

Glenmore Australian Equities Fund

Monthly performance update

January 2021

Fund Performance

Fund performance for January was +0.53% (after fees) versus the benchmark return of +0.30%. The Fund has delivered a total return of +107.61% or +22.05% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
January 2021	+0.53%	+0.30%
1 Year	+10.65%	-0.71%
3 Year (p.a.)	+16.00%	+7.65%
Since Inception (p.a.)	+22.05%	+8.82%
Since inception (total)	+107.61%	+36.34%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Coronado Global Resources (CRN) was up +15.4% in January. During the month, CRN released its quarterly activities report, which was in line with our expectations. CRN's US mines are now back to almost full production rates on recovering Asian and US demand, whilst Curragh (QLD) continues to see good demand for its coking coal, despite recent trade tensions with China. As a reminder, Curragh does not sell any coal directly to Chinese customers, although the price it receives has been impacted in recent months from reduced Chinese buying of Australian coal. Following the A\$250M capital raising in August 2020, CRN has a vastly improved balance sheet, and we continue to see CRN well placed to benefit from a recovery in coking coal prices over the next few years.

ARB Corporation (ARB) rose +14.1% in the month. During the month, ARB provided a brief earnings update which showed revenue and earnings continue to power ahead, with guidance for 1H21 of revenue up +22% (an acceleration vs its 1Q run rate) and pre tax profit of \$70-72m, +80% vs pcp. Whilst clearly part of the strong increase in FY21 earnings has been driven by short term factors (ie. fall in international travel), the medium to long term earnings outlook is very positive driven by ARB's market leading product range, strong focus on new product development, operating in an industry where there are significant barriers to entry.

Other positive contributors included: **Dicker Data (DDR)** +10.5%, **Uniti Group (UWL)** +7.0%, and **Integral Diagnostics (IDX)** +3.9%.

Polynovo (PNV) fell -32.2% in January. The driver of the decline was a sales update that was significantly below market expectations, with key product BTM Novosorb seeing slower than expected sales in the US in October and November. Sales for 1H21 were up 31% to A\$11.3m, which, whilst impressive, was well below recent growth rates. Whilst we still believe PNV has a leading product with a large addressable market, given its high valuation (EV/sales of ~30x), the slowdown in sales growth inevitably had a severe stock price impact. In recent months, the Fund has been reducing its position in PNV, in favour of stocks in which we have higher conviction, and hence the impact on Fund returns in January was not overly material (-0.2%).

Magellan Financial Group (MFG) declined -10.7% in the month. The stock price continues to be impacted by concerns around recent under performance of its flagship global fund, as well as recent strategic investments in direct investments (Mexican restaurant chain Guzman y Gomez) and investment banking (Barranjoey), which are a shift from the core funds management business.

Mineral Resources (MIN) fell -8.3% in January. During the month, MIN released a solid December quarterly production report, which in our view, highlighted the company's portfolio of high quality growth projects in iron ore and lithium (despite prices currently being depressed), as well as a very strong outlook for the Mining Services business. The iron ore price, which can drive short term sentiment towards the stock, was flat in January at US\$158/t.

Market commentary

In Australia, the ASX All Ordinaries returned +0.3% in the month, outperforming its global peers. Consumer Discretionary was the top performing sector, whilst Real Estate was the worst performer, driven by the rise in bond yields. Offshore, markets were generally weaker in January. In the US, the S&P 500 fell -1.1%, in the UK, the FTSE 100 was down -0.8%, whilst the Nasdaq bucked the trend, rising +1.42%.

In bond markets, the key US 10 year bond rate continued to climb, rising +14bp (16%) to close at 1.06%. This movement

impacted the interest rate sensitive sectors such as Real Estate and Infrastructure.

Whilst cognisant that pockets of elevated valuations across the ASX are emerging, we continue to be very confident in the medium and long term earnings prospects for our portfolio of companies. February is a very busy month with the vast majority of the Fund's holdings reporting results and we look forward to discussing this in our next newsletter.

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												0.53

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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