GLENNON SMALL COMPANIES LTD

Investment Report & NTA

June 2018

Net Tangible Assets (NTA) as at 30/06/2018

Cumulative Dividends Paid (excluding franking)	8.75c
NTA (before tax)	$1.21
NTA (after tax)	$1.14

Review of the Quarter

In contrast to the previous period the June quarter rallied consistently without much volatility. This is despite a step up in international trade war rhetoric, which seems to be hurting sentiment more in China than in the US where markets were generally positive. Aussie markets seem to take that and the continuing east coast infrastructure boom at home as its cue. The domestic banking inquiry was influential early on in the period but filtered into the background during June.

It was a strong quarter across the board. The Small Ordinaries Accumulation Index appreciated by 7.7%, with Industrials up 6.8% and Resources having another standout performance with 10.4%.

Large Caps did even better, the ASX Top 100 Accumulation index up 8.5%.

Stock Code	ASX:GC1
GC1 Share Price*	$1.01
GC1 Market Cap	$48m
GC1 Cash Weight	11.0%
Number of Holdings	30

** as of June 2018*

Top 5 Holdings

ATP	AFTERPAY TOUCH LTD
AQZ	ALLIANCE AVIATION LTD
CGR	CML GROUP LTD
EHL	EMECO HOLDINGS LTD
MAH	MACMAHON HOLDINGS LTD

Despite being underweight resources, as usual, GC1 managed to outperform its benchmark (Small Ords Accumulation) for the quarter with a return of 8.6%. The fund came home with a strongly after being 2.3% behind the Index following the first month.

The fund's best performing stocks included Emeco Holdings (EHL), Afterpay Touch (APT), Titomic (TTT) and BWX (BWX). Emeco released a solid 3Q trading update early in the quarter before announcing an entitlement issue to support the synergistic acquisition of QLD equipment renter Matilda Equipment and further paydown of debt. Glennon participated in the raising which further fortifies the group's longer-term ambitions.

Afterpay Touch is riding on the back of its entry into the US. It released an update early in the period to answer lingering questions over the commitment of its key shareholders and the updates to its product to protect against consumer irresponsibility. It then released a relatively solid business update before commenting on the launch of its product in the US and a list of the initial supporting retailers. Late in the period the list of supporting retailers grew significantly. Glennon took some profits during the period.

Titomic placed some stock into the market in April (Glennon participated) and then proceeded to announce the first of its collaboration (Callaway Golf and an Italian shipbuilder Fincantieri) before launching its new 3D printer in Melbourne (it's the size of a bus, would you believe). BWX rebounded from a very weak prior quarter after its founder, John Humble, launched a private equity-backed bid for the company.

The fund's worst performing stocks were A2 Milk (A2M), Experience CO (EXP) and Uscom (UCM). We have reduced our position in

A2 dramatically since it entered the ASX Top 100 but what's left performed poorly enough to have an effect on our performance. We will continue to reduce our stake at the right opportunities and when alternatives are obvious.

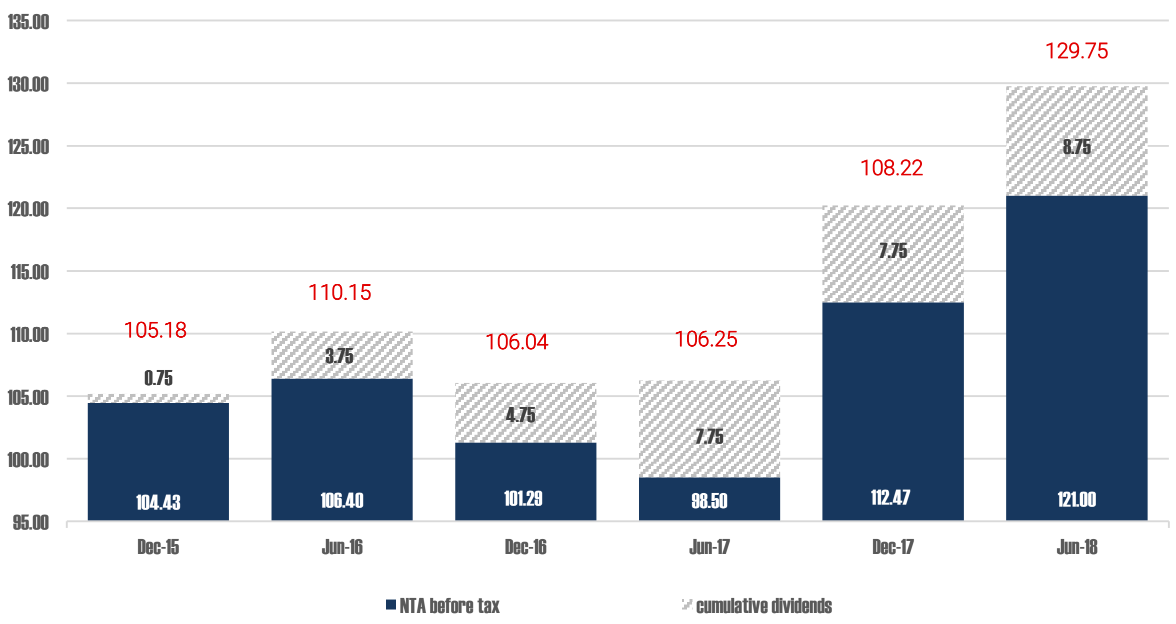
Experience Co released a moderate downgrade in April on the back of adverse weather in most of its markets, particularly Nth QLD. The company said that without the weather activity it would have reported as expected. We have met with the company since and it seems things are back on track but we don't expect the market to reward the stock until it displays renewed consistency. Uscom simply retraced some of the extraordinary gains it made in the March quarter. It remans well in the money from Glennon's entry point and there have been no negative releases.

Portfolio Outlook

The fund is holding a slightly elevated cash position after taking profits during the strong June quarter and selling out of Toxfree Holdings (TOX) which was a (successful) play at increasing the fund's franking credits. Having some cash doesn't alarm us as the market has undergone a strong rally over the last 12 months and with that comes plenty of elevated valuations. At the same time there are still pockets of value and we will have no hesitancy in investing when the opportunities arise. We have increased our resources exposure with the addition of Bounty Coal but are still very much underweight the sector.

Despite Donald Trump's best efforts to undermine international confidence we still see the underlying fundamentals as benign at worst. China's stock market has panicked but we don't see too much economic fallout from of the latest stoush. Having said that we would rather focus on resource-related situations where production is being increased through brownfield expansion (ie through industrial companies like Emeco and Macmahon) rather than take direct commodity exposure. That way we are dealing with budgets rather than speculative bubbles. The domestic economy is looking better as the weaker elements (ie WA) climb off the bottom and the stronger elements (ie NSW and VIC) continue on their merry way. A lower A$ will not hurt things here.

GC1 NTA (Before Tax) + Dividends Paid



GC1 Cumulative Dividends