Glenmore Australian Equities Fund
Monthly performance update
August 2020

Fund Performance

Fund performance for August was +11.52% (after fees) versus the benchmark return of +3.71%. The Fund has delivered a total return of +76.10% or +19.02% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
August 2020	+11.52%	+3.71%
1 Year	-5.06%	-3.50%
3 Year (p.a.)	+16.96%	+6.69%
Since Inception (p.a.)	+19.02%	+6.58%
Since inception (total)	+76.10%	+23.02%

Fund commenced on 6 June 2017

Stock commentary

People Infrastructure (PPE) increased +42.5% in August. During the month, PPE released its FY20 result, with NPAT of $18.4m, up +53% vs FY19, with EPS up a still impressive +23%. The workforce management business was initially negatively impacted by Corona Virus, however trading since April has recovered strongly showing the resilience of its business model and diversified customer base, with a focus on Healthcare and IT. PPE's permanent recruitment part of its IT division (~14% of group profit) is still somewhat depressed and hence a recovery in this division should represent some upside over the next 12-18 months. PPE's balance sheet is strong with net cash of $10m, which positions it well for any M&A over FY21. PPE still trades on attractive valuation metrics (FY21 PE of ~12x) and we continue to see further upside from the stock.

ARB Corporation (ARB) increased +37.1% in August. ARB is an Australian based manufacturer, distributer, and marketer of four-wheel drive vehicle accessories in Australia and over 100 countries worldwide. The company has a wide range of products for 4X4 enthusiasts with key products including bull bars, air locking differentials and suspension products. Whilst ARB has quite a low profile, it is actually one of the best performed companies on the ASX over the last 20 years, due to its high quality products and very capable management team. We viewed ARB's FY20 result, where revenue was up +4.8%, and NPAT up 0.3%, as an excellent outcome given the headwinds of Corona Virus and a very weak Australian new vehicles market (which has now declined 28 consecutive months). Unsurprisingly, sales for ARB were down materially in April-May, however pleasingly sales orders recovered strongly in May, resulting in consecutive record sales months in June and July. During March and April, ARB deliberately de-stocked in anticipation of a prolonged downturn with the rapid recovery creating some issues in terms of delivering product to the customers. Clearly this is a high quality problem but one which we believe should be resolved over the next 6-12 months. In addition, given the restrictions on international travel for the foreseeable future, domestic travel should be a clear beneficiary (once that re opens), which in turn should be very positive for demand ARB's range of products.

Two other companies that had noteworthy full year results were Temple and Webster (TPW) which increased +28.9% and Integral Diagnostics (IDX) +21.9% in the month.

In the case of TPW, the company had already pre released its FY20 result in July, however the key piece of news was that FY21 trading had commenced very strongly with revenue up +161% and EBITDA for the first two months of ~$6m, which implied a run rate well ahead (15%-20%) of market expectations. Whilst TPW's current sales and EBITDA growth rates may not prove to be maintainable over the course of FY21 (given the current tailwinds from government stimulus and many competing stores being closed will not be permanent), it does highlight the company continues to execute extremely well in the current environment, and we remain positive on the stock over the next 12-18 months.

IDX (a provider of medical imaging services in Australia and New Zealand) delivered another solid result, with FY20 NPAT of $31.2m, up +21.9% vs FY19, whilst EPS was up +4.9% (due to an increase in shares on issue from the equity funded acquisition of Imaging Queensland in November 2019). To recap, IDX saw a material negative impact on patient activity in April and May, which then recovered in June to largely pre Corona Virus expectations. IDX was able to react to the drop in volumes by reducing certain costs across its business which did lessen the profit impact – pleasingly group EBITDA margin of ~23% was achieved, in line with FY19. Corona Virus driven government restrictions are still having an impact on the group, in particular the Victorian and New Zealand operations, however other regions have returned to growth (Queensland and WA). Looking forward, we believe IDX can continue to deliver EPS growth in the range of 10%-15%, which we view as attractive in the current environment.

Other positive contributors for the month included NRW Holdings (NWH) up +19.9%, Alliance Aviation Services (AQZ) +18.0%, Fiducian Group (FID) +15.2%, Mineral Resources (MIN) +13.4%, and Collins Foods (CKF) +9.4%.

There were no detractors of any materiality in the month.

Market commentary

Equity markets continued to power ahead in August. In Australia, the ASX All Ordinaries rose +3.7% (its fifth consecutive positive month), whilst offshore indices were also strong (S&P500 +7.2%, NASDAQ +9.6%, Euro Stoxx +4.5%, FTSE 100 +1.1%). The ASX lagged its US peers due to a lower weighting to tech stocks, which continued their incredible strength of recent months. On the ASX, the top performing sectors were technology and consumer discretionary, whilst consumer staples underperformed. Of note, the ASX Small Ordinaries had a very strong month up +7.2%, as investor risk appetite rose despite the ongoing health crisis from Corona Virus. In Australia, with the exception of Victoria, all other states appear to have the virus under control, with the most likely scenario being a continuation of the current economic settings (low interest rates, subdued economic growth, fiscal stimulus), which should be sufficient for continued positive market conditions for equity investors.

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					-3.28

FUND INFORMATION

Name	Glenmore Australian Equities Fund	**Fund Administrator**	Apex Fund Services
Inception	6 June 2017	**Fund Custodian**	Sargon 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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