GLENMORE ASSET MANAGEMENT

Glenmore Australian Equities Fund
Monthly performance update
March 2024

Fund Performance

Fund performance for March 2024 was +4.98% (after fees) versus the benchmark return of +3.13%. The fund has delivered a total return of +246.25% or +19.93% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
March 2024	+4.98%	+3.13%
1 Year	+25.10%	+14.99%
3 Year (p.a.)	+18.71%	+9.49%
5 year (p.a.)	+18.13%	+9.50%
Since Inception (p.a.)	+19.93%	+9.41%
Since inception (total)	+246.25%	+84.87%

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

MMA Offshore (MRM) increased +22.0% in March. Late in the month, MRM (an owner/operator of vessels for the oil and gas and offshore wind sectors) received an all-cash takeover offer priced at $2.60 per share from Cyan Renewables, a Singapore based offshore wind vessel operator (Cyan itself is a portfolio company of Seraya Partners). The proposal represented an +11% premium to the closing share price of $2.35 on 22 March. The MRM board unanimously recommended the bid in absence of a superior proposal.

MRM has been an extremely successful investment for the fund (initially investing at stock prices in the range of $0.75 to $0.80 in December 2022), with the proposal confirming our view of MRM's strong forecast earnings growth over the next few years. With regards to a fair premium for control, whilst MRM is undoubtedly a cyclical stock with earnings being driven by demand/supply fundamentals for offshore vessels and also oil and gas spend, we were disappointed with the takeover offer price, given we believe MRM is set to enjoy strong day rates and trading conditions for longer than was priced in by the market, given the lack of new vessel supply. There is some possibility of a higher bid although it appears a reasonably low probability event, given the bid is already at a material premium to MRM's net tangible assets.

In December 2023, we wrote an article on MRM on the investment website Livewire (www.livewiremarkets.com) stating why we believed the company was undervalued based on its expected strong earnings growth and cheap valuation. To read that article, please click here.

Universal Stores (UNI) rose +16.3%. There was no company specific news during the month, with UNI benefiting from increased investor awareness of its strong earnings outlook and reasonable valuation. UNI is a youth focussed apparel retailer with three main offerings – Universal Stores, Perfect Stranger and CTC (trading as Thrills). The group has 100 physical stores in total (79 Universal Stores, 11 Perfect Stranger and 10 CTC) as well as an online channel. UNI reported a strong 1H24 result in February, with EBIT of $30.8m, up 8% vs pcp and ahead of market expectations. Gross margin was up +80bp to 59.7%, which was a particularly strong outcome. UNI has a strong balance sheet (net cash of $27m) with plans for new store openings across all three brands over the next 12 months.

Arena REIT (ARF) increased +15.7%. ARF did not release any news during the month, with the stock likely benefiting from general strength in real estate stocks and appreciation for ARF's prospects for solid earnings growth at relatively low risk. ARF is a property trust with largely child care centre tenants. The positive attributes of the stock in our view are an attractive lease structure (triple net leases), very long weighted average lease expiry or WALE (18.8 years), and strong inflation protection (for the vast majority of leases) via annual rent increases at either CPI or "higher of CPI or an agreed fixed amount".

Hotel Property Investments (HPI) rose +15.0%. HPI is an internally managed pure play pub real estate trust. It has exposure to ~60 pub and accommodation assets valued at $1.3B. The majority of leases are triple net in nature with very high quality tenants. Positively, under most of HPI's leases, the liquor and gaming licence reverts to HPI at the end of the lease. The portfolio's weighted average lease expiry (WALE) is 9.5 years with an average option period of an additional 19.9 years. HPI had a busy month, announcing four divestments for $49m to its major tenant Australian Venue Co. The assets were sold in line with December 2023 book values. Also, during the month, ASX listed Charter Hall Group (CHC) and Charter Hall Retail REIT (CQR) acquired a 14.8% strategic stake in HPI at a cost of $97m or $3.35 per share, becoming the largest shareholder in HPI. The stake was acquired from ASX listed 360 Capital. Given CHC bought out pub landlord ALE Property Group in 2021 for $1.7B (at a +25% premium to last stock price) the move has fuelled speculation CHC may have similar plans for HPI. HPI trades on a distribution yield of ~6% and despite the recent stock price rally, is at a ~15% discount to net tangible assets per share (NTA) of $3.97.

There were no material detractors in the month.

Market commentary

Equity markets were stronger in March. In the US, the S&P 500 rose +3.1%, the Nasdaq was up +1.8%, whilst in the UK, the FTSE 100 rose +4.2%. In Australia, the All Ordinaries Accumulation Index rose +3.1%. Gold and real estate were the top performing sectors, whilst communications was the worst performer. In terms of sector performance, there was no clear reason for the ~9% rise in the gold price in the month, whilst real estate stocks were boosted by falling bond rates.

Broadly speaking, inflation continues to gradually track down towards the top end of central bank inflation targets, providing confidence we have seen the end of interest rate hikes. This has been the main driver of strength in equity markets in the last five months in our view. In bond markets, the US 10-year bond rate fell -7 basis points (bp) to close at 4.20%, whilst its Australian counterpart fell +17 bp to finish at 3.97%. The Australian dollar was again flat for the month, ending at US$0.65.

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										**9.42**

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	**APIR code**	GNM0167AU

Contact details

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