# Glenmore Australian Equities Fund
## Monthly performance update
## September 2021

### Fund Performance

Fund performance for September was +0.74% (after fees) versus the benchmark return of -1.58%. The Fund has delivered a total return of +172.64% or +26.04% p.a. (after fees) since inception in June 2017.

**Fund Returns (after fees)**

| Period | Glenmore Fund | All Ords. Accum. Index |
|---|---|---|
| September 2021 | +0.74% | -1.58% |
| 1 Year | +53.99% | +31.32% |
| 3 Year (p.a.) | +22.03% | +10.32% |
| Since Inception (p.a.) | +26.04% | +10.81% |
| Since inception (total) | +172.64% | +56.01% |

# Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Whitehaven Coal (WHC) increased +27.7% in September. The main driver was continued strength in the thermal coal price (+26.7% in the month), benefitting from strong Asian demand and a lack of new supply. WHC has been a very strong performer for the Fund since investing in September 2020 at stock prices of $0.90 to $1.00 (vs 30 September 2021 stock price of $3.23), however with the stock moving closer to our view of fair value, we have been progressively reducing our position, which has continued in October.

DGL Group (DGL) rose +23.0% in the month. DGL is a vertically integrated specialty chemicals logistics business which provides supply chain and environmental services for a range of companies in the agriculture, mining and construction sectors. DGL listed in May 2021 on the ASX and hence is a recent addition to the Fund. Current CEO Simon Henry founded DGL in 1999 and has self funded all of its growth and retains a very material 56% stake, having not sold down at IPO. DGL's FY21 result was released on the last day of August, so September saw increased investor awareness of the strong result, and DGL's scope for earnings growth over the medium term. The result itself was very impressive, with revenue up +9% and underlying EBITDA up +48% to $28.4m. All three key divisions reported growth and the earnings outlook is very positive with numerous avenues for growth across the business both organically and from acquisitions.

Home Consortium (HMC) increased +17.2%. HMC again is a relatively recent addition to the fund. HMC is an Australian based property group which listed on the ASX in October 2019. At the time of IPO, HMC was largely an internally focussed REIT with tenant exposures centred around consumer convenience/daily needs, as well as health and wellness. However, in 2021, HMC has transitioned its business model away from being a REIT (property trust) to being an asset light fund manager. Currently HMC is focussed on property assets but has a stated intention to expand into the private equity, infrastructure and credit sectors. These sectors, whilst quite different to property, can leverage HMC's ability to execute complex transactions and access large sources of long term capital (both private and listed). HMC has created two ASX listed REIT's, which it has retained minority stakes in: Healthco (HCW) and Homeco Daily Needs (HDN). HMC's funds management arm generates fees from recurring revenue (management, property management and leasing) and transactional revenue (acquisition, disposal, development and trading profits), hence has the potential to be very lucrative if management can generate targeted AUM growth. We believe there is very significant investor demand for the products that HMC is targeting and hence scope for material assets under management (AUM) growth. Whilst the valuation has moved up in recent months, we believe HMC's earnings potential is very strong over the medium term. In addition, its funds management earnings are high quality – being highly recurring and quite sticky in nature (less key man and performance risk than equities funds management).

Other positive contributors in September were: Aussie Broadband (ABB) +22.3%, Coronado Global Resources (CRN) +16.2% and Bowen Coking Coal (BCB) +10.0%.

Mineral Resources (MIN) fell -18.4%. As was the case in August, the driver was the fall in the iron ore price, which fell sharply (down -29.7%) in September. Whilst this has a negative short term earnings impact, we are prepared to accept this volatility given that MIN's current growth projects across mining services, iron ore and lithium, will materially increase earnings over the medium and long term.

Uniti Group (UWL) fell -10.8% in the month. Sentiment towards the stock was impacted by news that executive director Vaughan Bowen has been charged by ASIC in relation to insider trading over the sale of 5.6m Vocus shares in June 2019. The allegation is that Mr Bowen was aware that private equity firm EQT would withdraw its takeover bid for Vocus at the time of his share sale. Mr Bowen has announced he will fight the charges with UWL announcing during the month that it will not make any changes to Mr Bowen's position until the outcome of the matter has been finalised. Whilst clearly a sub optimal situation given Mr Bowen has been a key driver of UWL's M&A strategy in particular, we would note following a very busy 12-18 months, UWL's acquisition activity is likely to subside, with increased focus on organic earnings growth. The matter will likely take some time to be finalised and we will continue to monitor the situation.

Market commentary

After a strong run since September 2020, global equity markets were weaker in September, with sentiment impacted by investor concern around rising inflation, the potential default of Evergrande (one of China's largest property developers), as well as continued upward movement in bond rates. In the US, the Nasdaq fell -5.3%, the S&P 500 -4.8%, whilst in the UK, the FTSE 100 fell slightly, down -0.5%. In Australia, the All Ordinaries Accumulation Index fell -1.6%. The best performing sectors were Energy (higher oil price) and Utilities, whilst Materials (weaker iron ore price) and Healthcare underperformed.
Commodity prices generally were lower, with iron ore down -29.7%, copper -7%, gold -3%, whilst oil bucked the trend, rising +8%. In the bond market, the key US 10 year bond rate increased by +25 basis points (bp) to 1.52%, whilst in Australia the 10 year bond rate increased +33bp to 1.49%. Both moves were driven by expectations of rising global inflation.

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 | -9.44 | -29.34 | 16.63 | 9.64 | 1.43 | 1.41 | 11.52 | 0.54 | 1.66 | 10.37 | 3.96 | 13.43 |
| 2021 | 0.53 | -1.61 | 1.34 | 7.05 | 1.00 | 6.15 | 3.21 | 10.38 | 0.74 | | | | 32.02 |

**FUND INFORMATION**

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|---|---|---|---|
| **Name** | Glenmore Australian Equities Fund | **Fund Administrator** | Apex Fund Services |
| **Inception** | 6 June 2017 | **Fund Custodian** | Certane 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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