GLENMORE
ASSET MANAGEMENT

Glenmore Australian Equities Fund
Monthly performance update
August 2017

Fund Performance

Fund performance for August was 7.03% (after fees) versus the benchmark 0.13% as measured by the RBA Cash Rate (converted to monthly basis).

Performance across the portfolio was quite evenly spread, with 14 stocks (out of a total of 30) returning more than 5% for the month.

August was a very busy month for the Fund with reporting season in full swing. Pleasingly, the vast majority of the Fund's holdings reported results that were either in line or above market expectations.

Fund Returns (after fees)

Period	Glenmore	Benchmark
August 2017	7.03%	0.13%
Calendar year to date #	10.05%	0.38%
Since inception (6 June 2017)	10.05%	0.38%

Benchmark is the RBA Cash Rate.
Fund commenced on 6 June 2017

Performance on some of the notable stocks for the Fund in August is discussed below.

NRW Holdings (NWH) rose 63.4% in August. NWH is a WA based mining services company that provides a range of services to mining companies, with a particular focus on the iron ore sector in WA. During the month, NWH made an extremely accretive acquisition of a Queensland based competitor, Golding Group. The acquisition price of $85m equated to an EV/EBITDA of just 1.6x, with NWH estimating EPS accretion of over 60%. The acquisition was funded by new debt facilities and a $30m capital raising at $0.68 (which the Fund participated in). Not surprisingly, the announcement was very positive for the stock price, which rose 44% the day after the deal was announced. NWH also reported its financial results for FY17, which showed NPAT of $28.5m, up 33%. The result highlighted the continued recovery of mining capex in Australia, which is the main driver of NWH's earnings. With BHP, RIO and Fortescue all set to increase spending on their iron ore businesses in the next few years, the earnings outlook remains positive. NWH's valuation remains attractive, trading on an FY18 PE multiple of ~7x. For disclosure, NWH accounted for ~23% of the Fund's monthly return.

Moelis Australia (MOE) was again a strong performer for the Fund, increasing 33% for the month. MOE reported 1H17 NPAT of $8.4m, up strongly versus the prior corresponding period. Of note, the company upgraded its full year forecast for EBITDA to $33m, an increase of ~14% vs previous guidance.

Pacific Current (PAC) rose 15.4% for the month. PAC released its FY17 result, which was well ahead of market expectations. Underlying NPAT was $16.6m, up 43% vs FY16. The main driver of this was robust performance from a number of its boutique fund managers (in particular Aperio, GQG and Investors Mutual) and material reductions in corporate overheads. Aggregate FUM at year end was A$62B, up 26% vs 30 June 2016.

Despite the rise in the stock price, PAC's valuation still looks attractive, trading on an FY18 PE multiple of 14x.

Sydney Airport (SYD) rose 10.0% in the month. SYD reported its 1H17 results, which were slightly ahead of market expectations. Passenger growth of 3.6% vs pcp was announced, with international passenger growth of +7.7% vs pcp being a key highlight. EBITDA for the half was up 7.7%, boosted by strong passenger growth, higher aero charges (+4.8%) and a strong contribution from its Retail division. Due to the strong earnings outlook, SYD increased distribution guidance for the full year from 33.5 cps to 34.5 cps. SYD's debt metrics continued to improve, with interest cover rising 0.3x to 2.9x.

Pleasingly, there were few negative contributors of any materiality in the month.

Auckland Airport (AIA) fell 5.7% in the month. During the month, AIA reported FY17 NPAT of NZ$247.8m, up 16% vs FY16. The result was in line with market expectations, however the company does have significant capex (NZ$2.4B from FY18-22) coming up to cater for strong passenger growth, which has impacted sentiment towards the stock in the short term. Despite this, AIA will earn a commercial return on this growth capex, albeit the returns are quite long dated.

Market commentary

Global equities markets paused in August following 9 months of gains. Over the month, the MSCI World Index fell -0.1%, the US S&P500 was up +0.3%, while Europe's Stoxx50 (-0.7%) and Japan's Nikkei (-1.3%) both declined. The US dollar remained weak as doubts mounted over whether the Federal Reserve would stick to its timetable of further interest rate rises.

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The Euro had a strong month, increasing against all major currencies as investor confidence in the euro zone recovery grows.
Locally, the ASX200 increased by +0.7%, driven by the Energy (+5.0%) and Materials (+4.4%) sectors. Resource stocks were boosted by gains in iron ore, gold and base metals.
Overall, reporting season was quite lacklustre on the ASX, with Telco's, Financials and Consumer Discretionary underperforming. Of note, the ASX Small Ords outperformed the ASX200, increasing 2.7% in August, making it the 3rd month of consecutive positive performance.

Thank you for your interest in the Fund, as always, I am available for a discussion for those interested in making an investment.