

## MONTHLY REPORT FEBRUARY 2021

ASX Announcement Date: 12 March 2021

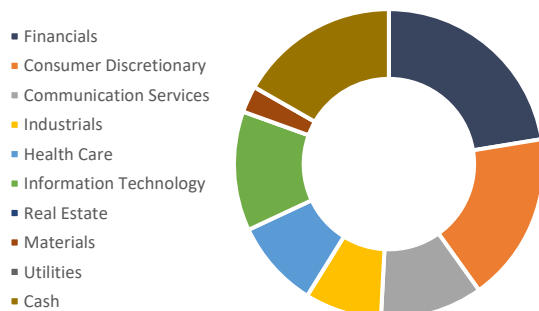
NTA (before tax)*	NTA (after tax)**	Share price (28/02/2021)	Cash Weighting	Number of Holdings
\$0.99	\$0.95	\$0.725	16.69%	31

\* 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 (\$0.06) per share deferred tax asset (comprised of prior years' tax losses and current year tax losses/profits)

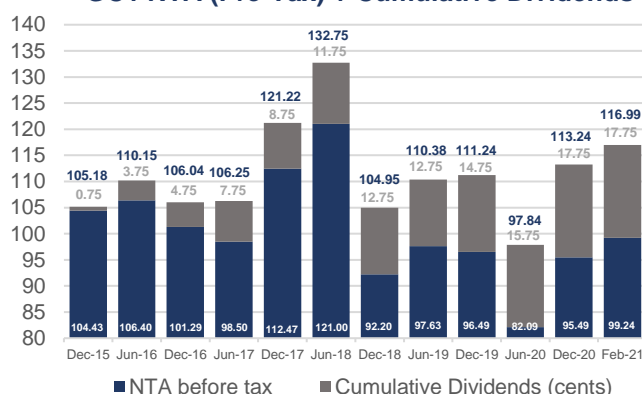
\*\* Includes all tax balances and selling costs

The NTA numbers above do not include the effect of the recently announced dividend

### Portfolio by sector



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



## PORTFOLIO REVIEW

In February, the market focused on companies reporting their results and a broader rotation towards cyclicals and companies oversold on adverse COVID-19 impacts. The market started with a positive run attributed to the better-than-expected reporting season. However, the sharp rise in bond yields put pressure on equities. The Small Ordinaries rose +1.55% for the month. Small Industrials advanced +1.40%, with the Small Resources rising +2.22%. GC1 returned +2.54% for the month, outperforming the market by 0.99%.

As more economic data supports strong economic growth in 2021, market is now expecting a sharp rise in inflation. Central banks may start to cut back the support sooner than expected. This has been the key driver for a rise in bond yields globally. We saw a rotation between sectors. The Tech sector, which saw valuations becoming stretched, took a big hit in February. The Materials sector rally was supported by high commodity prices.

## PORTFOLIO COMPANY UPDATES

Our top 3 largest contributors to performance during this month were Eagle Mountain Mining (EM2), EML Payments (EML) and Lovisa (LOV), while Redbubble (RBL) was the largest detractor from portfolio performance.

### Eagle Mountain Mining

Eagle Mountain Mining (EM2) is a copper-gold explorer focused on the strategic exploration and development of highly prospective greenfields and brownfields projects in Arizona, USA. EM2 allows us to gain exposure to copper where we believe conditions will be favorable going forward. The share price was up by 37% in February, mainly supported by the strong run in the copper price. Additionally, EM2 reported good results from its current drilling program. The recent capital raise also allayed concerns over cash flows, providing further positive news for the company.

### EML Payments

EML Payments (EML) provides payment solutions to customers. EML issues mobile, virtual and physical card solutions to corporate brands and government around the world. We believe both reloadable payment, and gift and incentive businesses will grow strong in the next two years.

