

Glenmore Australian Equities Fund

Monthly performance update

November 2021

Fund Performance

Fund performance for November was +0.51% (after fees) versus the benchmark return of -0.33%. The Fund has delivered a total return of +175.82% or +25.29% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
November 2021	+0.51%	-0.33%
1 Year	+38.85%	+16.57%
3 Year (p.a.)	+27.15%	+13.60%
Since Inception (p.a.)	+25.29%	+10.34%
Since inception (total)	+175.82%	+55.73%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Strandline Resources (STA) rose +27.5% in November. STA's flagship asset is the Coburn mineral sands project, which is located in WA, 240km north of Geraldton. The main minerals that will be mined from Coburn are zircon, chloride ilmenite and rutile, whilst the mine life is long, at a forecast 20-25 years. Prices for these commodities have been very strong in the last 12 months (driven by lack of supply and recovering global industrial demand), with ASX listed Iluka Resources (ILU, market cap \$3.7B) providing the best indicator of the strength of the commodities that Coburn will produce. At a current market capitalisation of ~\$300m, STA continues to look very attractively priced, given the project should generate annual EBITDA of ~\$100m once the project is at full production over 12 months, which we believe will be in FY24.

Mineral Resources (MIN) rose +17.3% in the month.

Following three consecutive months of declines in excess of 10%, MIN saw a recovery in its stock price, perhaps helped by views that the iron ore price has finally stabilised after falling significantly in recent months. The iron ore price closed at US\$100/t at the end of November, which is a price where historically some higher cost producers have cut production (and hence assisted the demand/supply fundamentals of the iron ore price). During the month, MIN held its annual general meeting (AGM), where it provided a detailed update on its operations, including plans for its lithium strategy (convert spodumene to higher quality lithium hydroxide), an

update on the 30mtpa Ashburton iron ore project (where MIN guided for higher capex offset by lower operating costs and first production at end of 2023). In addition, MIN reduced FY22 production guidance from its Yilgarn assets (which are higher cost), from ~10.5mt to 8.0-8.5mt.

Other positive contributors in the month included **Alliance Aviation Services (AQZ)** +12.8%, **ARB Corporation (ARB)** +10.0%, and **Uniti Group (UWL)** +8.8%.

Coronado Global Resources (CRN) fell -19.4% in the month. The main driver was the -22% fall in the hard coking coal price in November (US\$405/t to US\$316/t). Whilst the decline was quite large in percentage terms, in reality the price was falling from an extremely high level to a still very healthy level for producers and as such continue to see CRN generating very strong cashflows at current prices.

DGL Group (DGL) fell -18.3% in November. There was nothing overly negative released during the month from the company and we would note the stock has had a very strong run since listing on the ASX in May 2021 (up ~140%) and was arguably due for a pullback. In recent weeks in December, we have listened into several zoom presentations by senior management, which painted a very positive outlook for the business, both in terms of organic growth and acquisition opportunities.

Other negative contributors in November included **Bowen Coking Coal (BCB)** -17.1%, **Retail Food Group (RFG)** -10.0%, and **People Infrastructure (PPE)** -7.2%.

Market commentary

Australia outperformed the majority of its global peers in November, with the ASX All Ordinaries Accumulation Index falling just -0.3%. This compared with larger falls from some of the major offshore indices (S&P500 -0.7%, Euro Stoxx 50 -4.3%, MSCI Asia ex Japan -3.4%, FTSE 100 -2.5%). On the ASX, the better performing sectors were Materials and REIT's, whilst Energy and Financials underperformed. The declines in November were at least partly driven by the emergence of the Omicron variant of the COVID 19 virus. The evidence to date on Omicron is that it appears to be highly transmissible but with symptoms that do not appear to be extremely harsh. With that said, it is still early days in terms of evidence from Omicron, and the key risk appears that even if the symptoms are relatively mild, the variant results in a large

increase in hospitalisations, which has the potential to stress hospitals around the world.

With regards to the emerging threat of Omicron, we would again reiterate that in terms of stock selection and portfolio construction, we are very much bottom up stock pickers that take a multi year view with our investments, and hence are not making any changes based on this new variant. We spend a lot more time focussed on making sure the stocks we own are still attractively priced relative to their earnings growth prospects, which in our view is a more rational approach to the current market environment.

Commodity prices in November were weaker, with the key moves being thermal coal down -32%, hard coking coal -22%, oil -16%, iron ore down -7%, copper -2%, and gold, which fell -1%. The A\$/US\$ declined -5% in the month to close at US\$0.71.

Given this is the last newsletter before Christmas, we would like to wish all of our investors and readers of this newsletter, a safe and prosperous Christmas and relaxing holiday break.

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	0.51		33.56

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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