

Glenmore Australian Equities Fund Monthly performance update January 2023

Fund Performance

Fund performance for January was +6.49% (after fees) versus the benchmark return of +6.44%. The Fund has delivered a total return of +205.48% or +21.78% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
January 2023	+6.49%	+6.44%
1 Year	+15.14%	+10.54%
3 Year (p.a.)	+17.64%	+6.35%
5 year (p.a.)	+18.09%	+8.61%
Since Inception (p.a.)	+21.78%	+9.26%
Since inception (total)	+205.48%	+65.15%

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

Stock commentary

Retail Food Group (RFG) rose +31.3% in the month. RFG continued to outperform, after rising +21.2% in December. In our view, this was driven by growing investor awareness of RFG's cheap valuation, following the announcement on 23 December 2022, that the ACCC investigation into misconduct by previous RFG management had been finalised. Whilst the stock is no longer nearly as cheap as it was before the ACCC announcement, we met with RFG management during the month, and continue to see a positive earnings outlook for the business. This is driven by initiatives such as the expansion of the international division (in particular Gloria Jean's Coffees), and an increase in number of franchisees (in particular Donut King, Crust and Gloria Jeans drive thru outlets). RFG currently has ~700 franchisees however with the ACCC investigation now behind it, we believe the company is well positioned to grow this key metric which should be supportive for earnings going forward.

Pinnacle Investment Management (PNI) rose +19.1%. Early in the month, PNI announced six Affiliates earned performance fees for the December 2022 half of \$3.0m (at 100% level), which was well down on the pcp of \$18.8m. The smaller figure for 1H23 was impacted by several strategies which outperformed their benchmark during the period but had entered the half below their high-water mark. PNI's stock

price rally in January was also likely boosted by the recovery in equity markets, with the ASX All Ords rising +6.4%.

Stanmore Resources (SMR) increased +15.9% in January. There was no news released, however the company was likely assisted by a $^{\sim}12\%$ increase in the hard coking coal price. The stock continues to look attractive based on its free cash flow generation, cheap valuation metrics and low cost of production.

Other positive contributors included **Ardent Leisure (ALG)** +14.9%, **Strandline Resources (STA)** +10.7%, and **MA Financial (MAF)** +9.7%.

Bowen Coking Coal (BCB) fell -12.1%. Wet weather in Queensland (where BCB's mines are located) caused some production issues and also at the Dalrymple Bay Coal Terminal (DBCT) where BCB exports coal through. BCB issued an ASX release stating that whilst the rain had caused some operational issues, the impact was not overly severe and that mining has recommenced at Broadmeadow East and Bluff, the latter which has been assisted by water management initiatives.

Whitehaven Coal (WHC) fell -10.8%. The main driver in the month for the stock price was the -35.2% fall in the thermal coal price, albeit from very elevated levels. Operationally, during the month, WHC released its December 2022 quarterly production report, which was in line with market expectations. With the report, WHC said it expects 1H23 EBITDA of \$2.6B (vs \$0.6B in the pcp).

Market commentary

Equity markets were stronger in January, as investor sentiment shifted toward a potential soft landing (ie. inflation moving back to acceptable target levels without a severe economic downturn). In the US, the S&P 500 rose +6.2%, the Nasdaq was up +10.7%, whilst in the UK, the FTSE 100 increased +4.3%. On the ASX, the All Ordinaries Accumulation Index rose +6.4%, with consumer discretionary and technology sectors outperforming, whilst utilities underperformed, as investors chased cyclical and higher risk exposure.

In bond markets, the US 10 year bond rate fell -31 basis points to close at 3.52%, whilst in Australia, the 10 year yield was broadly flat at 3.55%.



Commodity markets were broadly stronger in January. Iron ore rose +10%, gold +6%, and copper +11%. After a very strong rise since mid 2020, thermal coal fell sharply (-35%) and has continued to fall in February month to date. Crude oil declined -2% in the month. The A\$/US\$ appreciated +4% to close at US\$0.70.

Glenmore performance versus peers

With the fund now over 5 years old and having navigated a wide range of market conditions, we thought we would highlight the fund's consistent performance since inception in June 2017. Using fund ranking data from Australian Fund Monitors, a leading information services provider on the funds management industry for the small/mid cap Australian equities sector, the fund was ranked fourth over the last 1 year, fourth over the last 3 years, and first over the last 5 years (using performance data to 31 December 2022, out of ~80 funds). Whilst it is always difficult to predict future returns, we continue to find undervalued stocks across a range of sectors, which should bode well for continued fund performance.

February is a very busy month with most of the Fund's companies reporting results for the six months to 31 December 2022. The various meetings with senior management and result conference calls will give us some interesting insights into both how these companies are tracking and also the current state of the Australian economy, which has now experienced multiple interest rate rises from the Reserve Bank of Australia.

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	ОСТ	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												6.49



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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