

## MONTHLY REPORT JANUARY 2021

ASX Announcement Date: 11 February 2021

| NTA<br>(before tax)* | NTA<br>(after tax)** | Share price<br>(31/01/2021) | Cash Weighting | Number of Holdings |
|----------------------|----------------------|-----------------------------|----------------|--------------------|
| \$0.97               | \$0.93               | \$0.71                      | 9.95%          | 37                 |

\* As required by the ASX listing rules, this is the theoretical NTA before providing for the estimated tax on unrealised income and gains, and includes (\$0.05) per share deferred tax asset (comprised of prior years' tax losses and current year tax losses/profits)

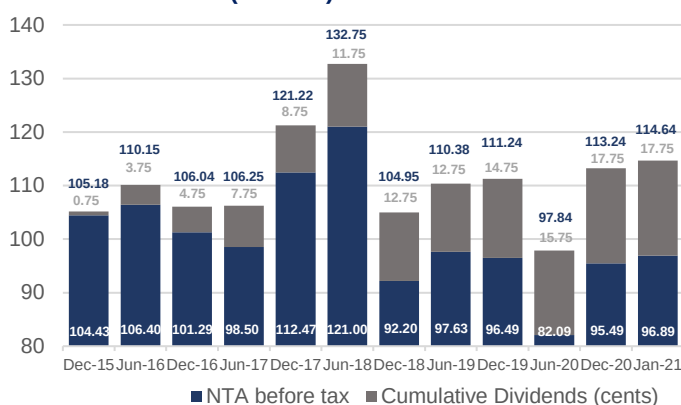
\*\* Includes all tax balances and selling costs

### Portfolio by sector

- Financials
- Consumer Discretionary
- Communication Services
- Industrials
- Health Care
- Information Technology
- Real Estate
- Materials
- Utilities
- Cash



### GC1 NTA (Pre-Tax) + Cumulative Dividends



## PORTFOLIO REVIEW

The market continued to perform strongly at the start of January, rising by ~2%. However, one big down day on 28<sup>th</sup> January erased the gain and finished the month with a negative return, ending six consecutive monthly positive returns.

We are seeing more signs of economic recovery. Domestically, job ads rose significantly in December to pre-Covid-19 levels. Bank loan repayment holidays fell for a fifth straight month in November. Globally, IMF upgraded its global economic growth estimate for 2021 by 0.3% due to strong fiscal support and early vaccine rollout.

The Small Ordinaries fell -0.25% for the month. Small Industrials advanced +0.19%, with the Small Resources falling -1.92%. GC1 returned +1.22% for the month, outperforming the market by 1.47%.

## PORTFOLIO COMPANY UPDATES

Our top 3 largest contributors to performance during this month were Adairs (ADH), Healthia (HLA) and Redbubble (RBL), while Eagle Mountain Mining (EM2) was the largest detractor from portfolio performance.

### Adairs

ADH is a leading specialty retailer of home furnishings and home decoration products in Australia and New Zealand with a national footprint of stores across several formats and a large and growing online channel. We think ADH is well positioned to continue its growth journey in the post-COVID period because of its strong online sales growth and flexible store portfolio.

ADH invested significantly in online sales channels before the COVID-19 outbreak and these investments have paid off. One example is the acquisition of Mocka, a pure-play online retailer offering well designed, highly functional and stylish home and living products at 'value' prices. Mocka delivered total sales of \$45.9 million in FY20, representing growth of 30%. At group level, ADH's online sales grew 61%, offsetting a 7.3% reduction in store sales. Online sales represented 26% of total sales in FY20. During FY20 Q4, ADH experienced strong increase in online penetration. 15% of online sales were to existing customers who were shopping online with ADH for the first time. Over 30% of online sales were to new customers. We expect this acceleration in online penetration and growth rates brought about by COVID-19 restrictions to have a permanent benefit for ADH as a category-leading omni-channel retailer.

ADH has a flexible store portfolio which allows it to weather any economic uncertainty. The government is going to pull back fiscal support in March. Economists have a mixed view on economic growth in the future. A flexible store portfolio allows ADH to adjust its rent costs relatively quickly to respond to the level of demand. With 72% of store

leases expiring within 3 years, ADH can close stores when bricks & mortar demand is weak, or upsize its store count if the demand is strong. We like business models that are flexible. The share price is up by 10% in January.

### **Healthia**

Healthia Limited is an integrated group of health-based companies providing health services include podiatry services, physiotherapy services, hand and upper limb rehabilitation.

HLA is operating in a growing industry. HLA offers allied health services, health services that are not provided by medical, dental or nursing professions. Allied health professionals usually expertise in preventing, diagnosing and treating a range of conditions and illnesses. Allied health professionals take on some roles traditionally performed by a doctor. Due to the growing health expenditure, allied health industry is in a great demand as a cost saving alternative to government and health services providers.

The market overlooked this company when we accumulated the shares. HLA was priced at around 11x forward price-to-earnings ratio. It was attractive to us considering the company is growing the revenue number organically at 10%. The share price is up by 32% in January.

