

Glennon Small Companies Limited (ASX:GC1)  
Performance Report FY17



GLENNON  
SMALL COMPANIES LTD

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# Performance Commentary

Overall we would have liked to have seen both the share price and NTA perform better over the past year. The option exercise and the pull back in the market after the US elections were both events that dragged on NTA growth. Pleasingly though, we were able to pay fully franked dividends and preserve capital in a period where many small cap companies suffered extreme falls in share price.

We started the financial year with high cash levels as a result of the option exercise. Fortunately, we were restrained and didn't rush and make investments at unattractive levels. At that time we struggled to find value as momentum drove the market as opposed to fundamentals. Our strategy was fortuitous, the market has not returned to the October 2016 levels. We are below the highwater mark for performance but pleasingly we have still paid dividends.

The situation changed after the US elections and there was a huge shift out of small growth stocks. This was compounded by a raft of downgrades in the small cap market over the period. Companies that downgraded their earnings estimates were dealt with harshly and often suffered disproportionate share price falls. This was a combination of over inflated share prices after a period of strong multiple expansion and a significant amount of large cap managers seeking the growth that they couldn't find in top 100 stocks as the Banks and Telstra suffered poor performance forcing them to move down the market capitalisation spectrum to find growth.

Our focus on capital preservation meant that the cash we held was not earning a return and also meant that we were not buying overpriced companies.

Michael Glennon

Chairman

# Outlook

We are happy that we have been able to pay fully franked dividends and that the level of dividends has grown over the short time that the company has been listed. We hope that over time we can continue to provide investors with both capital growth and a growing stream of fully franked dividends.

Going forward we have concentrated the number of investments in the portfolio and reduced our cash levels to ~15% as we gain more conviction in the longer term investments in our portfolio.

We anticipate that the cash levels will reduce further over the coming months as we deploy more capital as we see more opportunities now that the market shows better value.

# NTA, Share price & Discount

Share price\*

**\$ 0.92**

*\* As at 13 September 2017*

Pre-tax NTA (August 2017)

