

Glenmore Australian Equities Fund

Monthly performance update

May 2021

Fund Performance

Fund performance for May was +1.00% (after fees) versus the benchmark return of +1.85%. The Fund has delivered a total return of +123.83% or +22.31% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
May 2021	+1.00%	+1.85%
1 Year	+45.80%	+29.83%
3 Year (p.a.)	+18.37%	+10.40%
Since Inception (p.a.)	+22.31%	+10.50%
Since inception (total)	+123.83%	+49.06%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Whitehaven Coal (WHC) rallied +23.0% in May. There was no news released during the month by WHC, with the two factors driving the stock price in our view being the +19% rise in the thermal coal price and the significant sell off in the stock price (down -27.5% in April) following WHC's disappointing March quarterly report, which we viewed as excessive given the issues at its Narrabri mine should be manageable over the next 6-12 months.

Coronado Global Resources (CRN) increased +20.2%. May was another eventful month for the stock, where, unsurprisingly in our view, it announced a capital raising (both debt and equity) to provide some much needed balance sheet relief. The key terms of the initiatives were: issue of US\$350m in 5 year, 10.75% coupon senior secured notes, entering into a US\$100m asset based credit facility, and undertaking a US\$100m equity raising at 45 cents per share. The raising was aimed at repaying and terminating all of CRN's US\$475m Syndicated Facility Agreement, and also for general working capital needs. Ironically, since the capital raising was announced on the 4th of May, the coking coal price has rallied significantly, which should further improve CRN's balance sheet and earnings outlook. Whilst China's ban on buying Australian coal has continued this year, we continue to view the negative impact on Australian prices as unsustainable and hence view both CRN and WHC as well

positioned to benefit from improving prices over the next 12-18 months.

Collins Foods (CKF) rose +10.8% in the month on no specific news flow. CKF will reports its full year result in late June, and we expect another solid result, driven by the strength of the KFC Australia business. In addition, we will be paying close attention to the progress of the rollout of CKF's Taco Bell restaurants, which whilst still in the early stages, have the potential to boost CKF's earnings considerably in the medium term.

Other positive contributors in May included: **ARB Corporation (ARB)** +8.7%, **Integral Diagnostics (IDX)** +8.1%, and **Uniti Wireless (UWL)** +7.9%.

NRW Holdings (NWH) fell -17.0% despite no specific news flow. Our view is that the stock continues to be impacted by investor concern around labour cost inflation and ability to source labour for its projects across Australia. This issue was the driver of NWH's weak 1H21 result in February and there is clearly potential for it to impact earnings again in the current half, given the issues are likely not to have improved (ie. high staff turnover, inability to source labour). Given the increasing earnings risk and other stocks in the Fund offering a superior risk adjusted forecast return, we have decided to exit the stock and will monitor the FY21 result, at which point there is likely to be more clarity on cost pressures impacting the company.

Mineral Resources (MIN) declined -5.0% in May. There was nothing company specific to drive the decline, however we would note the stock has had a very strong run over the last 12 months (+140%) so it was probably not surprising for the stock to retrace some of its recent gains.

Market commentary

On the ASX, the All Ordinaries Accumulation Index rose +1.9%, with banks in particular performing strongly, assisted by lower impairments which drove earnings upgrades across the sector. Technology was the worst performer, impacted by increased investor concern around rising inflation and higher interest rates. Value stocks outperformed growth stocks, whilst in terms of market cap, returns from large caps materially exceeded that of small caps, with the ASX 50 outperforming the Small Ords by +2.6% in May.

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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