### **Redbubble**

Redbubble owns and operates the leading global online marketplaces, Redbubble.com and TeePublic.com, powered by independent artists. The websites link buyers and artists one market place, with over 1 million independent artists in a wide range of categories, such as apparel, stationery, housewares, bags, wall art and so on. The company benefits from the massive increase in online spending during Covid-19. Growth has been across all core geographies and product categories. We believe that this client acquisition will be permanent and the online retailing industry will continue to enjoy a long-term growth. The share price is up by 21% in January.

### **Eagle Mountain Mining**

Eagle Mountain Mining is a copper-gold explorer focused on the strategic exploration and development of highly prospective greenfields and brownfields projects in Arizona, USA. The company had a good run at the start of January, contributing from a rising copper price and favorable drilling progress. However, the cash flow report showed a weakness on the high cash burn rate. The share price is down by 24% in January.

## **PORTFOLIO CHANGES (ALPHABETICAL ORDER)**

| Portfolio Additions                                                                                    | Portfolio Reductions                                                           |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Dicker Data</li> <li>EML Payments</li> <li>PointsBet</li> </ul> | <ul style="list-style-type: none"> <li>IVE Group</li> <li>oOh!Media</li> </ul> |

## **PORTFOLIO PERFORMANCE**

|             | JUL   | AUG    | SEP    | OCT     | NOV    | DEC     | JAN    | FEB    | MAR     | APR    | MAY    | JUN    | TOTAL   |
|-------------|-------|--------|--------|---------|--------|---------|--------|--------|---------|--------|--------|--------|---------|
| <b>FY21</b> | 5.77% | 10.10% | -3.16% | 2.08%   | 7.93%  | 1.18%   | 1.22%  |        |         |        |        |        | 27.26%  |
| <b>FY20</b> | 2.39% | -3.28% | 0.62%  | -1.22%  | 2.46%  | -0.03%  | 3.14%  | -8.86% | -21.32% | 6.39%  | 6.70%  | -3.47% | -18.29% |
| <b>FY19</b> | 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% |
| <b>FY18</b> | 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%  |
| <b>FY17</b> | 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%   |
| <b>FY16</b> |       | 1.80%  | 1.23%  | 2.24%   | 4.38%  | -1.57%  | -1.58% | -1.31% | 5.55%   | 0.63%  | 2.28%  | 1.43%  | 15.87%  |

## TOP HOLDINGS DETAILS (ALPHABETICAL ORDER)



### Adairs

ASX: ADH

Adairs (ADH) is a leading specialty retailer of home furnishings in Australia and New Zealand with a national footprint of stores across a number of formats and a large and growing online channel. Their strategy is to present customers with a differentiated proposition, which combines on-trend fashion products, quality staples, strong value and superior customer service.



### Dicker Data

ASX: DDR

Dicker Data (DDR) is an Australian-owned and operated, ASX-listed technology hardware, software, and cloud distributor with over 42 years of experience. Dicker Data distributes a wide portfolio of products from the world's leading technology vendors, including Cisco, Citrix, Dell Technologies, Hewlett Packard Enterprise, HP, Lenovo, Microsoft and other Tier 1 global brands.



### Frontier Digital Ventures

ASX: FDV

Frontier Digital Ventures (FDV) is a leading owner and operator of online marketplace businesses in fast growing emerging markets.



### Healthia

ASX: HLA

Healthia Limited (HLA) is an integrated group of health-based companies whose mission is to enrich the lives of people through world-class health services. Services include podiatry services, physiotherapy services, hand and upper limb rehabilitation, orthotic manufacturing, and podiatry and foot care products distribution.



### Pacific Smiles

ASX: PSQ

Pacific Smiles Group Limited (PSQ) operates dental centers at which independent dentists practice and provide clinical treatments and services to patients. Revenues and profits are primarily derived from fees charged to dentists for the provision of these fully serviced dental facilities.



### PointsBet

ASX: PBH

PointsBet (PBH) is a corporate bookmaker with operations in Australia and the United States. PointsBet has developed a scalable cloud-based wagering Platform through which it offers its clients innovative sports and racing wagering products. PointsBet's product offering includes Fixed Odds Sports, Fixed Odds Racing and PointsBetting.



### Redbubble

ASX: RBL

Founded in 2006, the Redbubble Group (RBL) owns and operates the leading global online marketplaces, Redbubble.com and TeePublic.com, powered by independent artists. The Redbubble community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on.



### Reece

ASX: REH

Reece Limited (REH) is a supplier of plumbing, bathroom, heating, ventilation, waterworks, air conditioning and refrigeration products with operations in Australia, New Zealand and the US. Reece Limited activities include importing, wholesaling, distribution, marketing and retailing.



### Resimac

ASX: RMC

Resimac Group Ltd (RMC) is a leading non-bank residential mortgage lender and multi-channel distribution business. It operates under a fully integrated business model comprising origination, servicing and funding prime and nonconforming residential mortgages in Australia and New Zealand.

## HOW TO INVEST

Glennon Small Companies Limited shares are traded on the Australian Securities Exchange (ASX) under the ticker code 'GC1'.

Glennon Small Companies Limited Resettable Redeemable Convertible Preference Shares (RRCPS) are traded on the ASX under the ticker code 'GC1PA'.

## GENERAL ENQUIRIES

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