**\$1.0047**

*\* As at 31st August 2017*

Discount to NTA

**8.0%**

# Share Price, Dividends & Yield

Share price\*

**\$ 0.92**

*\* As at 13 September 2017*

FY17 Dividends

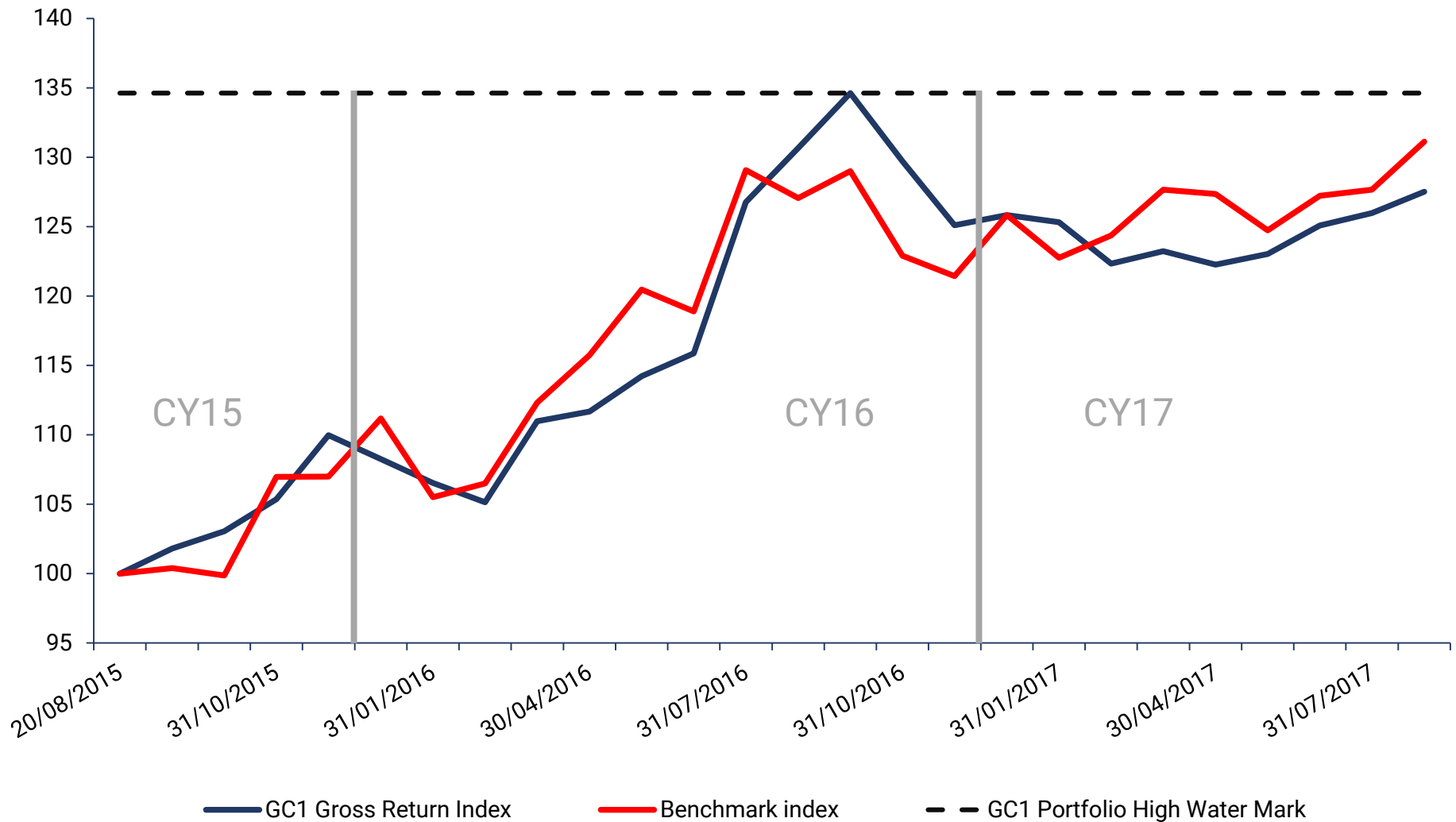
**4.0c**

Yield

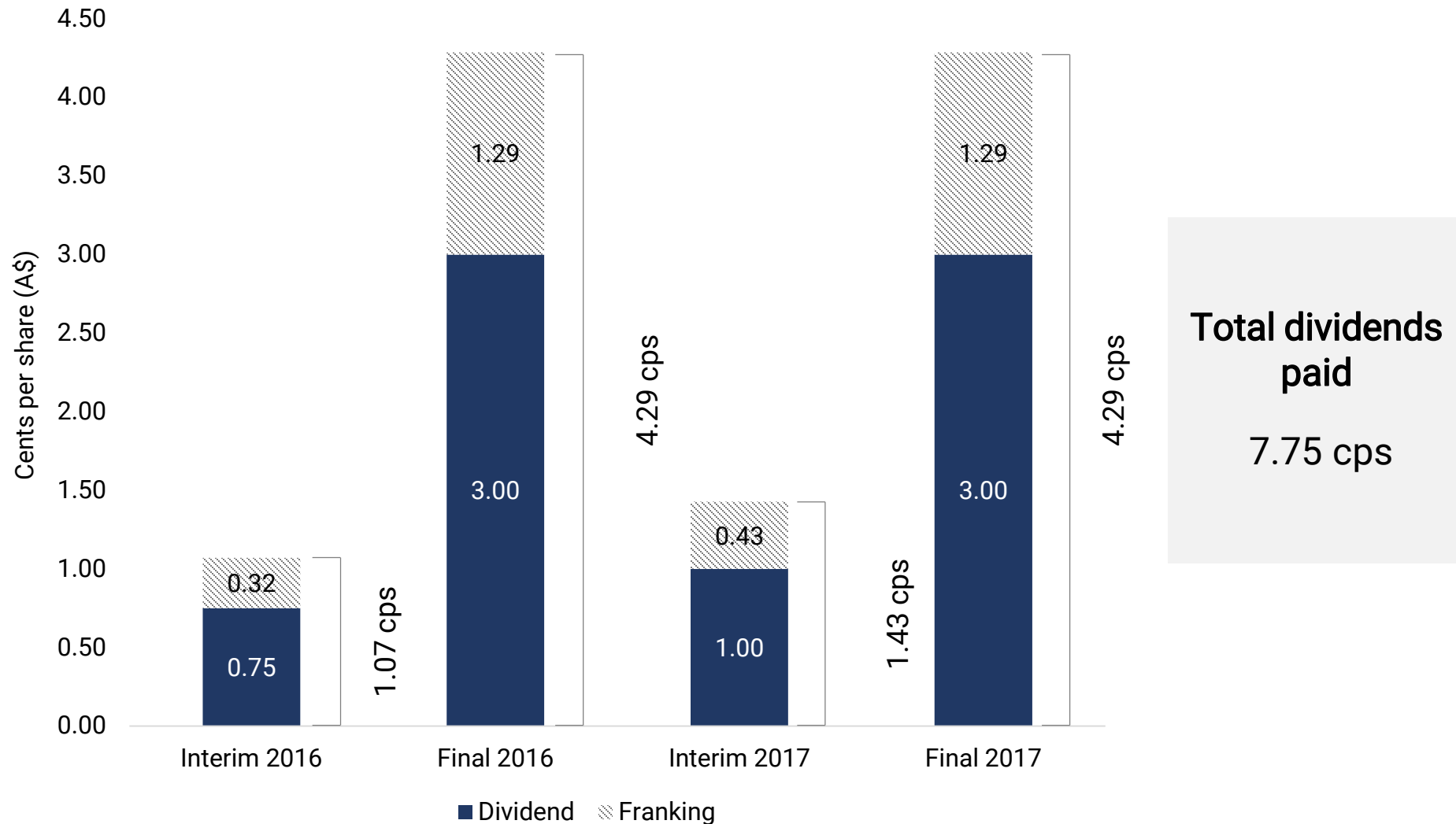
**4.35%**

*\* As at 13 September 2017*

