

Glenmore Australian Equities Fund

Monthly performance update

January 2020

Fund Performance

Fund performance for January was +3.05% (after fees) versus the benchmark return of +4.69%. The Fund has delivered a total return of +87.63% (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
January 2020	+3.05%	+4.69%
1 Year	+40.57%	+24.87%
Since Inception (p.a.)	+26.62%	+12.63%
Since inception (total)	+87.63%	+37.31%

Fund commenced on 6 June 2017

Note January is typically a quiet month in terms of news flow, however February sees the vast majority of the Fund's holdings report their results, which will provide a key indication of how the Fund's investments are performing.

Stock commentary

Polynovo (PNV) rose +42.1% in January. During the month, PNV released a significant amount of news, all of which showed its key Novosorb BTM product continues to make strong progress as it is rolled out globally. Firstly, PNV announced its first month of sales revenue in excess of \$2m in December 2019 (vs \$890k in December 2018). In addition, PNV provided a bullish sales update regarding initial orders in the UK, Germany, Austria and Switzerland, following Novosorb BTM receiving regulatory approval (CE Mark) in mid-December 2019 to be sold throughout UK/Ireland and the European Union. Commentary from PNV highlighted that interest in the product from surgeons is very high which bodes well for sales across Europe and the UK as it builds from a low base. Given the strong sales outlook over the next few years, it is realistic to assume cost growth (in particular, sales staff) will also accelerate. This is likely to result in PNV's earnings being quite lumpy, however given the company is still very early in a multi-year growth phase with a market leading product, we remain comfortable holders of the stock.

People Infrastructure (PPE) increased +10.8% in January. To recap, PPE is a workforce management company, supplying labour with a focus on Health and Community Services (Aged care and healthcare) and IT, both of which are growing at

above GDP rates. There was no specific news released by the company, however employment data released for 2019 (source: SEEK) showed strong growth in sectors that PPE has exposure to, namely Community Services +8.74% vs 2018 (driven by increased NDIS spending) and Healthcare and Medical +7.8% vs 2018 (with Aged Care Nursing +22%, which is of strong relevance for PPE). This industry backdrop, combined with PPE's strong operational track record, bode well for earnings over the next 12-18 months, with the key risk being successful integration of recent acquisitions. PPE's valuation remains quite attractive (FY21 PE of ~15x) and we continue to hold the stock.

Other positive contributors in the month included **Arena REIT (ARF)** +8.4%, **Moelis Australia (MOE)** +7.8% and **Hotel Property Investments (HPI)** +7.6%.

AP Eagers (APE) fell -12.9% in January. The main driver was continued negative sales trends in the Australian new car market, with November/December aggregate volumes down -6.9% vs pcp, continuing the run of negative new car sales from the industry that has now extended for 21 months in a row. For the calendar year 2019, new car sales fell by ~8% vs 2018, making it the worst year since 2011. It seems likely that APE earnings in the near term will be impacted by the ongoing downturn, however we continue to believe APE is a very well-run business that in our view is undervalued once the cycle recovers. The timing of any recovery is difficult to forecast but we are comfortable taking a long-term view on the stock given our confidence in the business and its management team.

Other negative contributors in January were **Stanmore Coal (SMR)** -11.0% and **VGI Partners** -10.3%.

Market commentary

The Australian equity market rose strongly in January, with the ASX All Ordinaries Accumulation Index increasing +4.7%, materially outperforming its global peers (S&P500 flat, FTSE 100 -3.4% and Euro Stoxx 50 -2.6%). Top performing sectors on the ASX were Healthcare, IT and Consumer Staples, whilst Utilities and Energy underperformed.

Globally, key news events in January included the signing of the phase 1 US/China trade deal and the exit of the UK from the European Union on 31 January. Continuing on the theme of 2019, bond yields across the globe declined in January,

with the US 10 year falling 42bp to 1.5%, whilst in Australia the 10-year bond also fell 42bp to 0.95%.

In Australia, unemployment fell to 5.1%, the RBA cash rate was stable at 0.75%, whilst house prices continued to rise in January (+4.0% year on year). The Australian dollar had another weak month, falling -4.7% to US\$0.67, due to fears of weakening economic growth.

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	-1.07	-1.65	-1.67	40.28
2020	3.05												3.05

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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