

Glenmore Australian Equities Fund

Monthly performance update

October 2021

Fund Performance

Fund performance for October was +0.65% (after fees) versus the benchmark return of +0.15%. The Fund has delivered a total return of +174.4% or +25.68% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
October 2021	+0.65%	+0.15%
1 Year	+52.47%	+28.84%
3 Year (p.a.)	+26.06%	+12.87%
Since Inception (p.a.)	+25.68%	+10.63%
Since inception (total)	+174.41%	+56.25%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Dicker Data (DDR) rose +18.9% in October. Late in the month, DDR issued a very positive 3Q FY21 trading update, with the highlights being revenue up +16.1% and pre tax profit up 26.0%, which was ahead of our expectations. Even excluding the recently acquired Exceed Group, sales and pre tax profit were up a very strong +23% and +37% respectively. Continued global chip shortages and industry wide supply constraints, which we had considered would pose earnings risk for DDR, were actually a positive factor, contributing to a rise in profit margins. The earnings outlook for DDR remains very robust across a number of its key verticals and we continue to hold the stock.

People Infrastructure (PPE) increased +15.4%. There was nothing material released by PPE during the month, but we did listen to CEO Declan Sherman deliver a presentation at an investor conference that painted a positive picture for earnings, albeit where some parts of the group have been negatively impacted by lockdowns in 1H21 (Health and Community Services in VIC and NSW). More positively, PPE's IT business continues to perform strongly, boosted by the well documented tailwinds to the IT sector. PPE continues to evaluate M&A candidates and we remain hopeful that new acquisitions can be secured over the remainder of FY22.

MA Financial (MAF) increased +12.1% in the month. In October, MAF provided a very positive business update,

where it upgraded profit guidance from FY21 EPS growth of 20%-30% to 30%-40%. Activity levels remain very healthy across all parts of the group. Some of the key points included: assets under management increasing to \$6.5B at 30 September from \$6.1B at 30 June, net fund inflows of \$384m (including a record \$190m from domestic clients boosted by real estate credit funds), as well as MAF settling on a number of real estate assets.

Whitehaven Coal (WHC) fell -19.2% in the month. There was nothing operationally negative released during October, with the main swing factor for the stock price being the increased volatility in the thermal coal price. Whilst the price was actually up slightly (+2.5%) in the month, coal futures fell materially late in the month, which appeared to be driven by comments from key Chinese planning group, the National Development and Reform Commission (NDRC), that it would seek to actively reduce thermal coal prices in China by boosting mine supply where possible. Whilst WHC itself does not sell coal to China, the market volatility impacted its stock price, in particular given the very sharp increase in coal prices in recent months, which realistically (in our view) were unlikely to be maintained for a sustainable period of time. As we noted in the September newsletter, we had already commenced reducing our holding in WHC, which continued in early October, given WHC's lessening valuation appeal in favour of other stocks in the portfolio that we view as having superior forecast expected return.

Mineral Resources (MIN) fell -13.9% in the month. The driver was a weaker than expected quarterly production report, which showed the iron ore price that MIN received for its iron ore (which is lower grade and hence lower quality than iron ore mined by BHP and Rio Tinto) was weaker than expected. MIN's realised price was just 48% vs the benchmark price for the September quarter, which was a lower than expected realisation which in turn was driven by negative adjustments of US\$34m for the finalisation of FY21 shipments. In addition, the iron ore price, which has fallen sharply in recent months, declined by -2.3% in the month. Positively, progress on the construction of the Ashburton iron ore project (30mtpa) continued, which we expect to commence production in 2H of 2023 (pending final government approvals).

Market commentary

Equity markets globally were very positive in October. In the US, the S&P 500 increased +6.9%, the Nasdaq was up +7.3%, whilst in the UK, the FTSE 100 rose +2.3%. In the US, the S&P 500 was boosted by a +44% rise in Tesla and a general increase in investor risk appetite for growth stocks.

Australian stocks significantly lagged its offshore peers, with the All Ordinaries Accumulation Index essentially flat (+0.2%).

The key event for Australia in October was the rise in bond yields as the bond market factored in RBA rate increases earlier than previously forecast. Australia's 10 year bond yield rose by +59bp to 2.08%, which was a much larger increase than its US counterpart. On the ASX, gold stocks were the strongest performers, whilst Food and Beverage stocks underperformed. Commodity prices in October were mixed with iron ore down -2%, thermal coal up +3%, copper up +7%, crude oil up +7%, and gold up +1%. The AS/US\$ rose +4% to US\$0.75.

The vast majority of ASX listed stocks will provide Annual General Meeting (AGM) updates in November, which will provide another key data point on how the Fund's portfolio companies are trading in FY22 year to date.

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	0.65			32.88

FUND INFORMATION

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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