

Glenmore Australian Equities Fund

Monthly performance update

September 2022

Fund Performance

Fund performance for September was -8.24% (after fees) versus the benchmark return of -6.41%. The Fund has delivered a total return of +170.20% or +20.49% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
September 2022	-8.24%	-6.41%
1 Year	-0.90%	-8.57%
3 Year (p.a.)	+12.40%	+3.09%
5 year (p.a.)	+18.96%	+7.06%
Since Inception (p.a.)	+20.49%	+6.89%
Since inception (total)	+170.20%	+42.64%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Whitehaven Coal (WHC) rose +13.2% in September. There was nothing company specific released during the month, with the main driver being continued elevated thermal coal prices (up +2% in September), which points to continued strong free cashflow generation for the company.

Premier Investments (PMV) increased +6.0% in the month. Late in the month, PMV released its FY22 result (note PMV has a July year end). The company reported another strong result, with FY22 NPAT of \$285.2m, up +4.9% vs FY21. PMV declared a 25c special dividend and announced a \$50m share buyback, a function of its strong balance sheet (cash on hand of \$471m) and ongoing cash generation. Market expectations are for a material earnings decline in FY23 (20-25%) driven by the impact of higher interest rates on consumer discretionary spending, however we believe the ~35% stock price fall in 2022 has resulted in an attractive valuation, albeit retail trading for the next 6-12 months is likely to be challenging.

MA Financial (MAF) fell 30.1% in the month. The key driver was media reports of changes being planned by the Federal Government in relation to the Significant Investor Visa (SIV) program, which historically has been a key part of earnings generated from MAF's Asset Management division.

The final review is not due until the first quarter of 2023, however it should be noted that due to other parts of the Asset Management business growing as well as the recent Finsure acquisition, earnings from the SIV program have reduced in recent years. Clearly, if there are material changes made, it has the potential to be an earnings headwind for MAF, however, we believe the 30% fall in the stock price is a very material reduction in the value of the company, noting MAF has a significant asset management business not related to the SIV program and whilst it now appears there will be changes made to the SIV program, MAF's current FUM and earnings from this division are unlikely to be impacted, with the key negative more being a potential reduction in growth prospects.

Arena REIT (ARF) fell -20.7%. The sharp increase in bond yields was the main driver behind the decline, which impacts property trusts like ARF by increasing the discount rate used to value properties. As a cross check, ARF's net tangible assets (NTA) is \$3.37 (vs stock price at end of September of \$3.33), and whilst it is reasonable to assume there will be some form of downward revaluation due to higher interest rates, in our view the material stock price fall has created an excellent buying opportunity for medium term investors, hence we added to our position. Also, ARF does have a large proportion of its properties with rents linked to CPI increases, hence the current high levels of inflation do assist rental revenues.

Pinnacle Investment Management (PNI) fell -19.4% in the month. There was no company specific news with the fall being due to growth stocks and equity market linked businesses being sold off in line with weaker equity markets. Whilst we remain positive on PNI and its long term prospects, given the recent sell off across the portfolio has created some strong buying opportunities in other financial stocks with very attractive valuation upside, we have trimmed the position to rotate funds into those opportunities.

Other stocks that negatively contributed in the month included: **Eagers Automotive (APE)** -17.5%, **PeopleIn (PPE)** -17.3%, **Strandline Resources (STA)** -15.6%, **Ardent Leisure (ALG)** -15.5% and **Lifestyle Communities (LIC)** -12.7%.

Market commentary

Equities globally were significantly weaker in September, driven by the same factors that have been at play in 2022,

namely aggressive interest rate hikes by central banks, ongoing high inflation, and the concern that tighter monetary policy will lead to a global economic downturn.

In Australia, the All Ordinaries Accumulation Index outperformed its offshore peers, falling -6.4%. In the US, the S&P 500 fell -9.3%, the Nasdaq -10.5%, whilst in the UK, the FTSE 100 (which has a smaller weighting to technology and larger skew to mining) outperformed, falling just -5.4%. An increase in bond yields saw materials stocks outperform industrials whose valuations are perceived to be more sensitive to rising interest rates.

Bond yields continued to climb, driven by ongoing high inflation and expectations of further central bank tightening. In the US, the 10 year bond rate rose 58 basis points (bp) to close at 3.71%, whilst in Australia, the 10 year increased +29bp to close at 3.88%. The A\$/US\$ fell -6.5% to close at US\$0.64. Commodities were mixed in September. Iron ore fell -1.0%, thermal coal rose +2.0%, brent crude oil fell -8.9%, whilst copper fell -3.0%

Whilst sentiment in equities remains very weak, we remain comfortable with the quality and valuation of stocks in the portfolio. We suspect a large number of investors are currently positioned with elevated cash levels, expecting to pick the bottom of this bear market period, however this strategy in the past has proven very difficult as equity markets tend to recover very quickly from over sold positions and usually at times when the news headlines and economic data are still very negative. Hence, we are comfortable maintaining a portfolio of quality stocks with attractive valuations that should perform well when that recovery in investor sentiment occurs.

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	-12.59	9.78	5.18	-8.24				-5.92

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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