

Glenmore Australian Equities Fund

Monthly performance update

November 2023

Fund Performance

Fund performance for November was +8.14% (after fees) versus the benchmark return of +5.19%. The fund has delivered a total return of +186.45% or +17.57% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
November 2023	+8.14%	+5.19%
1 Year	-3.08%	+1.7%
3 Year (p.a.)	+12.98%	+6.89%
5 year (p.a.)	+16.38%	+8.96%
Since Inception (p.a.)	+17.57%	+7.82%
Since inception (total)	+186.45%	+63.17%

Fund commenced on 6 June 2017

Fund returns in the table above are for main series units. Please note returns for certain series of units may differ slightly from the main series due to the timing of your investment.

Stock commentary

Retail Food Group (RFG) appreciated +27.1% in November. In November, RFG announced the acquisition of Queensland based “Beefy’s Pies”, a vertically integrated café business with 9 retail outlets for a cost of \$10m (including \$2.5m in potential earn-out payments). The acquisition was cash funded and translated to an EV/EBITDA multiple of ~4x. In addition, RFG held its AGM where it provided a trading update for FY24 year to date. Whilst the company did not provide specific earnings guidance, it did state group same store sales for the first 17 weeks were up +1.8% vs pcp, which was broadly in line with expectations. The stock trades on very low earnings multiples with the stock price performance in the month also reflecting the cheap starting point for its valuation.

MMA Offshore (MRM) increased +25.3% in the month. MRM issued a very positive trading update, stating that EBITDA for 1H24 is expected to be in the range of \$55-60 million, which was 40-45% ahead of market expectations. Pleasingly MRM said all divisions of the group (vessels, subsea and project logistics) are performing strongly in FY24 to date. Given MRM has a high fixed cost base, we believe further earnings upside is likely, given the tight demand/supply conditions for the

vessels that MRM charters to the oil and gas and offshore wind sectors.

Collins Foods (CKF) increased +24.1%. CKF released its 1H24 result, which was ~10% ahead of market expectations. EBITDA for the half was \$109.9m, up +17% vs pcp, with KFC Europe, KFC Australia and to a lesser extent Taco Bell all performing better than expected. The result once again showed the strength of the KFC brand, despite the well documented challenging trading conditions for consumers. Operating cash flow was also strong, which resulted in lower ending debt and interest expense. CKF said the first six weeks of 2H24 had started positively with like for like sales of +2.9% (KFC Australia), +8.1% (KFC Netherlands), +8.6% (KFC Germany), and +8.7% Taco Bell.

GQG Partners (GQG) rose +16.2%. During the month, the process of GQG bidding for ASX listed Pacific Current (PAC) concluded with GQG’s bid to gain control of PAC being unsuccessful (discussed in more detail below). The strong rally in equity markets in the month also contributed to GQG’s stock price performance as investors sought exposure to listed fund managers. GQG continues to trade on very attractive valuation metrics (FY24 PE multiple of ~9x).

Pacific Current (PAC) declined -9.8% in the month. The key driver of the decline was the collapse of the takeover bid that had been proposed by GQG Partners (GQG). This was due to Melbourne based fund manager, River Capital (which owns a 19% stake in PAC) not supporting GQG’s \$11 per share cash bid, which was a condition of GQG gaining control. Note, River Capital had launched its own bid for control of PAC, however its bid was priced at \$10.50 per share and highly conditional with (in our view) a low probability of succeeding. Given GQG’s bid was at a very healthy premium to PAC’s stock price, the situation was surprising, however, with the takeover battle seemingly over for now, we continue to see PAC as attractively priced as a standalone entity, given its strong earnings outlook and cheap valuation.

Market commentary

Globally equity markets recovered strongly in November. In the US, the S&P 500 rose +8.9%, the Nasdaq increased 10.7%, whilst in the UK, the FTSE 100 was more muted, rising +1.8%. The key driver of the rally was data points showing cooling inflation, which in turn saw bond yields fall materially. The US 10-year bond rate declined -58 basis points to close

at 4.26%. Its Australian counterpart fell +52bp to close at 4.41%. The weaker inflation data provided hope that the restrictive interest rate hikes of the last 18 months may be nearing an end.

In Australia, the All-Ordinaries Accumulation Index rose +5.2% in November. Top performing sectors were healthcare and real estate (a clear beneficiary of lower bond rates), whilst energy was the worst performing sector, driven by a fall in oil and gas prices. Positively for the fund, small cap stocks outperformed large caps as investor risk appetite improved with falling bond rates. Given the material underperformance of small cap stocks vs large caps in the last 18 months, we believe the next few years should be positive for the fund given its skew to small caps, where we are seeing quality companies across numerous sectors priced very attractively.

As this is the last newsletter before Christmas, we would like to wish all our investors and readers a safe and relaxing holiday period.

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	1.42	5.79	1.96	-1.97	-7.43	8.14		-0.15

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
Distributions	Annually	High water mark	Yes
Platform availability	Netwealth	APIR code	GNM0167AU

Contact details

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