



NTA

NTA (before tax)	\$0.91
NTA (after tax)	\$0.92
ASX Code	GC1
Inception date	21 August 2015
Share price	\$0.93
Cumulative dividends*	11.75c

* Excluding GST and franking

PORTFOLIO

Cash weighting	18.4%
Number of holdings	35

TOP 2 CONTRIBUTORS FOR THE QUARTER

Company	Contribution %
Stanmore Coal Ltd	0.22
Australian Dollar	0.02

DIVIDEND HISTORY

Period ended	Type	Amount (cps)
31 December 2015	Interim	0.75
30 June 2016	Final	3.00
31 December 2016	Interim	1.00
30 June 2017	Final	3.00
31 December 2017	Interim	1.00
30 June 2018	Final	3.00
Total dividends		11.75

REVIEW OF THE QUARTER

Another soft month in December to complete a hattrick for the quarter. The Small Ordinaries fell 4.2% for the month and 13.7% for the quarter.

Small Industrials (-13.4%) were marginally better than Small Resources (-14.5%) and both were way behind the ASX Top 100 (-7.7%). That underperformance of smalls to bigs was exacerbated within the small caps universe further down the market capitalization range. In other words, microcaps fared worst.

Mostly, fundamentals did not play a part. There were some downgrades in the market over the period but it was far from the main story.

Global economic fears, driven mostly by political maneuvering (China vs USA, US Fed Reserve, Brexit, etc), caused investors to look for safety. This meant a rotation into gold and out of cyclicals (ranging from mining services to retail).

Confusion reigned. To sum it up, the market fell after the Fed raised rates in October, only to fall again when it failed to raise

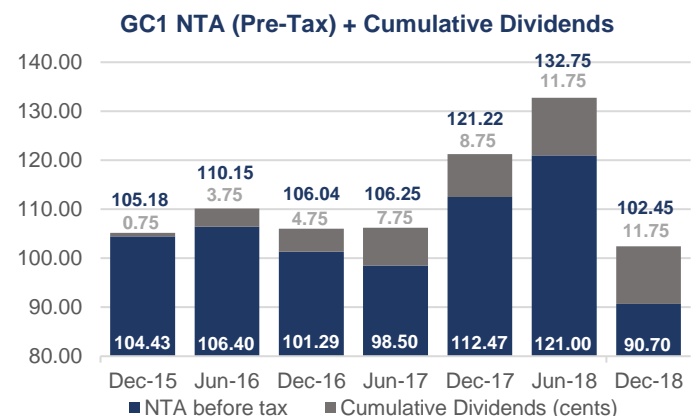
TOP 5 HOLDINGS

Company Name	ASX code
Alliance Aviation Services	AQZ
Cml Group Limited	CGR
Fiducian Group Limited	FID
Macmahon Holdings Ltd	MAH
Shine Corporate Ltd	SHJ

TOP 2 DETRACTORS FOR THE QUARTER

Company	Contribution %
Axesstoday Ltd.	-4.42
Emeco Holdings Limited	-3.28

NTA + DIVIDENDS



rates in November. Then midway through December the market rallied when the Fed raised rates again. Go figure.

The fund underperformed through the quarter, returning negative 24%.

STOCK STORIES

The fund was affected in three main ways.

First and foremost, we decided to write down our investment in Axesstoday (AXL) to zero. This cost the fund a relative 442 basis points in performance. The financier has been suspended since midway through September last year thanks to mandate breaches discovered after it decided to adopt the new accounting standard (AASB9) for the reporting of arrears and impairments. Despite what it claimed were adequate provisioning for arrears and impairments following the change, some of its debt covenants were found to be in breach as were some of its lending practices following a related audit.

The covenants have all since been amended and the banks are said to be onside, but the company has failed in its attempts to

raise the desired amount of fresh equity. From our meetings with the new management and financial auditors it seems the core business is operating as usual and is a going concern. Despite this Glennon has decided not to invest further and has written the investment to zero. It is conceivable that the stock will relist, and if it does, we will write our investment back to its market value.

Second, one of our biggest positions, Emeco (EHL), was heavily de-rated during the quarter which we believe was caused by a combination of a general rotation away from cyclical stocks and a negative reaction by some institutional investors to its remuneration program. For the company's part, at the AGM in mid-November it upgraded its utilization levels and charge-out rates, spoke of strong cost controls, longer contract tenure, strong current activity and forecast more of the same, saying market conditions continued to improve. It has paid down debt consistently and is likely to continue to. At one stage the stock was down 50% over its most recent highs. It has bounced off its lows and we expect it will improve as it produces its interim results. Having said that, the stock is no longer one of our biggest holdings.

Third, the fund's exposure to microcaps has affected performance over the quarter. These collectively have not announced negative news, including downgrades or specific sectoral concerns, yet such is the level of negative sentiment in the market overall that liquidity has almost dried up entirely at the small end. There has been a clear rotation into larger small caps and little or no buying in microcaps. Those looking to exit micro positions have had to materially reduce prices to do so.

Glennon has recognized this market rotation and has reduced the number of microcaps in the portfolio as well as reduced the level of its remaining holdings but this has not been enough to avoid the associated underperformance.

PORTFOLIO OUTLOOK

We think the worst is over for the market in general, but do expect pockets of continued weakness to accompany any bounce because many of the global issues that have been hounding the market remain unresolved.

Valuations have taken a great hit and many stocks have bounced early in the new year as investors take advantage. However, there is very limited liquidity, particularly at the smaller end of the market, and we expect investors will still be looking to shed or reduce holdings in this part of the universe.

Glennon has continued to raise the liquidity within the portfolio and reduce its holdings in microcaps. We also continue to look for larger, high quality stocks to add to the portfolio, taking advantage of any valuation anomalies.

The market has changed and we are certainly cognizant of that. There is every chance the market will move sideways for some time but we are interested to see whether fundamentals will restore some confidence during the upcoming interim reporting season. As we have not seen downgrades amongst our portfolio we do hope to see good profit performance rewarded in February.

HOW TO INVEST

Glennon Small Companies Limited shares are traded on the Australian Securities Exchange (ASX) under the ticker code 'GC1'.

If you are a first-time investor, you purchase shares through a stockbroker in the same way as you buy shares in other companies. If you do not have a stock broker, the ASX provides a service which can assist you. Please visit their site at:

<http://www.asx.com.au/education/first-time-investors.htm>

GENERAL ENQUIRIES



GLENNON CAPITAL

Telephone: (02) 8027 1000

Email: info@glennon.com.au

Website: www.glennon.com.au