

Glenmore Australian Equities Fund

Monthly performance update

November 2020

Fund Performance

Fund performance for November was +10.37% (after fees) versus the benchmark return of +10.16%. The Fund has delivered a total return of +98.65% or +21.66% p.a. (after fees) since inception in June 2017.

Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
November 2020	+10.37%	+10.16%
1 Year	+7.29%	-0.08%
3 Year (p.a.)	+17.01%	+7.52%
Since Inception (p.a.)	+21.66%	+8.63%
Since inception (total)	+98.65%	+33.60%

Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

Stock commentary

Coronado Global Resources (CRN) increased +40.9% in November. The company did not release any company specific news, but we believe it benefitted from improving sentiment for resource stocks and also growing appreciation of the stock's very attractive valuation, which we have discussed in detail in recent newsletters. CRN, like many resource stocks in November, was boosted by the emergence of an effective vaccine for Corona Virus, which in turn has driven a growing awareness that industrial commodity demand should rebound strongly over the next 12-18 months as economies re-open following a period of heavily depressed activity levels. Also, during the month, research from a number of investment banks highlighted CRN's cheap valuation and exposure to recovering coal prices.

During the month, coal prices appreciated materially (hard coking coal +29% and thermal coal +17%), providing a boost for the near-term earnings outlook for the company.

Worley (WOR) increased +37.1% in the month. As was the case for a number of cyclical stocks that rose sharply in the month, WOR did not release any company specific news flow but clearly the company should be a beneficiary of the global recovery triggered by the Corona Virus vaccine news. Since the onset of the Corona Virus, WOR's stock price has been impacted by fears that spend by oil and gas companies (a material part of WOR's earnings) would be reduced due to the depressed oil price and the weak global economy.

However, with recent news of the vaccines, this results in more positive environment for WOR's services and will increase the confidence of WOR's client base in spending on projects that until now have been on hold.

In addition to its core strength in oil and gas, WOR also has an increasing focus on the renewable energy sector (eg. solar, wind, hydrogen and geothermal), which will see huge growth in capital spend over the next 5-10 years. Whilst it remains to be seen whether WOR can successfully take its expertise into these new sectors, there is significant earnings upside over the medium term if it can, but for the next 12-18 months, the main driver will be spend in the oil/gas, chemicals and resources sectors. To recap, following WOR's acquisition of its US based peer Jacob's Energy, chemicals and mining & minerals business in 2018 for US\$3.3B, WOR has a significant exposure to the (less cyclical) chemicals sector, representing ~40% of group revenue. Despite the share price rally in recent months, WOR still trades on an attractive valuation (FY21 PE of ~17x), with clear earnings upside as spending from its client base recovers over the next few years.

Mineral Resources (MIN) increased +29.5% in the month. During the month, MIN held its Annual General Meeting (AGM), where it painted a very positive outlook for the business, both near term and over the next 3-5 years. Divisionally, MIN's mineral crushing business (the largest of its type in the world) continues to perform strongly and is set for continued volume growth over the next few years. On the mining side, MIN is currently Australia's fifth largest iron ore producer and has ambitious plans to grow production over the next 5-7 years to potentially as much as 90mtpa (vs current run rate of ~20mtpa). At the AGM, MIN outlined plans to develop two iron ore hubs in the West Pilbara and at South West Creek in Port Hedland and build two new iron ore berth facilities at Ashburton (25mtpa) and South West Creek (40mtpa). MIN did not quantify the cost of these projects; however, it has a very under geared balance sheet post the sale of 50% of its Wodgina lithium project for US\$1.2B, hence we believe it growth plans can be comfortably funded. During the month, the iron ore price rose +10.6%, boosting earnings for MIN's three iron ore mines.

Other positive contributors for the month included **Whitehaven Coal (WHC)** +24.4%, **NRW Holdings (NWH)** +21.6%, **Eagers Automotive (APE)** +20.2%, **People Infrastructure (PPE)** +10.8% and **Dicker Data (DDR)** +10.5%.

Market commentary

The main story of November was the news of highly encouraging human trial results from several proposed vaccines for Corona Virus, which showed effectiveness rates in excess of 90%. Whilst it is still early days and there are some aspects of the vaccines that need to be clarified (such as how long immunity is provided), the early results show clear progress towards a pathway back to more normal economic conditions. Given the stock market is very forward looking, this was enough to see sectors with exposure to a global recovery rally sharply (eg. travel, energy, resources, shopping centres and mining services), at the expense of sectors that benefitted from lockdown conditions (internet, certain retailers, and gold stocks).

On the ASX, the All Ordinaries Accumulation Index rose +10.2%, in what was its strongest month since December 1993. The offshore indices were similarly strong; in the US, the S&P500 was up +10.9%, the Nasdaq was up +11.8%, the Euro Stoxx 50 was up +19.3%, whilst in the UK, the FTSE 100 rose +12.7%. With clear exposure to a recovering global economy, industrial commodities performed very strongly across the board, with the notable performers being hard coking coal +29%, crude oil +26%, thermal coal +17%, copper +12%, and iron ore +10%. Gold was the laggard, falling -5%. In currencies, the Australian dollar appreciated 4% to US\$0.73 driven by increasing investor risk appetite, whilst bond yields were relatively steady (US 10 year -3bp to 0.84%, whilst the Australia 10 year was +7bp to 0.90%).

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. Given this is the last newsletter before Christmas, we would also like to wish all our readers a relaxing holiday break after what was a very challenging year.

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		9.11

FUND INFORMATION

Name	Glenmore Australian Equities Fund	Fund Administrator	Apex Fund Services
Inception	6 June 2017	Fund Custodian	Sargon 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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