

Glenmore Australian Equities Fund Monthly performance update March 2023

# **Fund Performance**

Fund performance for March was -6.15% (after fees) versus the benchmark return of -0.17%. The Fund has delivered a total return of +176.78% or +19.07% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
March 2023	-6.15%	-0.17%
1 Year	-6.24%	-1.05%
3 Year (p.a.)	+32.10%	+17.23%
5 year (p.a.)	+16.51%	+8.78%
Since Inception (p.a.)	+19.07%	+8.48%
Since inception (total)	+176.78%	+60.78%

# Fund commenced on 6 June 2017

Fund returns are for Main Series Units

#### Stock commentary

**Retail Food Group (RFG)** fell -25.3% in March. During the month, RFG announced a \$25m capital raising priced at \$0.08 per share (a -12% discount to the last closing stock price). The company also entered into a new \$20m debt facility with Washington H. Soul Pattinson, itself an 8% shareholder in RFG. There was no specific acquisition or initiative to increase earnings for the equity funds raised, which undoubtedly disappointed the market, with RFG stating the funds would be used to "reset and strengthen the company's balance sheet and provide capital to pursue core business and inorganic growth opportunities". Despite the 15% earnings per share dilution from the raising, with the stock having fallen materially in the month, RFG trades on an FY23 PE multiple of 9x, and has a solid earnings outlook across its portfolio of brands.

**GQG Partners (GQG)** declined -12.1% in March. To recap, GQG is a US based fund manager with four main strategies specialising in global listed equities. Early in March, GQG released its monthly funds under management (FUM) update, which showed group FUM fell slightly (-1.3%), whilst more positively, net inflows for the first two months of 2023 were US\$3.0B, a very strong result. Whilst the investment performance of GQG's funds underperformed in the first quarter of 2023, performance over longer time frames is still well ahead of benchmark. GQG continues to look attractively priced, trading on an FY23 PE multiple of ~11x and a dividend yield of 8.5%.

**MA Financial (MAF)** fell -11.0% in the month. MAF didn't release any company specific news during the month, with the weakness in the stock price most likely driven by general negative sentiment towards financial services/asset management stocks.

Other negative contributors in the month included Ardent Leisure (ALG) -9.4%, Peoplein (PPE) -7.9%, and Lifestyle Communities (LIC) -6.7%.

MMA Offshore (MRM) rose +2.2% in the month. MRM is a provider of vessels, marine and subsea services to the offshore oil and gas, defence/maritime and offshore wind sectors. The company has a fleet of 18 vessels that operate internationally. MRM's main revenue stream is leasing vessels with day rate and utilisation rate being the key earnings variables. After a tough cyclical downturn of depressed activity from its client base, MRM is now benefitting from stronger demand, which has seen its key metrics (day rate, utilisation rate, earnings) all rapidly improving. During the month, MRM announced it was awarded three contracts supporting offshore windfarms in Taiwan, which will add \$30m of revenue. With both oil and gas and offshore wind sectors having positive outlooks for the next 2-3 years at least, we believe the earnings outlook for MRM is very promising, combined with an attractive valuation (slight discount to net tangible assets and an FY23 EV/EBITDA multiple of  $\sim 6x$ ).

### Market commentary

Globally equity markets were generally stronger in March. In the US, the S&P 500 rose +3.5%, the Nasdaq was up +6.7%, whilst in the UK, the FTSE 100 declined -3.1%. In Australia, the ASX All Ordinaries Accumulation Index fell slightly, declining -0.2%. Top performing sectors were Gold, Materials, and Communication Services, whilst Real Estate and Financials underperformed, impacted by the negative sentiment driven by US banking issues (discussed below). Small cap industrials, in particular, underperformed (which the fund has a strong exposure to), with the ASX Small Industrial Accumulation Index falling -3.0%.

Noteworthy news during the month was the collapse of several northern hemisphere banks including Silicon Valley



bank (16<sup>th</sup> largest bank in the US at the time) and Credit Suisse (which has now been acquired by UBS at a distressed price). This negatively impacted sentiment towards financial stocks globally. Fears of these banking issues causing flow on impacts on the broader global economy saw bond rates fall during the month. In the US, the 10 year bond rate fell -38bp to close at 3.57%, whilst in Australia, the 10 year bond rate fell -56bp to 3.30%.

In Australia, the Reserve Bank of Australia (RBA) increased the cash rate by 25 basis points to 3.6%, which was the 10<sup>th</sup> consecutive rate rise. In the US, the Federal Reserve also increased the target range for the Fed funds rate by 25bp to 4.75% - 5.00%. Interestingly, during March, both central banks softened their tone in relation to future interest rate rises, which potentially could mean the current tightening cycle is nearing the end. Whilst inflation globally is still above acceptable levels for central banks, given the magnitude of rate rises in the last 12 months, we believe it is likely we will see inflationary pressures reduce in 2023, although inflation figures in the coming months will be critical in determining future interest rate policy.

Commodities were mixed in March. Iron ore and copper were flat, hard coking coal declined -15%, thermal coal fell -8%, whilst brent crude oil fell -5%. Gold was the clear outperformer, rising 8%, boosted by the northern hemisphere banking concerns and ongoing inflationary pressures. The A\$/US\$ was unchanged at US\$0.67.

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.

	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	-3.45	-6.15										-3.52



### 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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