



NTA

NTA (before tax)	\$0.94
NTA (after tax)	\$0.95

ASX Code	GC1
Inception date	21 August 2015
Share price	\$0.80
Cumulative dividends*	14.75c

* Excluding GST and franking

PORTFOLIO

Cash weighting	53.5%
Number of holdings	31

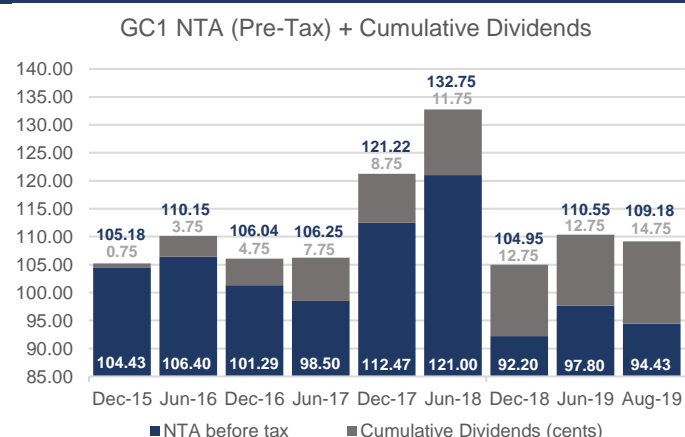
DIVIDEND HISTORY

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
Total dividends		14.75

TOP 5 HOLDINGS

Company Name	ASX code
Collins Foods Limited	CKF
IPH Limited	IPH
Invocare Limited	IVC
Money3 Corporation Limited	MNY
Noni B Limited	NBL

NTA + DIVIDENDS



REVIEW OF THE MONTH

Despite the fact that August is a company reporting period, the market was driven mainly by global political and macroeconomic concerns. August evidenced a weak and volatile month, with an escalation in U.S.-China trade relations and a recession signal being flashed by the bond market. Fear was sparked after the U.S. announced an additional 10% tariff placed on \$300 billion in Chinese imports starting on 1 September. Moreover, U.S. President Trump accused China of manipulating its currency on 5 Aug, causing the ASX Small Ordinaries to drop by approximately 2.5% on that day. The market recovered slightly after the U.S. delayed the tariffs. However, the U.S. yield curve inversion, which is a recession signal, was feared by the market and the market fell again by 2.7% on 15 Aug.

During the month, the Small Ordinaries fell 3.85% with the Small Industrials falling 3.00%, while the Small Resources fell 7.03%. GC1 posted a negative 3.28% return for the month, outperforming the market by 0.57% while maintaining an average cash balance of 53.5%.

COMPANY NEWS

Money3 Corporation Limited (MNY) is a specialist provider of vehicle finance for the purchase and maintenance of vehicles in Australia and New Zealand. MNY, unlike a traditional bank,

engages in regular dialogue with customers to provide flexible and tailored solutions to assist with their repayments. As a result, customers have a high level of loyalty and satisfaction.

The 2018 Banking Royal Commission drove greater levels of conservatism in main stream lending for automotive loans. Strict regulation in the banking industry can slow bank lending decisions. Demand in automotive market is then pushed to the non-bank market, where MNY is one of the participants. Therefore, MNY sharpened its focus on the automotive financing market in FY19 by selling unrelated businesses and using the proceeds to expand through acquisition. MNY has exited the small balance credit contract lending (i.e. unsecured personal loans) business through the sale of the business. MNY then used the proceeds to acquire New Zealand-based Go Car Finance, a non-bank specialist auto loans business.

While demand in non-bank automotive market is increasing, MNY did not loosen its standards in credit quality. 74.0% of the loan book has a low risk of default, up from 72.7% in FY18. MNY is gaining market share in a growing market. We believe it is a sound investment in the current volatile environment.

Noni B Limited (NBL) is an Australian fashion retail group. Their brands include Millers, W.Lane, Noni B, Rivers, Katies, Autograph, Rockmans, Crossroads and beme. This company has positive net cash and is operating with growth potential through online sales

and acquisition.

NBL has expanded its online presence in recent years. NBL has a standardised operating platform, allowing it to cross-sell across all brands. NBL also utilises its 1,379 stores to provide click & collect services and deliver a true multi-channel experience. The continuing investment in its online channel resulted in a comparable sales growth of 21% and contributed 9.8% of total sales. NBL will continue to expand its online presence and therefore more growth is anticipated.

NBL acquired five brands from Specialty Fashion Group on 2 July 2018. In FY19, NBL consolidated and integrated the brands. NBL spent a \$9.1 million in restructuring costs and achieved a breakeven on an EBITDA basis in FY19. These brands are expected to return to profit in FY20 and the acquisitions are expected to provide cost saving synergies. NBL expects EBITDA in FY20 to be \$75 million, up by 65%. NBL is undervalued as the company has a single digit forward PE with positive net cash.

PORTFOLIO OUTLOOK

The reporting season is now behind us. We remain focused on continuously assessing valuations and finding new opportunities. Our high cash levels will allow us to selectively deploy as opportunities are identified.

We believe that many growth stocks in our universe are too expensive to own. Buying into high growth, high PE companies now may impose serious risk of loss of capital. The market has largely ignored the value evident in more traditional small and microcap companies. Many are oversold. Therefore, some significant opportunities are emerging at the value end of the market. We will look to make selective investments in undervalued, under the radar type investments as we have done through history.

Macroeconomic and global political uncertainty remain. U.S. and Chinese negotiators are set to meet again in October. Before any deals are confirmed and signed, trade war discussion may continue to affect the market. Global central banks have started returning to monetary easing biases, which may affect the valuation of the market and the short to medium term outlook. Therefore, we remain cautious about the potential for macro head winds and will focus our energy on finding undervalued stocks.

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



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