Glenmore Australian Equities Fund
Monthly performance update
February 2023

Fund Performance

Fund performance for February was -3.45% (after fees) versus the benchmark return of -2.48%. The Fund has delivered a total return of +194.93% or +20.70% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
February 2023	-3.45%	-2.48%
1 Year	+12.42%	+5.97%
3 Year (p.a.)	+20.18%	+8.46%
5 year (p.a.)	+17.33%	+8.02%
Since Inception (p.a.)	+20.70%	+8.64%
Since inception (total)	+194.93%	+61.05%

Fund commenced on 6 June 2017
Fund returns are for Main Series Units

Stock commentary

Eagers Automotive (APE) rose +19.9% in the month. APE delivered a solid full year result, with underlying pre tax profit of $405m, up +1% vs pcp (which itself was a very strong result). FY22 dividend was 71 cents per share, up 14%. APE has targeted an uplift in revenue of ~$1B in FY23, with ~$400m from acquisitions made in 2022, ~$450m from BYD (Chinese Electric Vehicle manufacturer) deliveries and the balance from organic growth projects. The demand/supply balance in the new vehicle market continues to be very favourable, whilst APE's order book continues to grow, driven by orders well in excess of deliveries.

Arena REIT (ARF) rose +3.5%. ARF is a company that acts as a landlord to a portfolio of mainly childcare centres and some healthcare properties across Australia. ARF reported a solid interim result, with 1H23 NPAT of $29.9m, up +9%. Distribution per unit was 8.4 cents, up +6% vs pcp. To recap, ARF benefits from having ~90% of its portfolio having rents linked to CPI changes, hence rental revenue is increasing in line with the current high inflation levels. FY23 distribution guidance was unchanged at 16.8 cents, putting ARF on a yield of ~4.5%. Net tangible assets (NTA) increased slightly to $3.42, vs ARF stock price at 28 February of $3.86.

Dicker Data (DDR) fell -23.1% in the month. DDR delivered a full year result that was broadly in line with expectations, however management guided to a challenging earnings outlook for CY23, both on the revenue and cost front. FY22 revenue rose +25% to $3.1B, whilst NPAT was $73.0m, down -1% vs FY21, implying a material fall in profit margin. Gross profit margin fell from 9.3% (CY21) to 9.1% (CY22), whilst pre tax profit margin fell more significantly, down from 4.3% (CY21) to 3.4% (CY22). The key driver of the margin decline was DDR's New Zealand business, in particular, the Exeed acquisition (acquired in July 2021 for $68m). In addition, working capital increased in 2H22, which resulted in net debt increasing to $279m, though this should reduce in 2023. On the cost front, DDR is yet to fully optimise the cost structures of two recent acquisitions, Exeed and Hills, which impacted margins. On balance, we have maintained our holding in DDR given the company's long track record of earnings growth and cheaper valuation, although would note it is a relatively small position for the fund.

Retail Food Group (RFG) fell -13.3%. RFG delivered a strong 1H23 result, with EBITDA of $13.7m, up +47% vs pcp. All brand systems across RFG's portfolio reported strong same store sales growth, with Donut King (+41% growth) a particular standout. RFG's International division also performed well, with EBITDA of $2.0m, up +39%. FY23 profit guidance was reiterated, with EBITDA expected to fall within the upper end of $26m-$29m.

Lifestyle Communities (LIC) declined -13.0% in February. LIC builds and operates residential living villages across Victoria. The interim result was in line with expectations, with 1H23 NPAT of $25.3m, down from $27.5m in the pcp, due to lower new home settlements (141 in 1H23 vs 161 in 1H22). Annuity revenue (a key metric for LIC), increased +21%, driven by higher rental revenue from increased number of homes under management. LIC has an aggressive new project pipeline, with eight projects currently being developed, which will be positive for medium term earnings. The company reiterated guidance to deliver 1,400-1,700 new home settlements between FY23 and FY25. LIC's debt levels will increase in the next few years (new facility is $525m, up $150m), however given it is to support a step up in the number of new developments, we believe this is warranted.

Market commentary

Equities were broadly weaker in February. In the US, the S&P 500 fell -2.6%, the Nasdaq was down -1.1%, whilst in the UK, the FTSE 100 outperformed, rising +1.4%. In Australia, the

ASX All Ordinaries Accumulation Index fell -2.5%. Defensive sectors such as Utilities and Insurance outperformed whilst Mining was the worst performer due to concerns around the state of the Chinese economy and strength in the US dollar, which typically is a headwind for commodity prices. Growth stocks outperformed value stocks in the month.

In bond markets, the US 10 year bond yield increased +43 basis points to close at 3.95%, whilst its Australian counterpart rose +30bp to finish at 3.86%. The driver of higher bond rates was continued data showing inflation around the world remains stubbornly high, which in turn is leading to expectations that central banks will have to continue to further increase interest rates in order to bring inflation back to acceptable levels. During the month, the RBA increased interest rates by 25bp to 3.35%. The RBA has now increased the cash rate by +325bp over the last 12 months. Whilst the timing is uncertain, we remain of the view that at some point this year, we will see the domestic economy begin to cool given the impact of the rate rises, which in turn should see the current pace of rate rises moderate.

Commodities were generally weaker in February. Thermal coal continued to slide, falling -26%, iron ore -2%, copper -3%, gold -5%, whilst brent crude oil declined -1%. The A$/US$ fell -5% to US$0.67.

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											**2.81**

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

For more information, please contact Glenmore Asset Management on (03) 8375 9377 or 0409 002 391 or email info@glenmoream.com.au.