

## Glenmore Australian Equities Fund

### Monthly performance update

### October 2020

#### Fund Performance

Fund performance for October was +1.66% (after fees) versus the benchmark return of +2.08%. The Fund has delivered a total return of +79.98% or +18.77% p.a. (after fees) since inception in June 2017.

#### Fund Returns (after fees)

Period	Glenmore Fund	All Ords. Accum. Index
October 2020	+1.66%	2.08%
1 Year	-4.39%	-6.51%
3 Year (p.a.)	+14.64%	+4.77%
Since Inception (p.a.)	+18.77%	+5.81%
Since inception (total)	+79.98%	+21.27%

# Fund commenced on 6 June 2017

Fund Returns are for Main Series Units

#### Stock commentary

**Dicker Data (DDR)** increased +25.6% in the month. During the month, DDR issued a brief trading update for the nine months to 30 September 2020, which showed the business continues to perform very strongly. The key points were revenue up +14.9%, whilst pre tax profit was up +28.3%. DDR also commented the outlook remains positive, driven by a resumption of some larger infrastructure projects, the rollout of 5G connectivity, as well as the development of DDR's new distribution centre in NSW, which will increase capacity by ~80%, which positions DDR very well for the growth over the medium term. The strong stock price performance in 2020 year to date has seen DDR's valuation become somewhat less attractive (FY21 PE of ~26x), and whilst we have trimmed our position recently we continue to hold the stock given the medium term earnings upside.

**ARB Corporation (ARB)** increased +11.3% in the month. Like DDR, the main catalyst was a trading update, which showed revenue growth of +18% for the September quarter of 2020 vs pcp and pre tax profit of \$39m. Export markets were the main area of growth, whilst domestically sales growth was more moderate, due to subdued new car sales. ARB continues to have some issues with fulfilling orders (due to supply chain constraints) however this should improve over the next 6-12 months. Whilst the recent quarter's trading has clearly been boosted by pent up demand from the lockdown period, the company is an obvious beneficiary of consumer

travel preferences in the current climate (ie. more domestic travel and less overseas holidays) which will boost demand for its product range for 4WD enthusiasts.

**Opticomm (OPC)** was again a positive contributor for the Fund, rising +11.1% in the month. On the 12<sup>th</sup> of October, OPC received a formal offer from Aware Super, priced at \$6.50 per share (including a 10cps dividend), which was 100% cash and subject to a minimum 50.1% minimum acceptance condition. Just three days later, ASX listed Uniti Group (UWL) increased its offer to \$6.67 per share (UWL's offer is cash and scrip). Following this, the board of OPC unanimously recommended OPC shareholders vote in favour of the UWL bid (in absence of a superior competing offer). The scheme meeting, which occurred on 6 November 2020, saw OPC shareholders overwhelmingly vote in favour of the UWL bid, which brought the takeover battle for OPC to a close, completing what was a very profitable investment for the Fund.

Other positive contributors for the month included **Eagers Automotive (APE)** +18.7%, **People Infrastructure (PPE)** +7.8%, and **NRW Holdings (NWH)** +7.4%.

**Coronado Global Resources (CRN)** declined -22.0% in the month. Following very strong performance in September, CRN gave back some of those gains in October, which we believe were driven by negative news flow regarding the coal market, in particular media reports that China was limiting its purchases of Australian coal amid ongoing political tensions between China and Australia. Whilst there has been no official notice from the Chinese government, we believe the rumours are at least partially correct, however see this more as a short term issue, which has emerged periodically in recent years. Given Australia's importance as a supplier of coking coal (~55% of global trade), it is unlikely that any short term changes to buying patterns from China would become permanent in our view. In addition, it is reasonable to assume there has been some profit taking from investors that participated in the recent capital raising at 60 cents, with CRN hitting \$1.02 in mid September. Despite this, we continue to see CRN as materially undervalued, with the catalyst being a recovery in coking coal prices, which should occur over the next 1-2 years.

### Market commentary

The ASX All Ordinaries Accumulation Index outperformed its global peers, rising +2.1% in the month, with the Banking sector the key driver of the returns, boosted by the prospect of a loosening of responsible lending laws and an improving outlook for bad debts. Industrials and Utilities were the underperformers. Globally, the key offshore indices were weaker: S&P 500 -2.8%, FTSE -4.9%, Nasdaq -2.3%, with the main driver being rising Corona Virus cases, which in some countries has seen a return to strict lockdown policies. In the bond market, a notable move was the US 10 year bond rate, which increased +19bp to 0.88%. At the time of writing, the US Presidential election has dominated media and investor attention, with Democrat Joe Biden being the clear winner, despite Donald Trump having yet to concede defeat. With regards to the impact on our portfolio construction, the US election will not have any material change to our holdings. Whilst the outcome will almost certainly increase volatility for stocks in the short term, it has little impact on the earnings profile of our portfolio holdings. The other key news for global markets is the recent announcements of trial results from two proposed vaccines for Corona Virus (US drug manufacturers Pfizer and Moderna), which has been very well received by investors and is likely to see investor funds flow into companies which are perceived to be strong beneficiaries of a return to more normal "post Corona Virus" economic conditions.

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
<b>2017</b>						1.29	1.52	7.03	3.05	5.32	3.81	3.66	28.55
<b>2018</b>	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
<b>2019</b>	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
<b>2020</b>	3.05	-9.44	-29.34	16.63	9.64	1.43	1.41	11.52	0.54	1.66			-1.15

**FUND INFORMATION**

<b>Name</b>	Glenmore Australian Equities Fund	<b>Fund Administrator</b>	Apex Fund Services
<b>Inception</b>	6 June 2017	<b>Fund Custodian</b>	Sargon Corporate Trust Pty Ltd
<b>Structure</b>	Wholesale Unit Trust	<b>Fund Auditor</b>	Pitcher Partners
<b>Investor Eligibility</b>	Wholesale or 'sophisticated' investors only	<b>Fund Manager</b>	Glenmore Asset Management
<b>Subscription Frequency</b>	Monthly	<b>Management Fee</b>	1.2%
<b>Redemption Frequency</b>	Monthly	<b>Performance Fee</b>	20.0%
<b>Unit pricing</b>	Monthly	<b>Benchmark</b>	S&P/ASX All Ordinaries Accumulation Index
<b>Domicile</b>	Australia	<b>High water mark</b>	Yes

**Contact details**

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