

Glenmore Australian Equities Fund

Monthly performance update

February 2022

Fund Performance

Fund performance for February was -1.12% (after fees) versus the benchmark return of +1.73%. The Fund has delivered a total return of +162.35% or +22.51% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
February 2022	-1.12%	+1.73%
1 Year	+28.43%	+9.90%
3 Year (p.a.)	+21.43%	+9.23%
Since Inception (p.a.)	+22.51%	+9.21%
Since inception (total)	+162.35%	+51.98%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Bowen Coking Coal (BCB) rose +25.7%. During the month, BCB continued to progress its plans for coal production from its portfolio of mines in Queensland. The company undertook a \$42m equity raising with the funds to be applied towards the Burton Lenton project acquisition (acquired from New Hope in August 2021). In addition, BCB finalised a \$15m debt facility (9% interest rate) as part of its funding plans. With a strong and well aligned board/management team, BCB looks to be well placed to achieve its targeted production of 5mtpa by 2024 and we remain positive on the stock.

Coronado Global Resources (CRN) +19.9% and **Whitehaven Coal (WHC) +19.8%** in the month. Both reported strong profit results that were boosted by continued robust coal prices. **CRN** delivered its full year result, with EBITDA of US\$486m, well up vs pcp, and announced a US\$0.09 per share dividend. Net cash on hand was US\$123m, vs net debt of US\$282m at 31 December 2020. **WHC** reported 1H22 EBITDA of A\$633m, well up vs pcp, and declared an interim dividend of 8cps. Net debt at 31 December 2021 was A\$403m, however with continued strong cash generation, WHC is forecast to be debt free by March 2022. Whilst the stock prices of both have not rallied to the extent of the underlying commodities prices (which have had very significant rises), we have reduced our holdings in both stocks, given the strong stock price appreciation in the last 6-12 months. Forecasting coal prices for the next 6-12 months is challenging in the current

environment, with the most likely scenario in our view being that prices continues to remain elevated versus historical levels, due to the limited amount of supply coming on stream globally.

Other positive contributors included **Ardent Leisure Group (ALG)** +18.5%, **Dicker Data (DDR)** +11.3%, and **Fiducian Group (FID)** +10.0%.

Uniti Group (UWL) fell -21.3% in February. UWL delivered a solid 1H22 result, with underlying EBITDA of \$70.5m, up +9%, despite a fall in construction revenue (covid related). The company said it was on track for FY22 underlying EBITDA of \$145m, which again was in line with expectations. Given the result, the stock price fall seemed excessive, though we would note many mid cap growth stocks on the ASX fell during the month, and we remain very comfortable with the earnings outlook for the company.

Trajan Holdings (TRJ) -20.5% in the month. As was the case with UWL, TRJ reported a solid 1H22 result, with revenue of \$43.7m (up +17% vs pcp) and EBITDA of \$4.8m (-6%). The margin decline was the result of targeted efficiencies from shifting manufacturing to Malaysia not eventuating as planned due to COVID 19 restrictions. Despite this, TRJ issued profit guidance for FY22 of EBITDA in the range of \$12.5m-\$13.5m, which whilst boosted by M&A, is still in line with TRJ's prospectus forecasts. We expect further acquisitions over the next 12-18 months which will assist earnings.

Mineral Resources (MIN) fell -18.3% in February. MIN reported a weak 1H22 result, which was negatively impacted by lower than expected realised iron ore prices, as well as higher operating costs. Interim EBITDA was \$156m, which was well below market expectations and 1H21, which was \$607m. The Mining Services business was the top performer (EBITDA of \$282m), whilst MIN's lithium and iron ore mining divisions both reported losses. Whilst the result was disappointing, we remain positive on MIN's medium-term prospects, particularly the 30mtpa Ashburton iron ore project (targeted to commence in 2H of 2024), which although not yet formally approved, will be a much lower cost source of iron ore production, and hence should be profitable even in periods of lower prices.

Other negative contributors included **Alliance Aviation Services (AQZ)** -17.4%, **Integral Diagnostics (IDX)** -13.7%, **MA**

Financial (MAF) -10.6%, ARB Corporation (ARB) -10.1%, and Pinnacle Investment Management (PNI) -9.0%.

Market commentary

Globally equity markets were weaker in February, impacted by continued investor concern around rising inflation, and the outbreak of the war in Ukraine. In the US, the S&P 500 fell -3.1%, the Nasdaq declined -3.4%, whilst in the UK, the FTSE 100 was flat, boosted by its strong mining weighting. Globally, technology stocks continue to suffer from expectations of higher interest rates, which in turn is driving compression of valuations in the sector.

Australia outperformed its global peers significantly, with the ASX All Ordinaries accumulation index rising +1.7% in the month. The drivers of the outperformance were the strong performance of the miners and big four banks, as well as a lower exposure to technology stocks than the US indices. Gold stocks performed very strongly, as did the energy sector (boosted by rising oil prices). As was the case offshore, technology stocks were the worst performers due to their relatively high valuation metrics.

As all readers would be aware, the key macro event was the invasion of Ukraine by Russia in late February. Investor sentiment in equities was actually quite weak before this event (due to expectations of inflation and rising interest rates), and hence the conflict has seen a further reduction of risk appetite from investors. Whilst a negative in the short terms for stock prices, this sentiment is now creating some very interesting investment opportunities, with many stocks that we focus on, now having fallen materially in 2022 year to date.

Commodities had a very strong month in February, boosted by concerns around the impact the Russian/Ukraine war might have on global supply (in particular oil). Gold was up +6%, copper rose +3%, thermal coal +20.6%, whilst iron ore fell -4.9%. In energy markets, crude oil rose +6.0%. The Australian dollar rose +3.0% in the month to close at US\$0.73.

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	4.13	39.07
2022	-7.62	-1.12											-8.65

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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