



GLENNON SMALL COMPANIES LTD

Investment Report & NTA

May 2018

Net Tangible Assets (NTA) as at 30/05/2018

Cumulative Dividends Paid (excluding franking)	8.0c
NTA (before tax)	\$1.19
NTA (after tax)	\$1.12

Review of the Month

The market continued to build in May on the momentum produced in April amidst a reasonably benign political and economic backdrop – give or take some European jitters around Italy's leadership.

Glennon Small Companies Ltd recovered from an underwhelming April to produce a strong 8.65% absolute return in May. This was 4.95% ahead of the ASX Small Ordinaries Accumulation Index which jumped 3.7%. The result is a record NTA (pre-tax) for GC1 of \$1.19.

Smaller companies clearly outperformed the top 100 (up 0.9%), avoiding most of the impact the Royal Banking Commission had on the major banks and AMP.

Stock Code	ASX:GC1
GC1 Share Price*	\$0.975
GC1 Market Cap	\$46.4m
GC1 Cash Weight	14.0%
Number of Holdings	30

Top 5 Holdings

AXL	AXESSTODAY LIMITED
CGR	CML GROUP LIMITED
EHL	EMECO HOLDINGS LIMITED
MAH	MACMAHON HOLDINGS LIMITED
SHJ	SHINE CORPORATE LIMITED

Most of the portfolio's stocks that underperformed during April recovered the lost ground in May but one stock stood out. Emeco, the fund's largest position, gained 26.5% following a positive presentation at the Macquarie Conference and the completion of its retail entitlement issue. Titomic continued to perform well following the opening of its super-sized 3D printer in Melbourne and the announcement of R&D deals with Callaway Golf and Europe's largest shipbuilder, the stock up 86% for the month.

Afterpay Touch rebounded 31% following its launch into the US and the naming of its partners there, including the hugely influential retailer, Urban Outfitters. Another of the fund's newer investments, BWX, also rebounded following a period of weak performance when its management launched a privatisation bid. The stock bounced 19% but is still trading 10% short of the proposed takeover price. Finally Shine Corporate continued its good form, the shares up 11.7%, with confidence continuing to build following its AGM presentations.

On the weaker side of the ledger there were negative relative contributions from A2 Milk, Uscom, Macmahon Holdings and Pioneer Credit.

Glennon has been reducing its stake in A2 post its graduation into the ASX100. Nevertheless the stock's 12% decline still had an impact. Some analysts were caught out by the company's FY18 trading update, not anticipating the level of costs involved in the new product rollout into China. Uscom, a small medical devices company, lost some of the momentum it built through a successful capital raising and a new major shareholder coming on board. This is not uncommon with such small companies and we look forward to the company producing positive progress updates to get things back on track.

Macmahon has us somewhat perplexed after losing the ground it made up in the previous month. It has mildly underperformed in

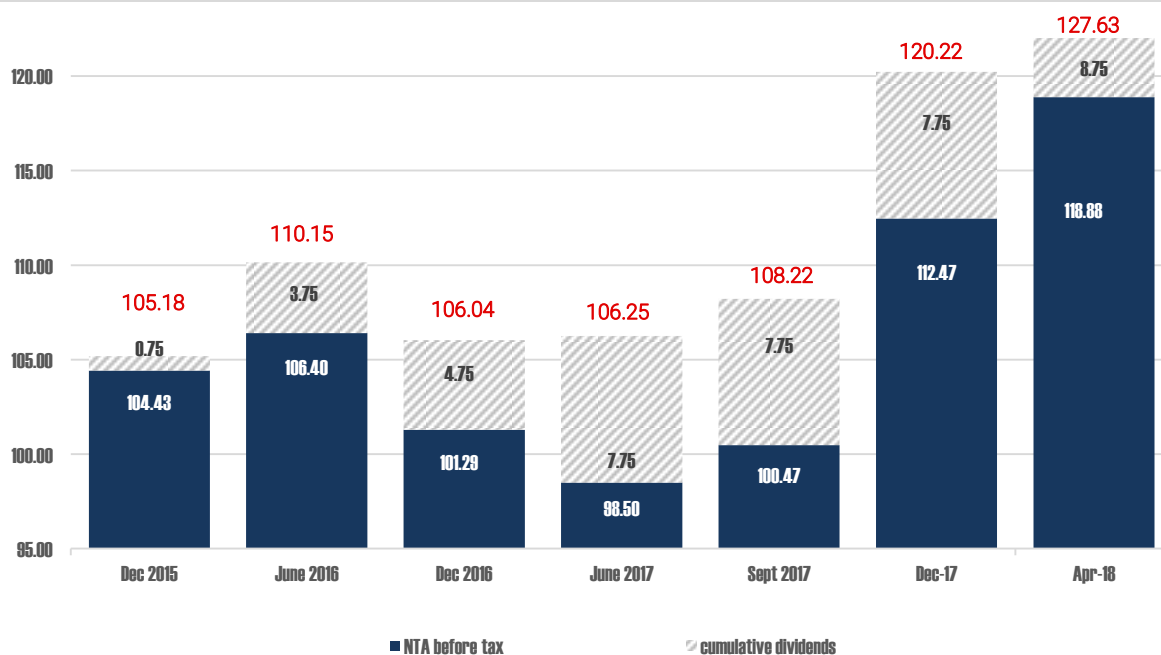
recent months. The lack of news since its profits were released in February is the main culprit, with the market awaiting signs of proof its new strategy and revamped contract book are working out as hoped. It remains one of Glennon's key positions and we have faith the story will unfold as we expect. Finally, Pioneer Credit fell 4.6% as it gave up some of the strong gains it has made since February in the face of no fresh news flow.

Portfolio Outlook

The market's strength through April and May was somewhat unexpected and some valuations are getting overheated. Glennon sold out of Tox Holding (takeover complete) and reduced its positions in a number of stocks and has, as a result, built up its cash position. This is not a deliberate macro strategy, just a result of the valuation changes brought on by the market.

Having said that, there is no particular concern about the market as the economy in Australia remains relatively benign, with some GDP improvement, and some noteworthy international economic recovery is apparent (particularly in the US). We are comfortable with the portfolio and there are many holdings where valuations are under representing potential. We continue to look for resource opportunities, having just added a coking coal position. The month-to-date performance is best described as solid.

GC1 NTA + Dividends Paid



GC1 Cumulative Dividends

