

## Glenmore Australian Equities Fund

### Monthly performance update

### December 2021

#### Fund Performance

Fund performance for December was +4.13% (after fees) versus the benchmark return of +2.67%. The Fund has delivered a total return of +187.2% or +25.88% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
December 2021	+4.13%	+2.67%
1 Year	+39.07%	+17.62%
3 Year (p.a.)	+30.31%	+14.77%
Since Inception (p.a.)	+25.88%	+10.78%
Since inception (total)	+187.20%	+59.89%

# Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

#### Stock commentary

**DGL Group (DGL)** increased +27.8% in the month. To recap, DGL is a vertically integrated specialty chemicals and supply chain business offering full service solutions from manufacture to recycle in New Zealand and Australia. In early December, DGL held its annual general meeting (AGM) where it said earnings for FY22 remained in line with expectations, both from the core business (at time of IPO) and also the performance of the seven new businesses DGL has acquired since July 2021 at a cost of ~\$70m. With regards to the recently acquired businesses, DGL said they would contribute ~\$15m EBITDA in FY22 on a pro forma basis, which was a pleasing outcome. In addition, it is worth noting that Simon Henry (founder and CEO of DGL), purchased \$500k worth of DGL stock during the month.

**Mineral Resources (MIN)** rose +23.7% in December. The main driver was the recovery in the iron ore price (+16% in the month, following five consecutive months of declines), and continued strength in lithium prices. Despite the fact that MIN's stock price has been very volatile in 2021 on a month to month basis, the core reasons for our conviction in the company remain the same: material forecast increase in iron ore production (from 20mtpa to ~80mtpa) over the next five years), as well as new production from the Wodgina lithium mine at a time when lithium prices are very favourable.

**Bowen Coking Coal (BCB)** rose +20.7% in the month.

There was nothing overly material released by BCB in December, however it did announce the finalisation of two important acquisitions; being the Burton mine and Lenton assets (acquired from ASX listed New Hope Corporation) and the Bluff Mine (purchased via issuing scrip to MACA Limited). Whilst both deals were always highly likely to complete, it does now position BCB for a very material step up in cash generation as these mines are brought into production over the next 12-18 months. Also boosting sentiment towards the stock was the continued rise in the hard coking coal (used in steelmaking) price, which increased by +13% in December.

Other positive contributors in the month included **Trajan Group (TRJ)** +16.4%, **Coronado Global Resources (CRN)** +12.7%, and **People Infrastructure (PPE)** +7.1%.

There were no material detractors to fund performance in December. Stocks that declined during the month included: **Aussie Broadband (ABB)** -9.2%, **Ardent Leisure (ALG)** -7.2%, and **Pinnacle Investment Management (PNI)** -5.5%.

#### Market commentary

In Australia, the ASX finished off 2021 with another strong month, with the All Ordinaries Accumulation Index rising +2.7%. The top performing sectors included utilities, materials, and property, whilst information technology and healthcare lagged. Offshore indices were also stronger, with the Nasdaq up +0.7%, the S&P 500 rising +4.4%, whilst in the UK, the FTSE 100 was up +4.6%.

With regards to the new Omicron variant of COVID 19, the positive news continues to be that whilst it is highly transmissible, it is not (to date at least) resulting in a large increase in the number of hospitalisations, in proportion to the number of positive cases. Whilst it will clearly continue to have an impact on people's way of life (due to the need to isolate), we do not believe that the current strain will have a significant negative impact on the earnings of our portfolio companies, such that any major fund composition changes are required.

During the month, the Federal Reserve (US central bank) continued with its commentary for monetary policy to include multiple interest rate rises over the next 12-18 months due to strong economic growth and increasing inflation. In the bond market, the key US 10 year bond yield rose slightly in the month (+6bp) to close at 1.51%.

This expectation of tightening monetary policy continued to pressure stocks with more expensive valuations (ie. Technology and growth stocks).

Overall, despite the significant and rapidly changing lifestyle restrictions from the current Omicron variant, the Australian economy remains in a very healthy position. The main issue in 2022 for equity markets is likely to be rising inflation and tightening monetary policy, with our expectations of interest rate increases from central banks over the next 12-18 months. As always, our focus is on identifying companies that can generate material earnings growth that is not priced into the stock's current valuation.

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
<b>2017</b>						1.29	1.52	7.03	3.05	5.32	3.81	3.66	<b>28.55</b>
<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	<b>0.97</b>
<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	-1.67	<b>40.28</b>
<b>2020</b>	3.05	-9.44	-29.34	16.63	9.64	1.43	1.41	11.52	0.54	1.66	10.37	3.96	<b>13.43</b>
<b>2021</b>	0.53	-1.61	1.34	7.05	1.00	6.15	3.21	10.38	0.74	0.65	0.51	4.13	<b>39.07</b>

**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>	Certane 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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