



NTA

NTA (before tax)	\$0.85
NTA (after tax)	\$0.84

ASX Code	GC1
Inception date	21 August 2015
Share price (31/05/20)	\$0.665
Cumulative dividends*	15.75c

* Excluding GST and franking

PORTFOLIO

Cash weighting	15.63%
Number of holdings	29

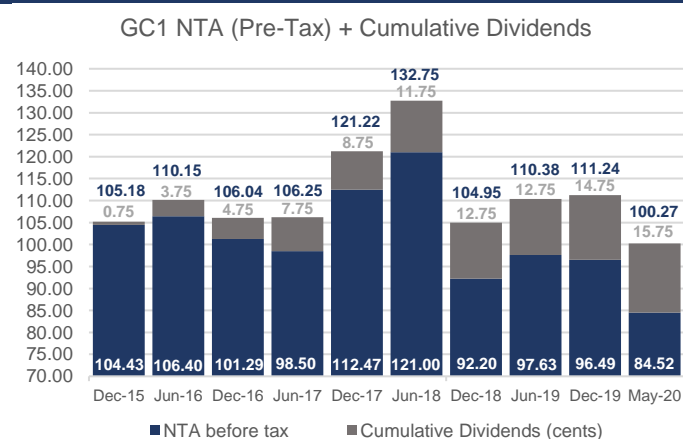
DIVIDEND HISTORY

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
Credit Corp Group Limited	CCP
City Chic Collective Limited	CCX
Countplus Limited	CUP
Probiotec Limited	PBP
Ramelius Resources Limited	RMS

NTA + DIVIDENDS



REVIEW OF THE MONTH

The equity market continued its strong recovery in May. The Small Ordinaries finished the month with a +10.59%. Small Industrials advanced by 9.62%, with the Small Resources rising 14.28%. GC1 returned 6.70% for the month, underperforming the market with an average cash balance of 31.0%.

The market reacted strongly to the governments' stimulus, plans to ease restrictions, and liquidity support from Central Banks. The rally is also fueled by retail investors. A recent report from ASIC showed that retail investors are shifting from risk-averse to risk-taking. In March and April, there is an increase in market activity from retail investors. The rate of creation of new accounts is 3.4 times higher than the prior six months.

COMPANY NEWS

Our top 3 largest contributors to performance during this month were City Chic Collective (CCX), Ramelius Resources (RMS) and Spirit Telecom (ST1), while Probiotec (PBP) was the largest detractor from portfolio performance.

We started accumulating CCX in March. CCX is well positioned in the pandemic when retail stores are forced to close. Even though CCX has over 100 stores, it also has a large exposure in online platforms. CCX has been expanding its online presence

aggressively since FY18. The proportion of sales from the online channel increased from 36% in FY18 to 44% in FY19 and it is expected to reach 66% in FY20. CCX expands both organically and through acquisition. In Australia and New Zealand, CCX achieved a 57% growth in online sales. This strong growth is not from a small base. Before COVID-19, 45% of sales in Australia and New Zealand are already from online channels. The strong growth in online sales shows that store customers are shifting online, reflecting customer loyalty. At the same time, the USA operation is expected to provide a good return. The company acquired Avenue and Hips & Curves to expand its online presence in the northern hemisphere. The acquisition should provide strong cash flows to the company, which is currently lacking in their brick-and-mortar businesses.

Financially, CCX remains in a strong position with minimal net debt. In 1H20, CCX has \$2.6m in net debt, comprised of \$14.9m in net cash and \$17.5m in debt. CCX has a total of \$40m debt facility, which matures in February 2023. CCX achieved cost efficiencies including rental reductions agreed with landlords and JobKeeper subsidies in Australia. CCX plans to minimize costs, together with the rise in online sales, it is expected the company is in a strong financial position.

We are cautious about the recent market rally. The economic data shows a global economic deterioration. At the same time, it

is uncertain when the economy will recover. We have started to build a position in gold producers as gold is usually treated as a safe haven asset. RMS is one of our picks. RMS invested heavily in developing the gold mine before the pandemic. We expect solid production in FY21 with minimal capital investment requirement.

The share price of ST1 is supported by a strong trading result. During the lockdown, the rising importance of ST1 high-speed internet, cloud and IT/MSP services have helped the company grow. For example, ST1 recently launched the NBN Enterprise Ethernet range to its partners. The product can reach 500,000+ business locations nationally. With the increasing demand of high-speed internet, ST1 is well positioned to grow.

Our largest detractor for this month is PBP. The market's fear of COVID-19 is now easing. This pharmaceuticals manufacturer is now lagging behind the market. We still believe the company has a strong growth opportunity in the long run.

PORTFOLIO OUTLOOK

Despite the recent market rally, our view on the economy remains unchanged. We think the market in the short-term is ignoring very clear evidence that the real economy is suffering. US manufacturing output, German trade balance and Chinese imports took big hits last month. However, the market did not factor in any deterioration in companies earnings or their outlook.

In the short run, the market can deviate quite strongly from fundamentals, being driven by fear and greed. However, longer-term fundamentals will prevail. Dividends, cash flow and profits are what will drive share price returns. As a result, we are building positions in small cap gold producers and reducing our exposure to some of the businesses that have overshot fair value.



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%	6.70%		-15.35%
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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