



GLENNON SMALL COMPANIES LIMITED

Investment Report and NTA
31 March 2020
ASX Announcement Date: 09 April 2020



NTA

NTA (before tax)	\$0.75
NTA (after tax)	\$0.78
ASX Code	GC1
Inception date	21 August 2015
Share price (31/03/20)	\$0.50
Cumulative dividends*	15.75c

* Excluding GST and franking

PORTFOLIO

Cash weighting	36.56%
Number of holdings	27

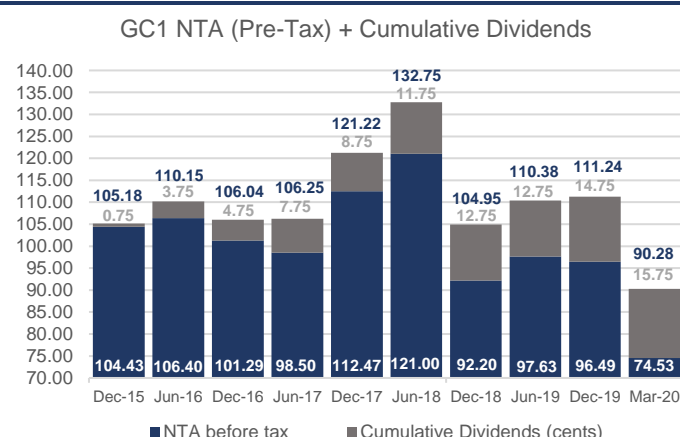
DIVIDEND HISTORY

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
31 December 2019	Interim	1.00
Total dividends		15.75

TOP 5 HOLDINGS

Company Name	ASX code
Countplus Limited	CUP
Johns Lyng Group Limited	JLG
Probiotec Limited	PBP
Resimac Group Limited	RMC
Shine Justice Limited	SHJ

NTA + DIVIDENDS



REVIEW OF THE QUARTER

The March quarter was one of the worst quarters in history. The Small Ordinaries fell -22.38% for the month and -26.72% for the March quarter. Small Industrials dropped by -26.89% for the quarter, with the Small Resources falling -26.08%. GC1 returned -21.32% for the month and returned -26.04% for the quarter, outperforming the market for both the month and the quarter.

In Australia, the quarter started with the worst bushfire season on record. Countless families, communities and businesses were damaged by the bushfires. The economic cost is estimated to exceed \$4 billion. On 7 February, the torrential rain across most of south-east Australia had extinguished a third of extant fires and only a small number of uncontrolled fires remained by mid-February.

The second serious event was the global outbreak of Coronavirus. With many countries banning travel and lockdowns, social gathering being restricted and non-essential services being banned, the economic impact will be felt throughout the global economy for a while. Other than basic essentials, many industries have come to a virtual halt. Businesses, especially small and medium-sized enterprises, face a challenge in terms of cash flows. Unemployment is rising, with the unemployment rate rising from 3.5% to 4.4% in the United States. A recession is now expected.

Many countries have announced large stimulus packages, of the magnitude not previously seen before. In Australia, the government will spend \$130 billion to help businesses and affected persons. The Reserve Bank of Australia cut the cash rate to 0.25%, the effective lower bound, and implemented the quantitative easing program for the first time. The United States will spend \$2 trillion on the stimulus package, the Federal Reserve Bank cut the cash rate to 0% and announced an unlimited quantitative easing program. The market responded positively to these stimulus packages.

COMPANY NEWS

Our top 3 largest contributors to performance during this quarter were Credit Corp (CCP), Electro Optic Systems (EOS) and Probiotec (PBP), while Resimac (RMC) was the largest detractor from portfolio performance. CCP is a debt buyer in Australia, New Zealand and the United States. CCP has a strong history in managing debts. The company should benefit from the current environment considering its competitive pricing. PBP manufactures, packages and distributes pharmaceutical products. We increased our position in PBP last month because PBP operates in the pharmaceutical industry, which is benefiting from the current pandemic. RMC is less fortunate suffering from the likelihood of a potential contraction in net interest margins and at the same time deferral of loan repayments from those

unable to meet their obligations in the short term.

In terms of new positions, we have added a position in Uniti Group Limited (UWL), a provider of telecommunications services, specialising in fixed-wireless, fiber and telco services. The company enlarged their operation size by acquiring three businesses. The company is growing quickly through these acquisitions. More importantly, the services UWL provides are listed as essential services. Its operation is unaffected by the current pandemic situation. UWL also has a net cash of \$34 million, indicating a strong liquidity position. UWL significantly more attractively than it has been or some time. Considering the rising demand for reliable, high speed domestic broadband services due to greater numbers of people working from home or requiring on-line education, we expect the market will re-rate the company.



Michael Glennon
Executive Chairman

In the current environment we expect portfolio turnover to increase as volatility and valuations change. We will selectively participate in capital raisings and also buy companies we believe are oversold and sell them when they get to fair value. This approach has seen us lock in profits in several positions in the short with short holding periods. We would however have been happy to hold some of these companies longer term to achieve the same result also.

PORTFOLIO OUTLOOK

The next few months will be tricky as profit downgrades flow through and companies raise capital. With many companies in uncharted territory we see opportunities in the following areas:

- Companies facing short term benefits
- Companies that are oversold
- Companies who have recurring revenue that isn't impacted by the current situation
- Companies needing to raise at heavy discounts

PORTFOLIO PERFORMANCE

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY TOTAL RETURN
FY20	2.39%	-3.28%	0.62%	-1.22%	2.46%	-0.03%	3.14%	-8.86%	-22.38%				-25.43%
FY19	1.61%	0.74%	-1.11%	-12.57%	-1.97%	-11.36%	2.07%	4.81%	-0.39%	5.63%	-3.04%	1.25%	-15.00%
FY18	0.72%	1.21%	3.00%	7.70%	0.43%	4.01%	1.45%	2.27%	-2.38%	-2.14%	8.63%	2.55%	30.39%
FY17	9.42%	3.06%	3.03%	-3.65%	-3.55%	0.58%	-0.41%	-2.39%	0.74%	-0.78%	0.62%	1.68%	7.96%
FY16		1.80%	1.23%	2.24%	4.38%	-1.57%	-1.58%	-1.31%	5.55%	0.63%	2.28%	1.43%	15.87%

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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