EML's reloadable payment business supports the company's high growth in FY21. In FY19, the reloadable payment business accounted for only 25% of the group's revenue. EML decided to strengthen this segment in the late 2019. EML acquired Prepaid Financial Services (PFS) in November 2019. PFS is a European provider of white label payments and banking-as-a-service technology. Post-acquisition, over 50% of EML's revenue come from the reloadable payment business. Revenue from the reloadable payment is recurring by nature. Despite being disrupted by the pandemic, reloadable payment business achieved a 25% organic revenue growth in H1 FY21. We believe EML's reloadable payment business will continue to achieve a high growth from the increasing use in salary packaging and gaming.

While gift and incentive business was impacted by the closure of malls globally, we believe this segment will recover and be another growth driver for EML in the next two years. This segment depends largely on the customer activities in shopping malls. When the vaccine continues to roll out, the economy will start to reopen. We expect to see a large jump in shopping mall traffic and gift card transaction, which fuels the growth for the gift and incentive business.

We believe EML is a strong recovery play. We expect the above two segments will provide a strong growth in the next two years. The share price was up by 30% in February.

#### **Lovisa**

Lovisa (LOV) operates 460 stores in a number of international markets, selling mainly earrings, hair bands, necklace, wrist and ring and body fashion at an affordable price.

LOV's revenue and profit were largely impacted by government responses to the COVID-19 outbreaks. Domestic sales were flat and international sales were down by 19%. A lot of international stores were closed or operating with a weak foot traffic due to lockdown. With the global vaccine rollout, we expect all international stores to fully open soon. The store reopening will fuel a strong recovery to the business.

LOV expanded its store network through acquiring stores from a distressed European retailer. LOV has 460 stores, 134 of those in Europe. During the pandemic, LOV utilised its strong balance sheet and acquired 114 stores for only €70. Around 90 stores will be converted to LOV stores and the remaining stores will be closed. The acquisition will allow LOV to expand its European store network by two third. It is an attractive deal for LOV. The acquired business has a total of €11.8 million of cash, €6 mil will be spent on implementation costs and working capital investment. Through this acquisition, LOV will enter into 6 new markets (Germany, Switzerland, Netherlands, Belgium, Austria and Luxembourg).

We believe LOV will perform strongly post pandemic. LOV shows potential to recover internationally when the stores reopen. Moreover, LOV has shown that it can utilise its strong balance sheet to acquire stores from distressed competitors, which is a pathway to grow. The share price is up by 36% in February.

#### **Redbubble**

Redbubble (RBL) reports a strong result in this month. Revenue is almost doubled in the first half of the financial year. The growth continues in January as the revenue growth is at 66%. Market is disappointed with the falling gross profit margin. This fall is a result of a rising shipping cost, which is understandable given the current global challenging shipping conditions. The share price was down by 24% in February.

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

Portfolio Additions	Portfolio Reductions
<ul style="list-style-type: none"> <li>Eagle Mountain Mining</li> <li>Pacific Smiles</li> <li>Viva Leisure</li> </ul>	<ul style="list-style-type: none"> <li>Leaf Resources</li> <li>Pointsbet</li> <li>Service Stream</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%	2.54%					30.48%
<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.



### 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.



### Johns Lyng

ASX: JLG

Johns Lyng Group Limited (JLG) is an integrated building services group delivering building and restoration services across Australia. JLG's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insured events including impact, weather, and fire events



### Lovisa

ASX: LOV

Lovisa Holdings Limited (LOV) is a fast fashion jewellery retailer in a number of international markets. Lovisa provides fashion with different earrings, hair bands, necklace, wrist and ring and body fashion.



### 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.



### 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.



### Viva Leisure

ASX: VVA

Viva Leisure operates health clubs (gymnasiums) within the health and leisure industry. Viva Leisure offers customers several different membership options and a range of different types of facilities from big-box fitness facilities to boutique fitness facilities. The Company currently operates 102 health clubs with the master franchise for the Plus Fitness group of approximately 200 clubs.

## 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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