GLENMORE
ASSET MANAGEMENT

Glenmore Australian Equities Fund
Monthly performance update
June 2021

Fund Performance

Fund performance for June was +6.15% (after fees) versus the benchmark return of +2.56%. The Fund has delivered a total return of +137.58% or +23.61% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
June 2021	+6.15%	+2.56%
1 Year	+52.58%	+30.10%
3 Year (p.a.)	+19.17%	+10.26%
Since Inception (p.a.)	+23.61%	+10.95%
Since inception (total)	+137.58%	+52.88%

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

Stock commentary

Whitehaven Coal (WHC) rallied +23.2% in June. During the month, WHC issued a brief production update, which created a short-lived decline in the stock price, but in reality, was not a material change vs our expectations for FY21 performance. Group production guidance was slightly reduced from 20.6 – 21.4mt to 20.4mt, whilst unit cost guidance was tightened from A$73-75/t to A$74/t. At the Narrabri mine (underground in NSW) which has had recent problems, WHC reduced production guidance from 4.5-4.9mt to 4.1mt. The thermal coal price continued its strong recent performance, rising +18.3% in June.

Coronado Global Resources (CRN) increased +22.6% in June. There was no company specific news flow, with the obvious driver of the stock price being the continued strength in the hard coking coal price, which increased +21% in June.

Mineral Resources (MIN) increased +18.4%. As was the case with CRN, there was nothing specific to point to during the month, however there was continued strength in MIN's underlying commodities (iron ore and lithium) as well as increasing focus on MIN's outstanding growth prospects. Whilst the stock has had a huge run in the last 12 months, there are still a number of growth projects (iron ore and lithium) which if MIN can execute on, will see material increase in earnings and our valuation, and hence we continue to see attractive medium-term upside in the stock.

During the month, a number of brokers covering the stock increased their medium-term lithium price forecasts, driven by a bullish demand outlook. Historically lithium has not been a particularly strong earnings contributor for MIN, however, its importance will significantly increase as projects such as Kemerton (under construction) and Wodgina (on care and maintenance until lithium prices recover) are brought into production alongside its producing Mt Marion mine.
Finally, the iron ore price continued its recent strength, rising +7.0% in June, which no doubt helped sentiment towards MIN.

Other positive contributors in June included: Uniti Wireless (UWL) +10.7%, Eagers Automotive (APE) +6.8%, and Dicker Data (DDR) +6.6%.

Collins Foods (CKF) fell -9.0% in the month. Late in the month, CKF released its FY21 result, which was slightly ahead of our forecasts. The dominant earnings contributor to CKF is KFC Australia, which reported a strong year with +14% revenue growth and EBITDA growth of +22% to $161m. KFC Europe had a weaker year, impacted by COVID 19 lockdowns, where it reported EBITDA of $1.1m (vs $6.8m in FY20). In addition, CKF is in the very early stages of rolling out the Taco Bell brand (Mexican fast food) in Australia, with a small loss (-$1.6m) reported. Whilst the headline CKF result was strong, the combination of quite elevated valuation metrics (FY22 PE multiple of 24x) and FY21 likely to prove a hard result to cycle, we decided to reduce our position quite significantly post the result in favour of stocks with stronger forecast upside return. We continue to view CKF as a high-quality defensive business and would look to increase our position at a cheaper entry point.

Market commentary

Markets globally were positive in June. In the US, the S&P 500 rose +2.2%, the Nasdaq was very strong, up +5.5%, whilst in the UK the FTSE 100 was slightly up +0.2%. Domestically, the ASX All Ordinaries Accumulation Index rose +2.6%, lifting the return for FY21 to +30.1%, a very strong recovery after the huge Covid 19 driven falls in February and March last year. Technology was the best performing sector (supported by lower bond yields), whilst Banks lagged. Despite the strong headline result, the ASX actually underperformed the technology heavy S&P 500, which returned +38.6%, whilst the key underperformer amongst the global indices was the FTSE (+14.1%) impacted by Brexit.

In the Australian economy, the May labour market report was positive with employment up +115,000 and the unemployment rate falling -0.4% to 5.1%. With regards to the bond market, the 10-year bond yield fell slightly in both Australia and the US to close at 1.51% and 1.44% respectively. Whilst the pace is varying markedly from country to country, COVID 19 vaccination rates across the globe continue to increase, which will continue to drive recovering economic growth over the next 12-18 months. Global equity markets continue to be focussed on inflationary pressures (and the risk of increasing bond rates), and whilst we agree this is a risk, we continue to believe the most likely scenario in the next few years is an economic environment that is sufficiently robust to allow quality businesses to execute on their growth strategies. These types of businesses have always been the main focus of the Fund, and this will continue to be the case going forward.

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	1.34	7.05	1.00	6.15							15.05

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

For more information, please contact Glenmore Asset Management on (03) 8375 9377 or 0409 002 391 or email info@glenmoream.com.au.

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