

Glenmore Australian Equities Fund

Monthly performance update

July 2020

Fund Performance

Fund performance for July was +1.41% (after fees) versus the benchmark return of +0.95%. The Fund has delivered a total return of +57.91% or +15.52% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
July 2020	+1.41%	+0.95%
1 Year	-15.51%	-9.02%
3 Year (p.a.)	+15.37%	+5.68%
Since Inception (p.a.)	+15.52%	+5.54%
Since inception (total)	+57.91%	+18.62%

Fund commenced on 6 June 2017

Stock commentary

Mineral Resources (MIN) was up +21.6% in July. MIN is a WA based company (commencing in 1993) which is a unique combination of being both mining services business and a miner of iron ore and lithium. MIN's core competency was originally in minerals processing and crushing and has also expanded into mine ownership, with a track record in value adding partnerships with junior mining companies that own a deposit and are looking for a path to commercial production. In July, the company released a quarterly production report which was in line with expectations. Production of iron ore was 4.2 million tonnes (mt) for the quarter, +22% higher than 3Q20, whilst production for FY20 was +33% higher than FY19 at 14.1mt. Guidance for the key Mining Services division for 2H20 EBITDA was unchanged at \$172m, in line with 1H20. MIN, like other listed iron ore producers has been a clear beneficiary of the rising iron ore price (MIN's average price increased +12% from US\$75/tonne in 3Q20 to US\$84/tonne in 4Q20). Given the strong recent stock price performance, the Fund has trimmed its holding but retained a meaningful position in what we believe to be a very well run business with excellent opportunities for growth in both mineral processing and mining.

Temple and Webster (TPW) was up +19.2% in the month. TPW is a furniture and homewares retailer that sells purely through the online channel. TPW released its full year results for FY20 and provided a July trading update which showed the business continues to trade very strongly. Key highlights

of the result included FY20 revenue of \$176m, up +74% vs FY19 and EBITDA of \$8.5m, vs \$1.5m in FY19. Active customers, a key metric, grew +77% vs FY19. Like many online retailers, TPW has benefitted from the change in consumer shopping habits since the emergence of Corona Virus, with many shoppers transacting online for the first time in 2020. It should be highlighted that TPW was actually performing very well before Corona Virus, however there is no doubt it will accelerate its growth over the next few years. For context of the revenue opportunity for TPW, in Australia online only makes up around 5%-6% of the total furniture and homewares sales, well below countries such as the US (~15%) and the UK (~17%). Following a strong run in the stock price in 2020, TPW trades on quite stretched near term valuation metrics, however given the quality management team and long runway of growth ahead we have maintained our holding in the stock.

Detractors for the month included **Polynovo (PNV)** down -13.8%, **Integral Diagnostics (IDX)** down -5.1%, and **Fiducian Group (FID)** -3.6%.

In the case of **PNV**, it released a brief trading update in July, which was in line with our expectations, with the key takeaway being the strong sales growth has continued despite Corona Virus (unsurprisingly) having some impact on opening new accounts.

With regards to **IDX**, there was no company specific news flow but potentially there was some investor concern about rising cases of Corona Virus in Victoria, and the flow on impact of reduced diagnostic volumes due to less GP visits.

Market commentary

Globally equity markets continued their recent strength, despite the ongoing increase in cases of Corona Virus. Top performers included the Nasdaq up +6.8%, S&P500 +5.6% whilst underperformers included the FTSE 100 falling -4.4% and Euro Stoxx 50 -1.5%. In Australia, the All Ordinaries Accumulation Index rose for the fourth month in a row, increasing by 0.95%, boosted by the materials sector (higher gold and iron ore prices) and technology stocks, whilst Energy and Healthcare sectors lagged.

In Australia, the economy continues to be significantly assisted by the massive amount of stimulus (eg. JobKeeper and JobSeeker) and the removal of these packages remains a risk over the next 12-18 months. Despite this, we believe our

portfolio companies are excellent businesses that are well positioned to navigate the current conditions and look forward to the upcoming results season.

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. August is always a very busy month, and we look forward to reporting the progress of our holdings in next month's newsletter.

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						-13.27

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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