



GLENNON SMALL COMPANIES LTD

Investment Report & NTA

March 2018

Net Tangible Assets (NTA) as at 31/03/2018

Cumulative Dividends Paid (excluding franking)	0.08c
NTA (before tax)	\$1.12
NTA (after tax)	\$1.07

Review of the Quarter

An extraordinarily volatile March quarter mostly influenced by the US government's trade threats against China and other parts of the world and despite a largely neutral-to-positive profit reporting season in Australia during February. The ASX Small Ordinaries produced negative returns in each month of the quarter.

GC1 managed to buck the trend, the gross portfolio return outperforming the benchmark by 4.1%. It produced a positive return of 1.3% versus the ASX Small Ordinaries Index return of negative 2.8%. Small industrials (-2.2%) beat small resources (-4.7%) and small caps performed better than the ASX100 (-3.9%) by a significant margin.

Stock Code	ASX:GC1
GC1 Share Price*	\$0.95
GC1 Market Cap	\$46m
GC1 Cash Weight	2.4%
Number of Holdings	36

* as of March 2018

Top 5 Holdings

AXL	AXESSTODAY CLINICAL LIMITED
CGR	CML GROUP LIMITED
EHL	EMECO HOLDINGS LIMITED
MAH	MACMAHON HOLDINGS LIMITED
TOX	TOX FREE SOLUTIONS LIMITED

The fund's best performing stocks included Axesstoday, A2 Milk, Emeco Holdings and Shine Corporate.

Axesstoday produced an excellent interim profit result and followed it up with a new \$200m securitised warehouse funding facility and a \$20m equity placement. The facility will enable growth and lead to a material reduction in funding costs.

A2 continued the run it has been having for some time now and topped it up with a solid profit result and the announcement of a strategic relationship with milk giant Fonterra, lending strong endorsement to the company's A2 milk branding on a global scale. The share price started taking a breather mid-March.

Emeco's profit result and outlook provided further evidence that the renewed strategy is working, with the recent acquisitions and the WA mining recovery contributing to solid growth going forward. Shine has now produced consecutive good profit outcomes and with the return of the founding CEO suggests things are back on track for the legal firm. The stock is cheaply priced.

The fund's worst performing stocks were BWX, Experience Co and Fiducian. BWX is a new investment for Glennon, unfortunately we jumped the gun somewhat with our initial investment prior to what ended up being a slightly disappointing profit result (having said that, earnings jumped 37% on the back of 80% revenue growth). BWX has bought the leading organic skincare and makeup brands in the US and the leading Australian organic beauty website in Australia. In bedding those down there have been, as is often the case, some discoveries and timing issues that delayed momentum. Moving forward we are confident the annualised contributions will be strong and the stock is a worthy investment. The stock retraced further during the period and we bought more.

Experience Co began January with an unfortunate skydiving death in NZ leading to share price drop but then produced a decent profit result in February yet the stock continued to retrace during the quarter. Feedback from the company suggests the business remains on track. It does tend to react to news flow. Fiducian is a long term, slow grind story with earnings consistently growing alongside funds under advice. It bounced strongly following a good result but has drifted lower on low liquidity since then. We don't believe there are any negative fundamental factors at play, but a weak market will play its part in any funds management business. GC1 paid a 1.0c fully franked dividend during March, in line with the pcg.

Portfolio Outlook

The June quarter has not started off much differently, with international political turmoil masking underlying fundamentals and driving stocks lower. There has been a small recovery in recent days and we expect some unnecessarily beaten up stocks will begin to lift when the air clears. We still haven't seen enough impetus in commodity prices or outlook to warrant a bigger position in resource stocks but will continue to look for individual stock opportunities. Our exposure to mine expansion activity via mining services companies remains a preferred strategy. The recent slump has certainly put the spotlight on excessively priced stocks as it often does following an extended rally and we have been certainly been taking that phenomena into consideration.

GC1 NTA + Dividends Paid



GC1 Cumulative Dividends

