



GLENNON SMALL COMPANIES LIMITED

Investment Report and NTA
31 August 2020
ASX Announcement Date: 10 September 2020

NTA

| | |
|-------------------|---------------|
| NTA (before tax)* | \$0.93 |
| NTA (after tax)** | \$0.91 |

| | |
|-------------------------|----------------|
| ASX Code | GC1 |
| Inception date | 21 August 2015 |
| Share price (31/08/20) | \$0.73 |
| Cumulative dividends*** | 15.75c |

* As required by the ASX listing rule, this is the theoretical NTA before providing for the estimated tax on unrealised income and gains, and includes (\$0.06) per share deferred tax asset (comprised of prior years' tax losses and current year tax losses/profits)

** Includes all tax balances and selling costs

*** Excluding GST and franking

PORTFOLIO

| | |
|--------------------|-------|
| Cash weighting | 6.25% |
| Number of holdings | 43 |

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 |

REVIEW OF THE MONTH

August was a strong month for equity markets, boosted by a better than expected earnings season. The retail sector has been one of the best performing sectors. JobKeeper is one of the key reasons for positive earnings surprises. The government initiative has helped retailers both directly and indirectly. JobKeeper aided retailers to retain their employees by subsidising their labour expenses, particularly during the first three months of the lockdown. As lockdown restrictions started to ease in June, individuals who received a government stimulus payment spent their money and boosted retail sales. At the same time, people shifted their travel budget to purchases. Therefore, we can see a large sales rebound in high-value retailers. This earning season also confirmed that the operations of most technology companies are unaffected during the lockdown.

The Small Ordinaries finished the month with a +7.24%. GC1 returned 10.10% for the month, outperforming the market with an average cash balance of 7.8%.

COMPANY NEWS

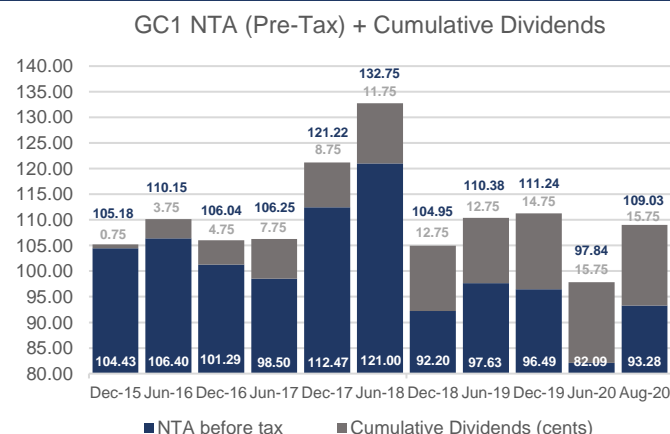
Our top 3 largest contributors to performance during this month were Nearmap (NEA), PointsBet (PBH) and Redbubble (RBL), while Resolute Mining (RSG) was the largest detractor from portfolio performance.



TOP 5 HOLDINGS

| Company Name | ASX code |
|------------------------------|----------|
| Credit Corp Group Limited | CCP |
| City Chic Collective Limited | CCX |
| Nearmap Limited | NEA |
| Redbubble Limited | RBL |
| Uniti Group Limited | UWL |

NTA + DIVIDENDS



NEA is one of the beneficiaries from the lockdown scheme. They provide detailed aerial imagery of suburbs and cities which is highly sought after by councils and architects. Their customer portfolio consists of essential services providers, such as government, construction, engineering and utilities etc. As a result, NEA had a churn rate of 2% for the second half, showing the stickiness and dependability of the products and the resilience of the subscription revenue base. The share price was up by 35.09% in August.

PBH is a gambling business that operates in Australia and the United States. There have been legislative changes in the US that have resulted in what is effectively a land grab for existing gambling licenses.

The US sports betting market is big and Americans are passionate about their sport, and more so placing bets on sports. In 2018, the US Supreme Court allowed States to legalise sports betting. 18 of the 51 States have legalised sports betting since the court decision. PBH is one of the companies who reacted quickly and starting acquiring licenses in individual States. Online bookmakers cannot apply for licenses solely for online gaming purposes. They can only obtain licenses from casinos. PBH took 4% of market share in New Jersey and are well prepared to expand into other States when they legalise sports betting.

Since legalisation has recently been enacted, every bookmaker is entering the market roughly at the same time. It is crucial for a bookmaker to build its brand name and a strong loyal customer base in this new market. PBH announced in conjunction with their results that that had struck a deal with US broadcaster NBC and that NBC would become a strategic shareholder in the company. This deal is a great way to get exposure to target customers. NBC Sports is the largest sports network in America. NBC has a 20% investment in PBH, which includes shares and options. NBC has a strong incentive to advertise PBH, and from this PBH can develop their reputation in America. In a market driven by positive news flows, the share price doubled on the back of the strategic alliance and the shares went on a run from the \$7 level, to at one point being intraday over \$16. PBH was up 118% in August.

RBL is a global online marketplace for print-on-demand products based on user-submitted artwork. The company solves a big problem for artists, as it handles the inventory and printing services for artists, solving artists' overstock, long lead time and inventory risk problems. The growth in new artists is supported by RBL's efficient online platform. RBL meets consumer desire for customization and meaning by connecting artists with consumers. The demand is strengthened during the lockdown period, which drives RBL results. RBL was up by 49.24% in August.

Our largest detractor for this month is RSG. The resignation of the President in Mali creates uncertainty over RSG assets in Mali. RSG operates a gold mine located in the south of Mali. The share price is down by 15.00% during the month.

PORTFOLIO OUTLOOK

The reporting season shows investors how much companies rely on the government stimulus to maintain the profitability and operation. With more information available, we carefully assess the effect of government stimulus on businesses and the economy. We are cautiously optimistic to the economy and focus on opportunities with defensive elements.



Michael Glennon
Chairman

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | FY TOTAL RETURN |
|-------------|-------|--------|--------|---------|--------|---------|--------|--------|---------|--------|--------|--------|-----------------|
| FY21 | 5.77% | 10.10% | | | | | | | | | | | 16.45% |
| FY20 | 2.39% | -3.28% | 0.62% | -1.22% | 2.46% | -0.03% | 3.14% | -8.86% | -21.32% | 6.39% | 6.70% | -3.83% | -18.59% |
| 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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