

Glenmore Australian Equities Fund

Monthly performance update

February 2021

Fund Performance

Fund performance for February was -1.61% (after fees) versus the benchmark return of +1.43%. The Fund has delivered a total return of +104.27% or +20.98% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
February 2021	-1.61%	+1.43%
1 Year	+20.22%	+9.56%
3 Year (p.a.)	+15.49%	+8.09%
Since Inception (p.a.)	+20.98%	+9.03%
Since inception (total)	+104.27%	+38.29%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Pinnacle Investment Management (PNI) increased +24.3% in February. PNI delivered a very strong first half result, with group NPAT up +120% vs pcp to \$30.3m. Even excluding for Principal Investments and performance fees, NPAT was up an impressive +39%. Net inflows for the half were very strong at \$5.5B, driven by Hyperion with solid contributions for a number of PNI's other affiliates. Whilst the stock price can be affected by short term equity market movements, the core earnings profile of the group has clearly improved, with a number of key funds set for substantial FUM growth over the next 1-2 years.

Uniti Group (UWL) rose +17.5%. The company delivered a strong result, with EBITDA of \$29.3m for the first half being ~10% ahead of consensus forecasts. UWL builds, owns and operates fibre infrastructure and in addition provides a range of value-added telco services. Once constructed, the fibre infrastructure assets generate a high level of recurring revenue, with growth requiring minimal incremental capex. Earnings growth over the next few years will be driven by ~200,000 contracted premises, of which ~150,000 will be delivered over the next 5 years. Given the high quality nature of its earnings, UWL trades on reasonable valuation metrics, has a very capable board and management team and we remain very positive on its prospects over the next few years.

NRW Holdings (NWH) fell -29.7% in February. The catalyst for the decline was a weaker than expected 1H21 result, which was negatively impacted by Corona Virus related issues (high staff turnover, difficulties in accessing east coast workers due to WA border controls, and generally having less experienced workers on projects). Whilst these issues had been expected, the earnings impact was more severe than forecast. The cost impact on NWH's Mining and Civil divisions was quite severe with an additional \$50m and \$20m of costs (respectively) incurred in the half. Whilst the interim result was disappointing, the prospects for future revenue growth are positive, with NWH noting the pipeline of tenders and prospects expected to be awarded in the next 12 months of ~\$14B, with \$5B of submitted tenders. We would also point to NWH's track record of project delivery at solid profit margins and believe a return to a more normal cost environment over the next 12-18 months should see strong earnings recovery, which in turn would see the stock trade on very cheap valuation metrics (FY22 PE of ~9x).

Coronado Global Resources (CRN) declined -17.2% in February. CRN's headline 1H21 result of EBITDA of \$53.8m (well down vs \$634m in the pcp) was in line with expectations, with the sharp fall in the coal price being the main driver of the large drop in earnings. With the result, CRN issued cost guidance for CY21 for the first time of US\$57-59/t, vs actual in CY20 of US\$55.6/t, which disappointed the market, however we believe most of the cost increase was due to less favourable currency assumptions, as opposed to any structural cost increase. In addition, CRN commented that it was undertaking a "detailed review of its capital structure", which created fear from investors of another capital raising. After speaking with the company, we believe the comments were actually based more on CRN's desire to increase the flexibility of its existing debt structure, rather than a need for additional equity, and see the stock price fall as an overreaction. CRN's current profitability is still low, due to the depressed level of coking coal prices, however we continue to see the stock as undervalued, given our expectation of improving coal coking coal prices over the next 12-18 months.

Market commentary

In Australia, the ASX All Ordinaries returned +1.4% in February, with the mining and banking sectors in particular performing very strongly. The miners were boosted by rising

commodity prices, whilst the banks reported strong interim results aided by improving net interest margins.

Globally, markets were stronger in February. In the US, the S&P500 rose +2.6% and the Nasdaq +0.9%, in the UK the FTSE rose +1.1%, whilst in Japan, the Nikkei 225 index gained +4.7%. Rising bond yields were again a feature in February, with the key US 10-year bond yield rising by +38 basis points to close at 1.44%, which created headwinds for sectors including gold, IT (in particular growth stocks) and certain high yielding utilities. Higher bond yields were a key factor in value stocks outperforming growth stocks, with investors increasingly focussed on stocks and sectors whose earnings were heavily impacted by Corona Virus in 2020.

With regards to Corona Virus, the data points both in Australia and globally continue to improve. There are now several vaccines being rolled out and the outlook over the next 12-18 months is for incremental improvement in cases, which should present investment opportunities in stocks and sectors that underperformed in 2020.

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											-1.09

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

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