



# GLENNON SMALL COMPANIES LIMITED

**Investment Report and NTA**  
**31 January 2020**  
ASX Announcement Date: 13 February 2020



## NTA

NTA (before tax)	<b>\$1.00</b>
NTA (after tax)	<b>\$0.98</b>

ASX Code	GC1
Inception date	21 August 2015
Share price (31/01/20)	\$0.795
Cumulative dividends*	14.75c

\* Excluding GST and franking

## PORTFOLIO

Cash weighting	8.26%
Number of holdings	44

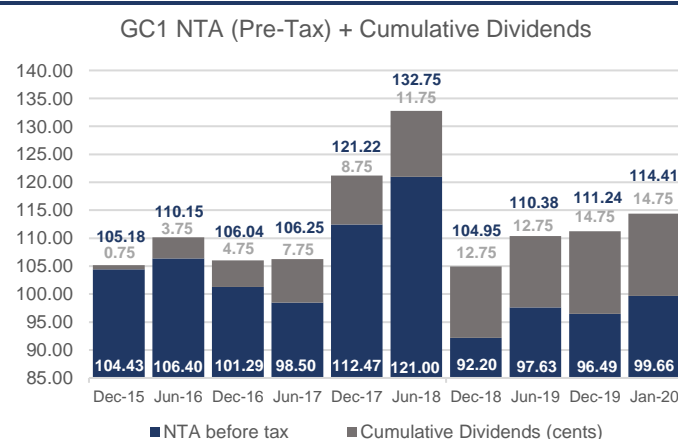
## DIVIDEND HISTORY

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
<b>Total dividends</b>		<b>14.75</b>

## TOP 5 HOLDINGS

Company Name	ASX code
Brickworks Limited	BKW
Money3 Corporation Limited	MNY
Probiotec Limited	PBP
Viva Leisure Limited	VVA
Thorn Group Limited	TGA

## NTA + DIVIDENDS



## REVIEW OF THE MONTH

After a strong 2019, the new calendar year started with an incredible run. In the first three weeks, the Small Ordinaries went up by more than 5% as the Trump Administration signed a Phase One trade deal with China. This eased investors concern over the relationship between the two wealthiest nations in the world. The surprising strong labor and retail data also contributed to the strong run.

However, the economic concern over bushfire on retailers and customer confidence was growing as the bushfire crisis was getting worse. The pessimism also grew on the outbreak of coronavirus in China. The shut-down of Wuhan shocked the market and the index fell by 2.5% in the last week of January.

The Small Ordinaries finished the month with a +3.38%. Small Industrials advanced by 4.13%, with the Small Resources rising 0.32%. GC1 returned 3.14% for the month, underperforming the market with an average cash balance of 8.6%.

## COMPANY NEWS

Our top 3 largest contributors to performance during this month were Hills (HIL), Electro Optic Systems Holdings (EOS) and Probiotec (PBP), while Mosaic Brands (MOZ) was the largest detractor from portfolio performance. HIL continued its strong

run and was up 30% during the month. Our new position EOS also soared by 34% in January. We also increased our position in PBP due to the attractive valuation. In addition, the stock was being re-rated and performed well, returning 13% in January. Unfortunately, in the recent trading update, MOZ showed investors the impact from bushfires during the key Christmas period.

In terms of the existing position, we have accumulated Johns Lyng Group Limited (JLG), a market leader in building and restoration services across Australia. JLG has a significant market share in this market, where JLG is five times larger than the second largest competitor. JLG is winning new clients and contracts and vertically expanding into strata management industry.

At the AGM, JLG highlights a record number of job registrations. Despite that, they took a conservative way to reiterate FY20 guidance. Given the recent devastating bushfire and drought, we expect that building and restoration services will be in great demand in second half of FY20 and FY21. In other words, a great earning growth is expected in the coming year.

Moreover, the company also expanded into strata management industry through acquiring the fourth largest strata player in Australia called Bright & Duggan in August. JLG is expected to

leverage the acquisition and cross-sell JLG's core products. And the growth will be revealed in FY21.

Given the increase in job registrations and vertical expansion into strata industry, we think JLG is an attractive investment and which is why we increased our holdings in January. Although the share price was only up by 3.5% in last month, we always focus on long-term performance of the company. We believe the company will grow aggressively in FY21 and the market will re-rate it.

## PORTFOLIO OUTLOOK

There is no clear evidence that the coronavirus in China would have a long-term effect to the economy yet. We believe that the market pessimism is an opportunity to value investors. We are now focusing on quality companies with attractive multiples.

During this earning season, we focus on companies' earnings and evaluating their business strategy. We believe companies with good strategy and attractive multiples can outperform the market in the long run.



**Michael Glennon**  
Executive Chairman

## 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

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