



GLENNON SMALL COMPANIES LIMITED

Investment Report and NTA
30 April 2020
ASX Announcement Date: 13 May 2020



NTA

NTA (before tax)	\$0.80
NTA (after tax)	\$0.81

ASX Code	GC1
Inception date	21 August 2015
Share price (30/04/20)	\$0.63
Cumulative dividends*	15.75c

* Excluding GST and franking

PORTFOLIO

Cash weighting	39.08%
Number of holdings	21

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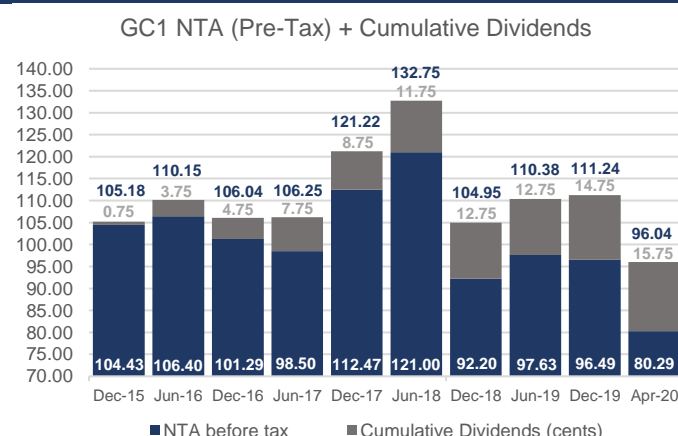
DIVIDEND HISTORY

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
Kogan.com Limited	KGN
Probiotec Limited	PBP
Uniti Group Limited	UWL

NTA + DIVIDENDS



REVIEW OF THE MONTH

The equity market rebounded strongly in April after one of the worst months in history. The Small Ordinaries finished the month with a +14.27%. Small Industrials advanced by 12.78%, with the Small Resources rising 20.22%. GC1 returned 6.39% for the month, underperforming the market with an average cash balance of 39.0%.

There is a growing evidence of data that both the world and Australia will face deep recessions in the coming months. In the United States, the new jobless claim reached 30 million during the pandemic and the market expected a 16% unemployment rate in April. GDP shrunk by 4.8% in the first quarter, noted that the United States has started lockdown since mid-March. In Australia, March economic data is not yet released in April but there is a wide expectation of unemployment rate soaring at 10% over the coming months and GDP falling by 6% this year.

The equity market is always forward-looking. Despite the poor economic data and expectation, the market responded to the early signs of flattening COVID-19 curve. In Australia, the number of daily new confirmed cases dropped from more than 200 to fewer than 20. Moreover, Australia has a high rate of testing and a low rate of positive test results, showing control over the COVID-19 and possibility of early economic recovery.

COMPANY NEWS

Our top 3 largest contributors to performance during this month were Uniti Group (UWL), Resimac (RMC) and Kogan.com (KGN), while EML Payments (EML) was the largest detractor from portfolio performance. UWL was discussed in the March NTA report. The latest quarterly report showed how the company takes advantage of the increased levels of work-from-home, online learning and internet consumption. All UWL business units performed above forecast in revenue, earnings and cash flow generation in the March quarter. RMC had stronger volatility than the market and hence rebounded strongly in April. KGN, as an online retailer, benefited from the stay-at-home restriction associated with COVID-19. In Australia, very few retailers have the same capacity to deliver shipping to customers as KGN. As a result, KGN can gain a large market share during the pandemic. This assists KGN gain customers during the quarter. A third of EML revenue comes from gift card transactions, which will suffer during the lockdown and ban on non-essential services

PORTFOLIO OUTLOOK

Our view is that investors are getting too optimistic about the future prospects of companies. Most companies have withdrawn their earnings forecast and for good reason. Some companies that have benefited from the current situation mainly come from

the online shopping industry such as Kogan, Temple and Webster, Afterpay and Zip Money are all beneficiaries of this trend. However, It's a lot less clear for many other companies. With guidance withdrawn it's a complete guess as to how these businesses will be impacted.

We are cautious about the reporting season and what numbers will come through for those businesses where it's not readily apparent what the business will actually report in terms of cash earnings. That is our rationale for keeping cash levels high, with the view of preserving capital and trying to avoid companies where share prices are reflecting too much optimism about future business conditions.

We believe there is value in the market, but there are also value traps and pockets of overvaluation. The dilemma is working out what businesses will earn on a go forward basis, if they will need to raise capital, adjusting valuations for an increased number of shares on issue and the corresponding reduction in EPS and rebasing valuations on these new assumptions.

So, in this environment, we are happy maintaining high cash levels and positioning the portfolio away from potential downgrades and picking up exposure to companies with certainty of earnings.



Michael Glennon
Executive Chairman

	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%	6.39%			-20.67%
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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