



### NTA

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

ASX Code	GC1
Inception date	21 August 2015
Share price	\$0.885
Cumulative dividends*	14.75c

\* Excluding GST and franking

### PORTFOLIO

Cash weighting	47.3%
Number of holdings	35

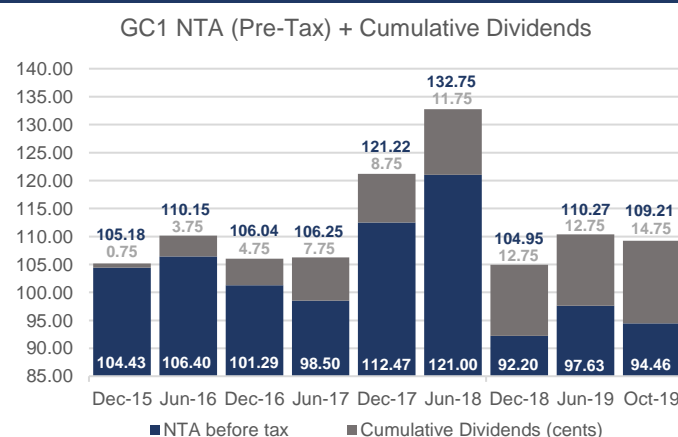
### DIVIDEND HISTORY

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
<b>Total dividends</b>		<b>14.75</b>

### TOP 5 HOLDINGS

Company Name	ASX code
City Chic Collective Limited	CCX
Collins Foods Limited	CKF
Monty3 Corporation Limited	MNY
Noni B Limited	NBL
QMS Media Limited	QMS

### NTA + DIVIDENDS



### REVIEW OF THE MONTH

October was a volatile month. The market was bearish about a global economy slowdown suggested by the IMF and by US data. The Small Ordinaries fell by 3% in two days. However, these concerns dissipated after U.S-China trade talks evidenced positive progress. The market was also comforted by the Fed's third consecutive rate cut and Australia's stable CPI data. The Small Ordinaries recovered somewhat following a significant drop on October 2-3.

During the month, the Small Ordinaries fell 0.50% with the Small Industrials falling 0.51%, while the Small Resources fell 0.49%. GC1 posted a negative 1.22% return for the month, lagging the market by 0.72% while maintaining an average cash balance of 47.3%.

### COMPANY NEWS

QMS Media Limited (QMS) is an outdoor media company specializing in providing its clients and agency partners with quality advertising solutions across its portfolio in Australia and New Zealand. We started accumulating QMS shares in August. A recent takeover offer raised the share price by 33% during the month, elevating QMS to one of our top 5 holdings.

The traditional advertising industry, especially companies operating outside of the home sector, has been consumed by

digital advertising players. However, this is where opportunities arise. QMS has expanded on sports as it is hardly a disrupted area in advertising. Sport ranks in 7 of the 10 most watched programs on TV in Australia in 2018. Advertisers place a premium value on 'in play' sport and virtual technology for its greater audience engagement, given that live sports advertising is more effective than TV ad breaks.

QMS understands the potential in sports events and advertising. It strategically acquired TLA Australia and Stride and has gained a diverse client base of sporting talent across AFL, Cricket, Netball and Olympic sports. The acquisition strengthens its presence in the sports arena. The company clearly presents its focus on transforming into a global integrated platform in its 1H19 result released in August.

We like the growth opportunity QMS has through expansion in sports events and advertising. Further, it was attractive in terms of valuation. When we bought QMS shares, the company was priced at 8x EV/FY19 EBITDA and 6x EV/FY20 EBITDA. We will continue to monitor the takeover and potential alternative bids and take investment action accordingly.

Australian Finance Group Limited (AFG) is a mortgage broking group. The RBA has reduced the cash rate by three times since June to a record low of 0.75%. Banks also reduced the mortgage rate. Home buyer and property investors have benefited from

this easing of monetary policy through more affordable mortgages. As a result, the housing and mortgage activity appears to be recovering.

To benefit from the RBA's monetary easing policy, we have focused research in the higher quality mortgage broking groups. AFG has a relatively high market share in this competitive market. 59% of Australian mortgages are written through a broker, and 10% of those broker-written Australian mortgages are arranged by AFG brokers.

The quality of the AFG business is shown in the recent FY19 result. In FY19, the lending environment is tougher and residential settlement is down by 11.5%. However, AFG has adopted a diversification strategy and maintains its profitability. The underlying profit is up by 1.8%. AFG has entered into the SME market through its AFG Business platform. Its investment in Thinktank is also gaining momentum.

After the RBA's rate cuts, property market activity is rebounding and AFG's mortgages lodged has returned to 2018 levels. Given the market recovery combined with the growth from both AFG Securities and AFG Commercial, we expect the profit will grow by around 10%. EV/EBITDA will be close to 9.6x at our entry price. And we expect more growth in the future.

## PORTFOLIO OUTLOOK

Even though the global economic outlook remains subdued, we are still cautiously optimistic. We believe there are still a lot of undervalued companies trading with below long-term average multiples. Therefore, we will look to make selective investments in undervalued, under the radar types of investments as we have done through history.

Despite the positive progress in the U.S-China trade talks, there are still a lot of uncertainties until a deal is signed. Macroeconomic and global political uncertainty remain. 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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