

Glenmore Australian Equities Fund

Monthly performance update

June 2024

Fund Performance

Fund performance for June 2024 was 1.02% (after fees) versus the benchmark return of +0.70%. The fund has delivered a total return of +250.30% or +19.36% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
June 2024	+1.02%	+0.70%
1 Year	+29.45%	+12.51%
3 Year (p.a.)	+13.82%	+6.12%
5 year (p.a.)	+15.08%	+7.61%
Since Inception (p.a.)	+19.36%	+8.88%
Since inception (total)	+250.30%	+82.72%

Fund commenced on 6 June 2017

Fund returns in the table above are for main series units. Please note returns for certain series of units may differ slightly from the main series due to the timing of your investment.

Stock commentary

Retail Food Group (RFG) increased +17.7% in the month. During the month, substantial shareholder notices showed parties associated with United Petroleum had built a share holding of ~10% in RFG. As an overview, United operates a national network of ~500 service stations. The announcement triggered positive sentiment towards the stock, given many of RFG food brands are well suited to be sold in service stations (such as Gloria Jeans coffee). Also, potentially the IPO of Mexican fast food chain Guzman y Gomez (GYG) in June (at materially higher valuation metrics than what RFG trades on) highlighted RFG's cheap valuation. Following the stock price appreciation, RFG trades on a 12 month forward PE multiple of 12x.

Other positive contributors in the month included: **HUB24 (HUB)** +8.8%, **GQG Partners (GQG)** +8.0%, and **Stanmore Resources (SMR)** +7.9%.

HUB released no news during the month, whilst **GQG** announced another positive funds under management (FUM) update, showing group FUM rising from US\$142B (30 April) to US\$150B (31 May). For 2024 year to date, GQG has achieved net inflows of US\$9.1B. In the case of **SMR**, the company announced the closure of its Mavis Underground

mine given it deemed the mine uneconomic given its short mine life and relatively high costs. Note, the mine is a relatively immaterial part of SMR's overall earnings. With the announcement, SMR also said its key mines South Walker Creek, Poitrel and Isaac Plains are expected to continue to perform strongly over the rest of 2024 and the decision to close Mavis does not impact group guidance for 2024. In addition, multiple broker reports were released during the month highlighting SMR's cheap valuation (EV/EBITDA of 3.0x).

Mineral Resources (MIN) declined -24.8% in June. Early in the month, MIN announced the sale of a 49% stake in the haul road for its large-scale Onslow iron ore mine to Morgan Stanley Infrastructure Partners (MSIP) for A\$1.3B. The sale price equated to a 9.4x pro forma EBITDA multiple based on the 35mtpa nameplate capacity of the mine. The tolling fee per tonne of iron ore will be \$8.04 capped at 40mtpa. MIN will receive \$1.1B upfront and deferred consideration of \$200m subject to the mine achieving the 35mtpa run rate for any quarter before 30 June 2026.

Also in June, MIN announced its Yilgarn iron ore hub would cease shipments by the end of 2024 following an assessment of the hub's financial viability. The decision was driven by factors including limited remaining mine life across the five mines, significant capital cost and lead time needed to develop new resources to ensure supply. With the recent commissioning of the large-scale, low-cost Onslow iron ore mine, we believe this decision from MIN was a logical one given the short mine lives of the Yilgarn mines. With regards to the sharp fall in MIN's stock price in June, we believe this can be attributed to ongoing weak sentiment in the lithium sector (noting 30-40% of group EBITDA is derived from lithium mining).

Pilbara Minerals (PLS) declined -19.0%. PLS announced the results of its pre-feasibility study (PFS) looking at the option of expanding its Pilgangoora lithium mine to production of over 2mtpa. The planned expansion, named P2000, would see the mine produce ~1.9mtpa over the first ten years of annual production with production of over 2mtpa over the first six years of ramp up. The capital cost of the project is estimated to be ~A\$1.2B. For context, the mine is currently producing ~700ktpa which is forecast to increase to ~1mtpa over the next few years. The logic for PLS is that it owns a large scale, low cost mine whereby the expansion would effectively bring forward production, earnings and cashflow, albeit over a shorter mine life. Given this would represent a

material increase in lithium supply globally, the announcement (combined with an already weak lithium price) saw the stock prices of all lithium producers on the ASX sold off (as was the case with MIN).

Note, PLS has not yet approved the project and will likely only proceed if it believes the lithium demand/supply balance is sufficiently favourable to handle the increase in supply.

Market commentary

Equity markets were stronger in June. In the US, the S&P 500 rose +3.5%, the Nasdaq increased +6.0%, whilst in the UK the FTSE100 declined -1.3%. The US markets were boosted by growing confidence that inflation is slowing, and interest rate cuts are on the horizon. During the month, the Canadian central bank cut its key interest rate by 25 basis points to 4.75%, making it the first member of the G7 to lower rates.

Domestically, the ASX All Ordinaries Accumulation Index rose +0.7%. Top performing sectors included financials and consumer staples, whilst materials were the worst performer, due to concerns about the Chinese economy and its demand for commodities.

In Australia, inflation continues to track higher than targeted by the Reserve Bank (RBA). Given this high inflation and

recent expansionary fiscal policy from the federal government, this potentially sees the need for the RBA to lift rates in August, however, to date it appears equity investors on the ASX are taking the view that the cycle of rate hikes is almost over. In addition, we would note valuations across a wide range of small to mid-cap stocks on the ASX are still very attractive, which should lead to investors being well rewarded over the next few years.

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	-2.93	-0.12
2023	6.49	-3.45	-6.15	3.01	-6.42	1.42	5.79	1.96	-1.97	-7.43	8.14	10.47	10.30
2024	1.72	2.48	4.98	-0.96	1.12	1.02							10.70

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
Distributions	Annually	High water mark	Yes
Platform availability	Netwealth, HUB24	APIR code	GNM0167AU

Contact details

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