

Glenmore Australian Equities Fund

Monthly performance update

November 2022

Fund Performance

Fund performance for November was +3.61% (after fees) versus the benchmark return of +6.44%. The Fund has delivered a total return of +195.54% or +21.78% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
November 2022	+3.61%	+6.44%
1 Year	+7.15%	+3.03%
3 Year (p.a.)	+16.87%	+6.27%
5 year (p.a.)	+18.97%	+8.35%
Since Inception (p.a.)	+21.78%	+8.98%
Since inception (total)	+195.54%	+60.45%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Atturra (ATA) rose +28.6% in the month. ATA is an Australian based IT advisory and solutions company that listed in December 2021. Late in the month, ATA announced a \$25m capital raising at 85 cents per share to fund a number of acquisitions that are expected to close in the 1H of 2023. Since IPO, ATA has performed very impressively. In August, the company reported a strong FY22 result, with revenue of \$135m and NPAT of \$9.5m. With the raising, ATA issued FY24 guidance for the first time for revenue to be in the range of \$230-250m and EBITDA of \$22.5m - \$24m.

Ardent Leisure (ALG) increased +21.4% in the month. During November, ALG held its annual general meeting (AGM), where it provided a positive update to the market on the trading of its key business (Theme Parks & Attractions), stating its Dreamworld attraction achieved its first positive EBITDA quarter since October 2016, whilst SkyPoint, also continues to perform strongly. Recent investments made by ALG in new rides and attractions should assist earnings over the next few years. Given our view that patronage at ALG's attractions should continue to recover from depressed covid levels, we remain positive on ALG given its attractive valuation.

Retail Food Group (RFG) rose +22.2%. RFG also held its AGM, where it provided a very positive trading update for FY23.

RFG issued guidance for FY23 for the first time, for EBITDA to fall in the range of \$26.0–29.0m. Whilst this was in line with our expectations, it was reassuring for investors given fears of weaker consumer spending due to the well known pressures on household budgets currently; namely higher electricity/food/petrol prices and mortgage rates. RFG trades on an FY23 PE multiple of just 7x, which in our view is too low given the quality of RFG's brands and solid earnings outlook.

Other positive contributors included: **Mineral Resources (MIN)** +19.5%, **Strandline Resources (STA)** +18.0%, and **MA Financial (MAF)** +11.5%.

Collins Foods (CKF) fell -18.6% in the month. In late November, CKF released its 1H23 result (CKF has an April year-end). The result itself was broadly in line with expectations, with revenue resilient and group EBITDA at \$95.4m. However, the driver of the negative stock price reaction (down -20% on the day of the result) was guidance from the company that profit margins will now take longer than expected to recover. In the last 6-12 months, we believed the margin pressure for CKF relating to food price inflation was well understood however clearly there was an expectation from investors of margin recovery in 2H FY23, which CKF advised will be pushed out by 12-24 months. In addition, what was surprising was CKF's decision to not fully pass through this cost pressure via high meal prices, despite in having with KFC, what we believe to be a very strong brand in Australia in the fast food segment. In addition, its Taco Bell Mexican food business, reported a weak result, which indicated the brand is struggling to gain traction in a very competitive market in Australia. The result of these factors is that group earnings forecasts will be lower in FY23-24, which combined with above average valuation metrics saw the stock price fall in the month. We continue to believe CKF is a quality business, due to its KFC Australian business, however we did reduce the position post the result, given our view there are other stocks in the portfolio which offer superior forecast return with less earnings risk.

Other negative contributors included **Stanmore Resources (SMR)** -5.2% and **Fiducian Group (FID)** -2.4%.

Market commentary

Equity markets globally were stronger in November. In the US, the S&P 500 was up +5.4%, the Nasdaq rose +4.4%, whilst in the UK, the FTSE 100 increased +6.7%, boosted by

its heavy mining weighting. On the ASX, the All Ordinaries Accumulation Index rose +6.4%. Utilities were the best performing sector, boosted by the takeover bid for index heavyweight Origin Energy, which was up +41% in the month. Materials was the next best sector, driven by investor optimism around China loosening its covid lockdown measures. Telco's, financials and technology all underperformed in the month.

Bond yields declined in November as investors started to become more positive that the pace of interest rate hikes from central banks will moderate along with some signs that inflation has potentially peaked. In the US, the 10 year bond yield fell -30 basis points (bp) to close at 3.74%, whilst in Australia, the 10 year rate fell -23bp to 3.53%. During the month, the RBA increased interest rates by 25bp for the seventh month in a row, taking the official cash rate to 2.85%. The A\$/US\$ rallied in the month, up +6.0% to close at US\$0.68.

Commodity prices were broadly higher. Nickel rose +23%, whilst copper, aluminium and lead also rose between +6-8%. Thermal coal rebounded +11.4% after an -18% decline in October. Also of note, iron ore was up +25.6% after falling for seven months in a row. Brent crude oil fell -10.0%.

As this is the last newsletter before Christmas, we would like to wish all our investors and readers a safe and relaxing holiday period.

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	5.57	3.61		2.90

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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