



NTA

NTA (before tax)	\$0.97
NTA (after tax)	\$0.96

ASX Code	GC1
Inception date	21 August 2015
Share price	\$0.835
Cumulative dividends*	14.75c

* Excluding GST and franking

PORTFOLIO

Cash weighting	22.8%
Number of holdings	46

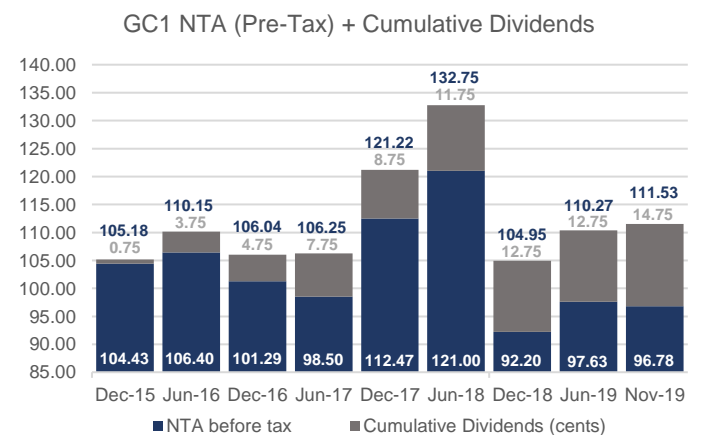
DIVIDEND HISTORY

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
30 June 2019	Final	2.00
Total dividends		14.75

TOP 5 HOLDINGS

Company Name	ASX code
Brickworks Limited	BKW
Hills Limited	HIL
Money3 Corporation Limited	MNY
Mosaic Brands Limited	MOZ
Resimac Group Limited	RMC

NTA + DIVIDENDS



REVIEW OF THE MONTH

The market continues to be negatively affected by U.S.-China trade talks. During November, both U.S. President Donald Trump and China's Vice Premier Liu He signaled signs of progress in the phase-one deal. The market reacted positively to the evolving dialogue between the U.S and China.

Locally, Reserve Bank governor Philip Lowe signaled that unconventional policy options will be considered if the cash rate drops to 0.25%, lower than the market expectation of 0.5%. The widely expected extended period of low cash rates, coupled with positive signs in trade talks, pushed the broad market to record highs in this month.

During the month, the Small Ordinaries rose 1.56% with the Small Industrials rising 2.84%, while the Small Resources fell 3.72%. GC1 posted a positive 2.46% return for the month, outperforming the market by 0.91% while maintaining an average cash balance of 39.3%.

COMPANY NEWS

Hills Limited (HIL) went up by 69% this month and enters our Top 5 holdings. The company held an AGM and provided some updates to investors. The company sold the Audio-Visual distribution business to Ambertech. HIL is expected to receive approximately \$5.5 million. Moreover, HIL has also sold its

Antenna business and exited its STEP satellites services and Foxtel satellite dish businesses. The company now focuses on its fast-growing Health business and a Distribution business built on its strong position in the Security, IT and Technical Services market.

HIL also updated its financial position at the AGM. The full-year is estimated to be impacted by \$50 million with no negative impact on EBITDA. In other words, the asset sales strengthen HIL's margin. An approximate \$10 million of working capital is released to reduce net debt and invest in the continuing business. Considering the Health business has a 40+% return on capital employed, the release of working capital is expected to fuel the growth of the company.

We are delighted that the company is on the right track of implementing its strategy, including improving the Distribution business, exiting underperforming businesses and growing the Health business. We will continue monitoring the company's business and valuation.

Resimac Group (RMC) is one of Australia's leading non-bank mortgage providers, servicing over 50,000 customers. Last financial year has been a tough year for mortgage providers. Housing turnover rate is at a two-decade low. At the same time, the greater regulatory requirements imposed on banks results in an increase in spending on compliance and tighter scrutiny on

mortgage approvals. As a result, the non-bank mortgage providers are gaining market share and are evidencing improvement in profitability. Non-bank lending to households is increasing from 5.5% in 2016 to over 8% in 2019. RMC is one of the companies seizing the opportunity.

In FY19, the company increased its underlying net profit by 19%. Net interest income is up by 15%. RMC has cut costs effectively through sound cost management disciplines within the organization. The cost to income ratio decreased from 61.7% to 56.6%.

We are optimistic about this business and its growth opportunity. In a recent trading update, RMC showed its strong profit growth and market share gains. The company set the 1H20 underlying net profit guidance in the range of \$24 million to \$27 million, up 75% on the 1H19 result of \$14.5 million. The assets under

management increased by 7% to \$10.9 billion from July to October. In the last quarter, major bank mortgage lending declined by 0.9%, while non major bank mortgage lending increased by 3.7%. RMC's growth of assets under management evidenced an increase in market share.

PORTFOLIO OUTLOOK

The market is largely influenced by the U.S-China trade talks. It is expected that this will continue until the phase one deal is signed. We will seek to avoid being confused by the general market movements and refrain from speculating on the macroeconomic trends. We will maintain our focus on searching for undervalued companies trading with below long-term average multiples. We believe that selective investments in undervalued, under the radar types of businesses will provide an attractive long-term return and an element of defensiveness to investors.

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



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