-1.65		42.65

### 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>	Sargon Corporate Trust Pty Ltd
<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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