Glenmore Australian Equities Fund
Monthly performance update
May 2023

Fund Performance

Fund performance for May was -6.42% (after fees) versus the benchmark return of -2.63%. The Fund has delivered a total return of +166.81% or +17.77% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
May 2023	-6.42%	-2.63%
1 Year	-8.55%	+2.04%
3 Year (p.a.)	+20.23%	+11.53%
5 year (p.a.)	+14.60%	+7.53%
Since Inception (p.a.)	+17.77%	+8.07%
Since inception (total)	+166.81%	+59.31%

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

Stock commentary

MA Financial (MAF) increased by +5.4%. In May, MAF announced the acquisition of US credit asset manager, Blue Elephant Capital Management for US$5m. Founded in 2013, the company has assets under management of US$184m and is focused on specialty finance, which MAF has a strong track record in its Australian business. The transaction provides MAF with a low upfront cost entry into the US credit market and coincides with the launch of the MA Global Private Credit Fund which commences from 1 July 2023.

Retail Food Group (RFG) fell -20.8% in the month. As was the case for many stocks in May that declined, the company did not release anything company specific but clearly sentiment towards stocks exposed to consumer spending (even food and beverages companies such as RFG) were sold off heavily due to fears the current combination of rising interest rates and cost of living pressures will impact spending across RFG's businesses.

Stanmore Resources (SMR) declined -14.8% in May. As with RFG, there was nothing announced by SMR during the month, however ongoing softness in the coking coal market, where the benchmark hard coking coal price declined by ~10% in May, is likely to have contributed to SMR's stock price performance. In addition, investor uncertainty around SMR bidding aggressively for the Daunia coal mine (where the sale process by BHP is currently underway) may also be a factor.

Eagers Automotive (APE) fell -12.7%. During the month, APE issued a trading update which showed revenue to the end of April was up +9%, however underlying pre tax profit was flat. Margins were impacted by general cost pressures, which APE is targeting to offset with its ongoing cost reduction initiatives. New car deliveries were impacted by ongoing industry supply issues, which is resulting in an order book of over 2 years. Whilst realistically new car sales are likely to be impacted by weakness in consumer spending, we believe APE is a very well run automotive retailer with an attractive valuation, noting the stock trades on an FY23 PE multiple of 12x. In addition, director Nick Politis, who owns a 28% stake in APE, continues to buy stock at current prices.

Lifestyle Communities (LIC) declined -11.4%. LIC issued a trading update late in the month, which showed FY23 home settlements will be lower than forecast, due to weaker sales results in its Wollert and Deanside communities, which we believe is due to the current soft residential housing market, following multiple interest rate hikes in the last 12 months. LIC's new guidance is for FY23 settlements to be in the range of 355-365 vs previous guidance of ~400. On a more positive note, LIC maintained its medium term settlement guidance, which is for 1,100-1,300 settlement between FY22-24.

Other stocks that negatively contributed to fund performance included: Strandline Resources (STA) -15.3%, New Hope Coal (NHC) -13.2%, Pacific Current (PAC) -11.6%, Helloworld (HLO) -10.6%, and MMA Offshore (MRM) -8.3%.

Market commentary

Equity markets were mixed in May. In the US, the S&P 500 rose +0.3%, the Nasdaq rebounded sharply +5.8%, whilst in the UK, the FTSE 100 declined by -5.4%. In Australia, the All Ordinaries Accumulation index fell -2.6%, driven by ongoing investor caution around the impact of interest rate hikes by the Reserve Bank of Australia. The technology sector was the top performing sector, as investor sentiment continues to recover after materially underperforming in 2022. Consumer discretionary was the worst performer, with multiple ASX listed stocks flagging consumer spending is weakening due to rising interest rates and cost of living pressures. Gold stocks also underperformed in the month.

Small cap stocks significantly underperformed as investor funds moved to the perceived safety of larger cap stocks. As an example, on the ASX, the Emerging Companies index fell -6.4%, whilst the Small Ordinaries Accumulation index declined -3.3%.

In bond markets, the US 10 year bond yield rose +20bp to close at 3.66%, whilst the Australian 10 year bond rate increased +26bp to 3.60%. Both movements were due to increased inflation expectations. In currency markets, the A$/US$ declined -2% to close at US$0.65. Commodities were broadly weaker in May. Brent crude oil declined -8.6%, copper -6.5%, iron ore -5.0%, whilst gold -1.2%. Thermal coal fell sharply, down -27.3%.

The numerous interest rate hikes implemented by the Reserve Bank over the past 12 months are clearly having an impact on consumer spending, as evidenced by multiple ASX listed retailers announcing profit downgrades in recent weeks. Whilst some components of the CPI basket are declining (eg. Commodities), other parts such as power prices and wages are still rising (eg. Recent 5.75% award wage increase which commences on 1 July). Services inflation in particular, continues to be too high, as businesses across the board increase prices. With regards to interest rates, given inflation is proving more difficult to reduce to the Reserve Bank's targeted band of 2%-3%, it now appears likely that the RBA will need to lift rates 2-3 more times in this cycle.

One theme that continues to impact the fund's relative performance versus benchmark is the underperformance of small/mid cap stocks on the ASX, noting the fund has a strong skew to this part of the market. Whilst this has been negative for the performance of the fund in recent months, we strongly believe this focus will produce some outstanding buying opportunities for longer term focussed investors over the next 6-12 months. The Fund continues to see numerous attractively valued stocks across a wide range of sectors and is well capitalised to take advantage of this current short term investor bearishness.

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	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	3.01	-6.42								**-6.99**

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
APIR code	GNM0167AU	**Distributions**	Annually

Contact details

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