



#### NTA

NTA (before tax)	\$1.01
NTA (after tax)	\$0.99

ASX Code	GC1
Inception date	21 August 2015
Share price	\$0.88
Cumulative dividends*	12.75c

\* Excluding GST and franking

#### PORTFOLIO

Cash weighting	13.9%
Number of holdings	47

#### DIVIDEND HISTORY

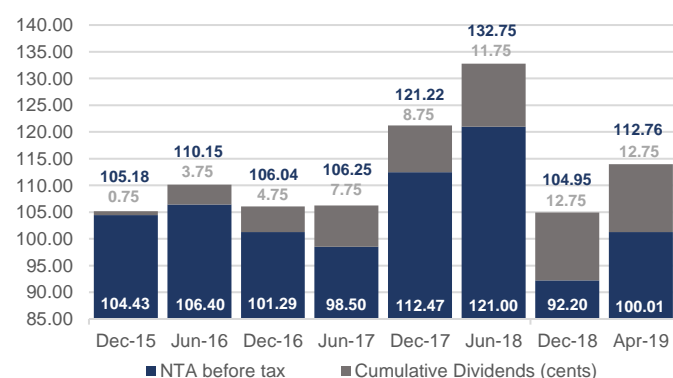
Period ended	Type	Amount (cps)
31 December 2015	Interim	0.75
30 June 2016	Final	3.00
31 December 2016	Interim	1.00
30 June 2017	Final	3.00
31 December 2017	Interim	1.00
30 June 2018	Final	3.00
31 December 2018	Interim	1.00
<b>Total dividends</b>		<b>12.75</b>

#### TOP 5 HOLDINGS

Company Name	ASX code
Afterpay Touch Group Limited	APT
CML Group Limited	CGR
IDP Education Limited	IEL
Nearmap Limited	NEA
Shine Corporate Ltd	SHJ

#### NTA + DIVIDENDS

GC1 NTA (Pre-Tax) + Cumulative Dividends



#### REVIEW OF THE MONTH

April was a strong month for smaller companies, continuing the rebound from the heavy sell off last year. April closed on a 52-week high for the Small Ords index. The Small Ordinaries rose 4.11% with the Small Industrials, rising 6.20%, while the Small Resources falling 4.23%. GC1 posted a solid return for the month, rising 5.77%, and comfortably outperforming the market while maintaining an average cash balance of c15%.

#### COMPANY NEWS

Millennial buy now pay later company Afterpay rose sharply as investors remained upbeat on the business outlook following an investor conference where it reaffirmed investor's confidence in their US and UK expansion plans. We have updated our valuation the business with the Australian business about \$7.00 of the valuation and the remainder being the value attributed to the US and UK. We have a conservative valuation of the business but can also construct a scenario where the company could reach \$50 if things go well in the US and Europe.

In the US 1 million users have signed up in less than 11 months after launching. It took the Australian business over 24 months to achieve that level. The US achieved A\$260m in underlying sales just 6 months after launching. By comparison, it took 28 months for the Australian business to achieve the same number. The online retail market of Australia (\$30bn), the UK (\$130bn), and

the US (\$620bn) represent a combined addressable market of \$780bn. We do have the caveat that there are regulatory risks both here and offshore. We also have concerns with some transparency issues with share-based payments in the US and the below market valuation of the US business by management.

Aerial mapping company Nearmap performed well over the month with a similar thematic to Afterpay of US expansion. The company is growing strongly in the US with low churn rates. At this point the company is spending heavily to grow in the US which is impacting the bottom line but the opportunity set is large. The strong share price appreciation has seen the company enter ASX200, replacing MYOB Group. Over the past 18 months Nearmap has progressed from having one product in one country to having four products across four countries (Ortho, Panorama, Obliques, 3D / Aus, US, Can, NZ) with announcements of entry into other markets likely. We are encouraged by Nearmap's growth profile, especially from the impressive results released in the US highlighting management's ability to expand evidenced by the fact the business achieved EBIT breakeven in 1H19.

#### PORTFOLIO OUTLOOK

The sell-off in micro caps last year has created many opportunities, which is highlighted by what has happened with our investments in both Shine Lawyers and CML Group. Both businesses have lagged the market yet nothing has changed with

the fundamentals in the businesses with both companies now trading on very attractive multiples. The relevance of this for our outlook is that there has been a flight away from smaller companies and the smaller the company the cheaper that have become. Over time the market will realise the value in these companies as they continue to deliver.

We are cautious about general economic conditions, so it's a matter of looking at businesses with attractive earnings multiples with some element of defensiveness in their earnings streams.

## 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](mailto:info@glennon.com.au)

**Website:** [www.glennon.com.au](http://www.glennon.com.au)