# Gross Portfolio Performance & Highwater mark

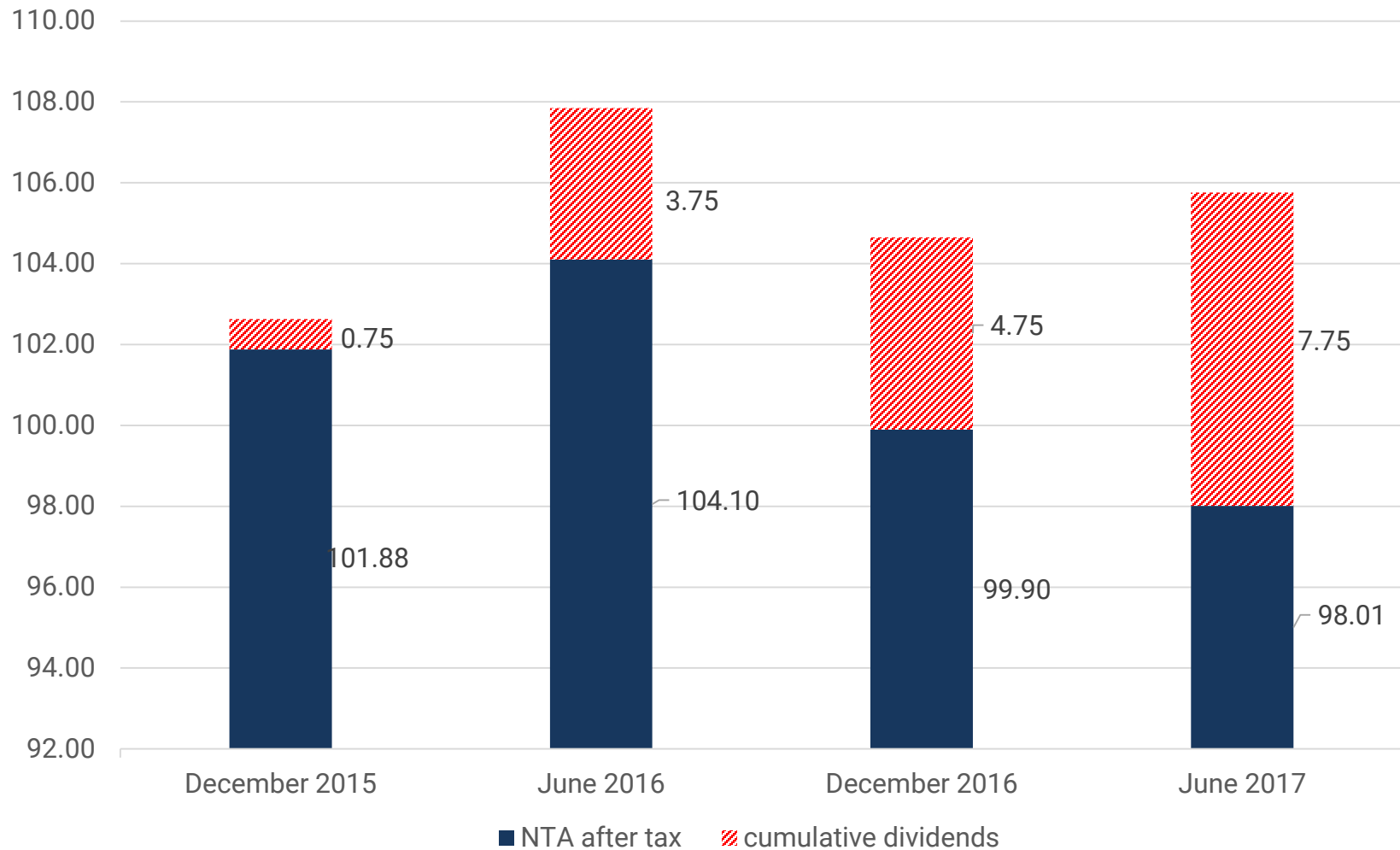


# GC1 Dividends Paid

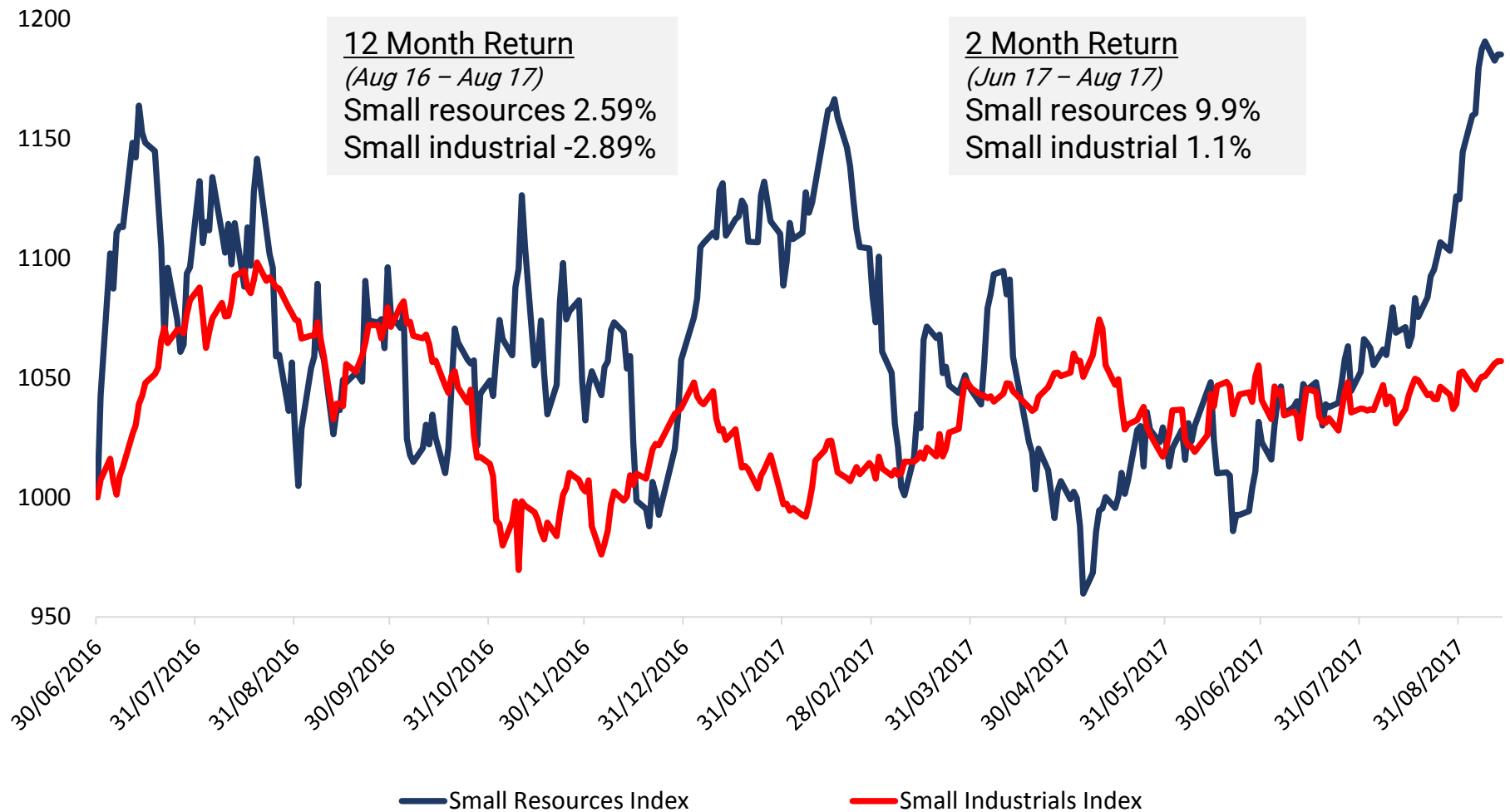




