

## Glenmore Australian Equities Fund

### Monthly performance update

### June 2017

Welcome to Glenmore’s inaugural newsletter. The newsletter aims to give both current and prospective investors information as to how the Fund is currently invested and positioned for the future. Please note the Fund commenced operations on 5 June. Any feedback or comments regarding the newsletter are most welcome. Please direct them to [info@glenmoream.com.au](mailto:info@glenmoream.com.au).

#### Fund Performance

Fund performance for June was 1.29% (after fees) versus the benchmark 0.13% as measured by the RBA Cash Rate (converted to monthly basis).

Investor funds have been deployed selectively. Whilst the market on an aggregate basis is quite fully valued, we have been able to find stocks that meet our criteria on business quality and valuation. At month end, the Fund held approximately 20% in cash.

Below is commentary on several stocks that are currently held by the Fund.

The Fund is positive on **Pacific Current (ASX code: PAC)**. PAC is a fund manager that owns stakes in 16 fund managers, of which 5 are “Core” boutiques and another 5 that are classed as “Growth”, which are at an earlier stage, but growing quickly in terms of funds under management (FUM). During the month, PAC announced a \$30M placement (at a stock price of \$5.65, which Glenmore participated in) and provided a business update. Key points included: aggregate FUM at 31 May 2017 was A\$63.7B, a 10.9% increase since 31 March 2017, a resumption of dividends in the second half of FY17, and FY17 profit guidance – which was in line with market expectations.

The Fund believes the valuation is attractive on an FY18 PE multiple of ~12x and hence the stock continues to be held by the Fund. PAC rose 9% for the month to close at \$6.65.

**Alliance Aviation Services (ASX code: AQZ)** increased 7% in June. AQZ is a leading provider of air charter and contract services in Australia, focussed on servicing the resources industry, as well as inbound and domestic group travel. The company commenced operations in 2002, with the bulk of earnings historically having come from servicing

“Fly in, Fly out” or FIFO workers with mining companies. AQZ is beginning to develop other revenue streams – such as tourism and new passenger routes via a partnership formed with Virgin last year. Free cash flow will improve significantly due to AQZ shifting the heavy maintenance of its fleet from Australia to Europe – management estimates annual spend will fall by ~45% to ~\$21m pa going forward. During the month, AQZ announced contract extensions with BHP and CITIC Pacific Mining.

AQZ trades on an FY18 PE of ~5x, which in our view is low given its earnings prospects and improving cash generation. **Pinnacle Investment Management Group (ASX code: PNI)** rose 23% in June. Similar to PAC, PNI is a holding company that owns stakes in a number of boutique fund managers. Two in particular, Hyperion Asset Management (via its Global Growth Fund) and Antipodes Partners are well positioned to generate strong growth in funds under management. Both businesses have excellent long-term track records and strong awareness amongst Australian financial planners. Valuation of PNI is not as cheap as other listed peers on near term valuation metrics (eg. PAC) – however we believe earnings can increase materially taking a 3-5 year view. In addition, further earnings upside exists if PNI can add more boutiques to its platform.

Other positive contributors to performance for the month included Appen, HFA Holdings, HUB24 and Hotel Property Investments.

The main negative contributors were Macquarie Atlas Roads and Sydney Airport.

Thank you for your interest in the Fund, as always, I am available for a discussion for those interested in discussing an investment.

#### Fund Returns (after fees)

| Period                | Glenmore | Benchmark |
|-----------------------|----------|-----------|
| June 2017             | 1.29%    | 0.13%     |
| Calendar Year to date | 1.29%    | 0.13%     |
| Since inception       | 1.29%    | 0.13%     |

Benchmark is the RBA Cash Rate.

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