

Glenmore Australian Equities Fund

Monthly performance update

May 2022

Fund Performance

Fund performance for May was -4.11% (after fees) versus the benchmark return of -3.13%. The Fund has delivered a total return of +191.75% or +23.88% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
May 2022	-4.11%	-3.13%
1 Year	+30.35%	+4.74%
3 Year (p.a.)	+20.94%	+8.44%
Since Inception (p.a.)	+23.88%	+9.32%
Since inception (total)	+191.75%	+56.13%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

GQG Partners (GQG) rose +14.8% in May. GQG is a US based global funds management company which operates a number of equity funds in global and emerging markets. The company was founded in 2016 and is 68% owned by co founder Rajiv Jain, who we regard as an outstanding investor. There was nothing announced by GQG during the month that drove the stock price, however we believe investor awareness is growing with regards to the stock's cheap valuation and solid long term fund performance. Fund performance across GQG's four strategies (Global Equity, US Equity, International and Emerging Markets) have all been ahead of benchmark, with net inflows running at a healthy rate (US\$3.4B for the March 2022 quarter). Each month, GQG announces its funds under management (FUM), which at the end of April was US\$90.4B, down slightly on the previous month. Whilst there is clearly a heavy key man risk at GQG, on balance we believe this is more than offset by the quality of the company and its cheap valuation (FY22 PE multiple of ~13x). At the current stock price, GQG's dividend yield is also attractive at ~8% (unfranked due to GQG being based offshore).

Alliance Aviation Services (AQZ) increased +7.4% in the month. Early in the month, Qantas (QAN) announced a take over of AQZ at a fixed price of \$4.75 (+32% premium to AQZ's last 3 months volume weighted average stock price). Whilst arguably there is little premium for control in the bid price,

given QAN already own 20% of AQZ, it appears highly likely that it will succeed. The key risk to the deal being finalised is ACCC approval, though the fact that the ACCC gave the green light previously to the Commercial Partnership between AQZ and Virgin Australia is potentially a positive indicator. After rising +21% on the day of the announcement, AQZ's drifted over the month to close up just +7%, likely reflecting the scrip component and risks around ACCC approval.

Other positive contributors included **Bowen Coking Coal (BCB) +13.4%, Stanmore Resources (SMR) +12.7%, and Mineral Resources (MIN) +9.1%**. In the case of BCB, the company moved another month closer to first production and cashflows (from its Bluff mine), which likely boosted investor sentiment. SMR announced the completion of its purchase of BHP's 80% interest in the BMC assets, resulting in SMR gaining access to the strong cashflow generation of BMC's two producing coal mines (South Walker Creek and Poitrel).

Detractors

In May, many companies in the portfolio declined on no specific news flow, with general negative sentiment (driven by concerns of rising interest rates and an economic slowdown) being the key drivers of stock price movements. We expect over the next 1-2 months, many companies will pre announce their results to 30 June 2022 to provide investors clarity on how earnings are tracking (which has in fact happened in June month to date).

DGL Group (DGL) fell -26.8% in May. Along with equity market weakness, the main driver in our view was controversial comments made in an interview with the National Business Review by founder and CEO Simon Henry in April. Whilst the comments made were very disappointing, we have decided to maintain our position in the stock but will monitor the CEO and DGL's actions from an ESG (environmental/social/governance) basis closely.

Eagers Automotive (APE) fell -18.5% in the month. During the month, APE released a trading update and provided 1H22 guidance that pre tax profit would be in the range \$183m-\$189m, which would be 12-15% below the pcp. With regards to trading conditions, APE said demand for new vehicles continues to exceed supply, with the new car order book having increased by more than 25% since 31 December 2021. New car margins remain elevated and assuming supply

constraints can improve somewhat over the next 6 months, APE should be able to deliver full year 2022 NPAT of ~\$300m, which we would view as a strong result in a challenging environment.

Pinnacle Investment Management (PNI) fell -13.2% in May. Early in the month at an investment conference, PNI updated the market with the key points being: group funds under management (FUM) at 31 March 2022 of \$91.4B, down -2.4% from 31 December 2021. Net inflows were \$1.3B in the March 2022 quarter, which was a solid effort in volatile equity markets. The update was broadly in line with our expectations, with the main driver of the stock price fall in our view being the declines in equity markets and general sell off in growth stocks.

Other detractors included **Trajan Holdings (TRJ)** -23.8%, **Retail Food Group (RFG)** -20.9%, **People Infrastructure (PPE)** -14.5%, **Strandline Resources (STA)** -12.9% and **MA Financial (MAF)** -11.0%.

Market commentary

Equities globally were broadly flat in May, with the ASX underperforming its peers, with the All Ordinaries Accumulation Index declining -3.1%. In the US, the S&P 500 was flat (+0.1%), whilst the Nasdaq fell -2.1%. In the UK, the FTSE 100 was up 0.8%. On the ASX, materials were the best performing sector, whilst Real Estate and Technology were the worst performers.

Of note, Australia saw a change of government in the month, with Labor winning enough seats to form a majority government. The Reserve Bank of Australia (RBA) increased the cash rate by 25 basis points (bp) to 35bp. This was the first time the RBA had increased rates since 2010, with the bond market expecting several more increases in 2022.

As a general comment on equity markets, with interest rates globally continuing to rise from very low levels, we continue to see valuations of a wide range of stocks compress, in particular growth stocks. In addition, companies exposed to consumer spending continue to be sold off (which is justified in our view) due to concerns that higher cost of living and interest rates will pressure household discretionary spending.

Commodity prices were mainly weaker in May. Iron ore, gold and copper fell -3%, whilst crude oil rose +12%, boosted by the European Commission's decision to implement a total ban on Russian oil. Thermal coal was the clear outperformer, rising +31%. The A\$/US\$ rose +2% to close at US\$0.72.

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	12.52	3.07	-4.11								1.58

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

For more information, please contact Glenmore Asset Management on (03) 8375 9377 or 0409 002 391 or email info@glenmoream.com.au.

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