# NTA + Dividends Paid

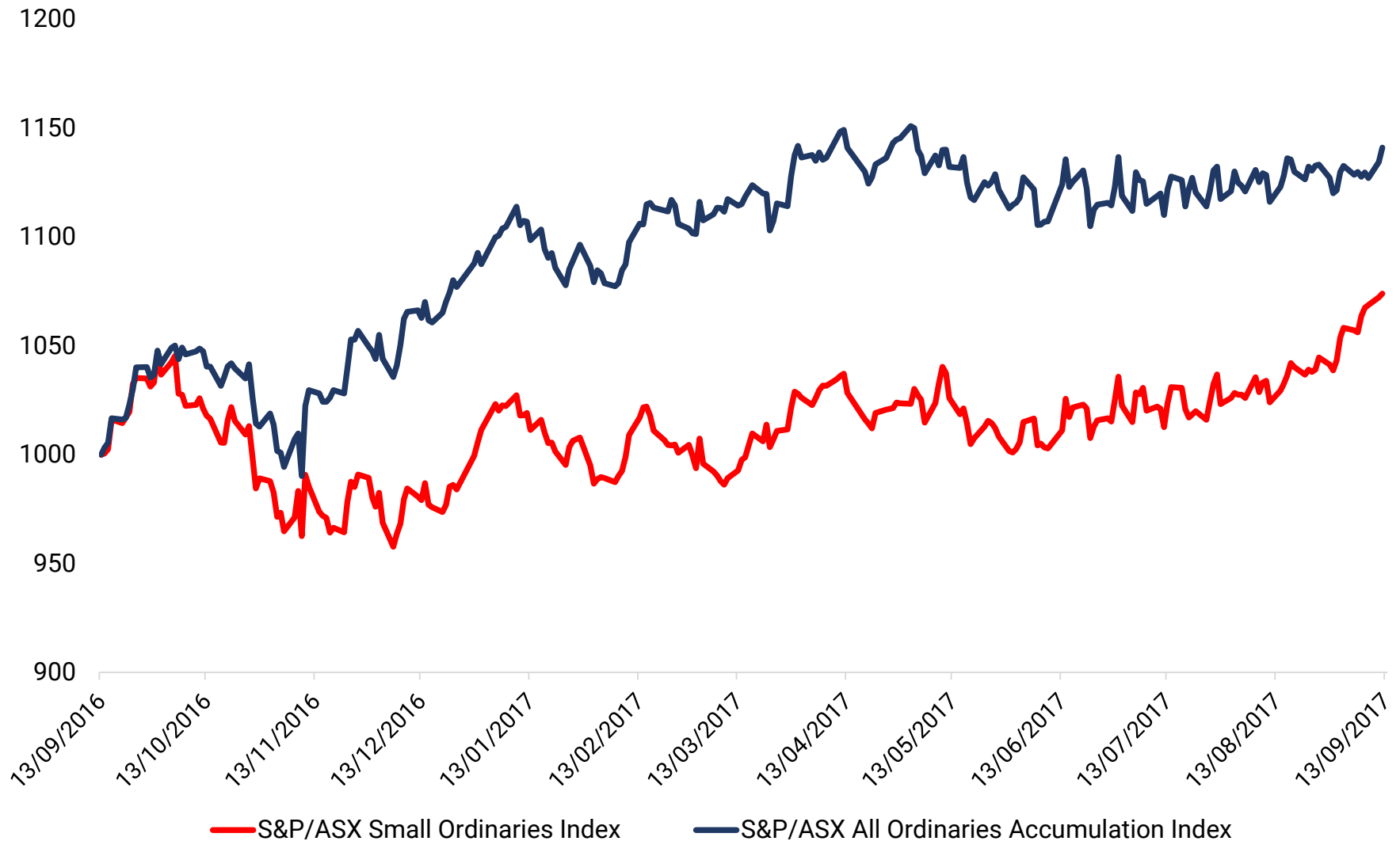


# Small Industrials vs Small Resources

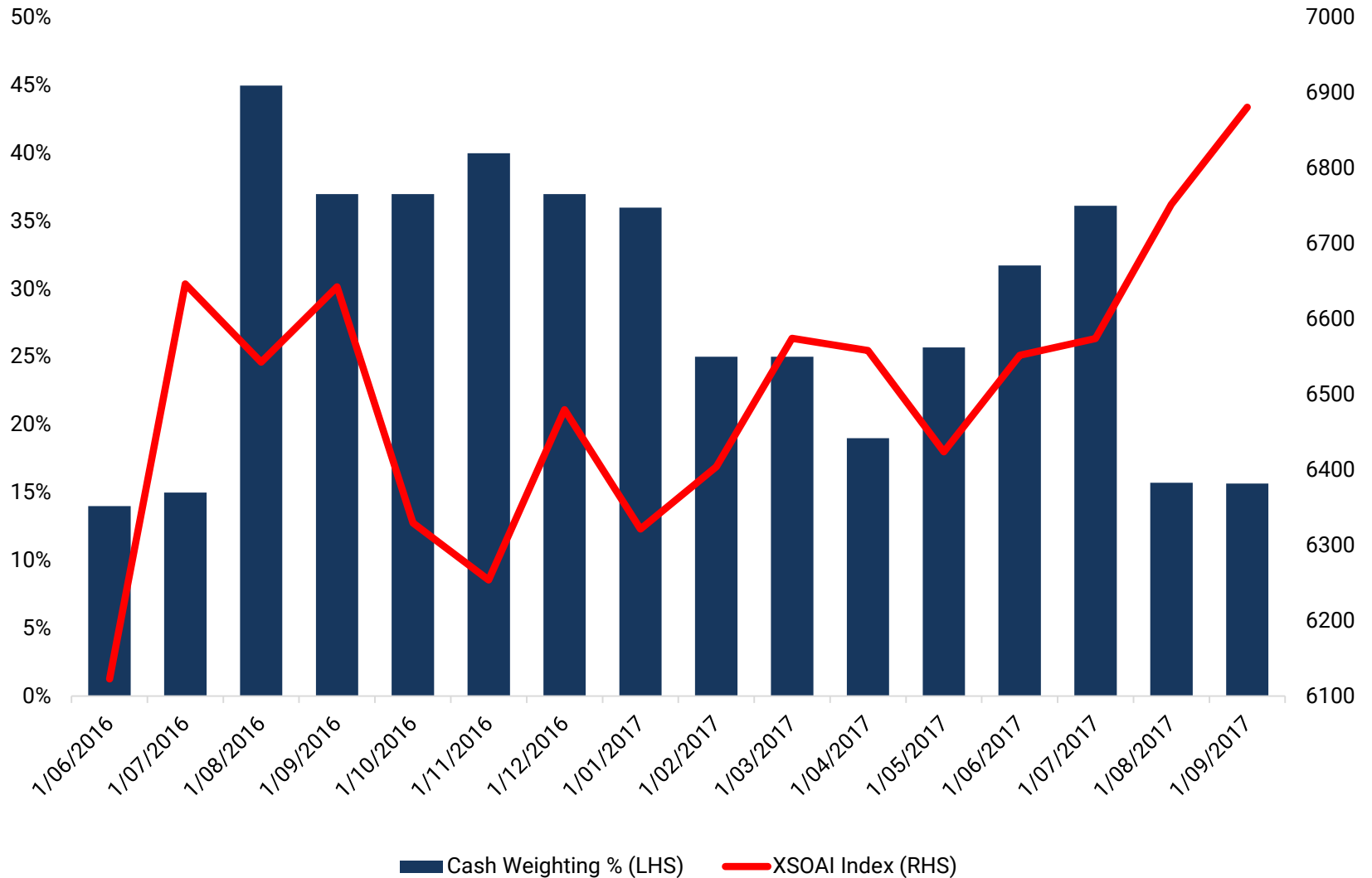


*Small Resources has outperformed the Small Industrials since June 2017*

# Small Ordinaries vs ASX100



# GC1 Cash Weighting %



# Top 5 Contributors & Detractors

