



## INVESTMENT REPORT AND NTA AS AT 31 JULY 2018

Net Tangible Assets (NTA)	
Cumulative Dividends Paid*	8.75c
NTA (before tax)	\$1.22
NTA (after tax)	\$1.15

\*excluding franking

ASX Stock Code	GC1
GC1 Share Price	\$1.09
GC1 Market Cap	\$52m
GC1 Cash Weighting	11.2%
Number of Holdings	33

Top 5 Holdings	
Company Name	ASX Code
Afterpay Touch Ltd	ATP
Alliance Aviation	AQZ
CML Group Ltd	CGR
Emeco Holdings Ltd	EHL
Macmahon Holdings Ltd	MAH

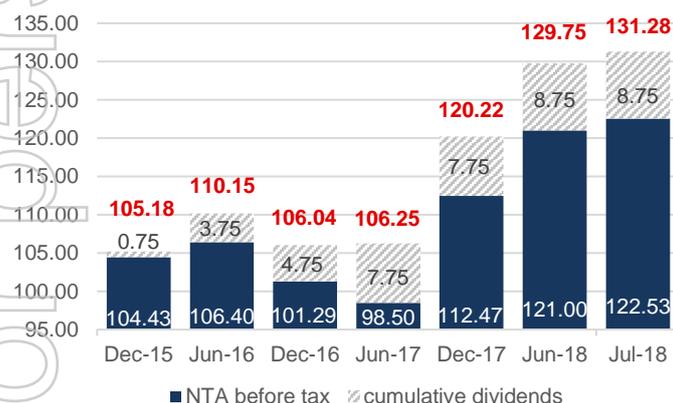
### REVIEW OF THE MONTH

Markets were volatile in July, the tit-for-tat trade sanctions between the US and China plus other international political stoushes sending a shiver through markets. Tech stock valuations were heavily scrutinised after Facebook, Twitter and Netflix were downgraded by market analysts.

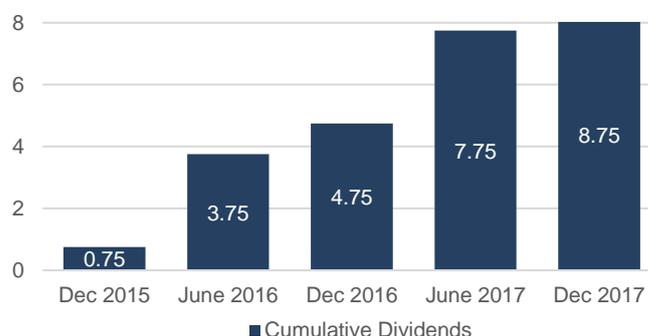
Small caps in Australia were affected by this more than the top end of town. The Small Ordinaries Accumulation Index fell (-1.0%) while the ASX Top 100 Index jumped (+1.6%). Commodity prices suffered heavy falls, pushing the Small Resources Accumulation Index -2.6% lower. Small Industrials lost just -0.5%.

GC1 managed to outperform its benchmark (Small Ords Accumulation) for the month with a return of +1.6%. The fund remains underweight resources.

### GC1 NTA (PRE-TAX + DIVIDENDS PAID)



### GC1 CUMULATIVE DIVIDENDS



### STOCK STORIES

The fund's best performing stocks included Afterpay Touch, Dropsuite, MacMahon Holdings, Swift Networks and Axesstoday.

Despite taking some profits in Afterpay at the end of June the stock's stellar performance continued to provide a strong positive contribution to the fund. It came after news of its deal with US retailer Revolver and a business update which indicated things were moving faster than expected in the US (albeit early days) and certainly not slowing down in Australia.

Dropsuite has now released consecutive strong releases regarding the take up of its cloud data backup products. It remains a relatively modest position but the share price strength was enough to have a material impact on the fund. Macmahon showed improvement after a run of weak months, most probably reacting to news from other resource contractors that work is starting to flow from the majors such as BHP and RIO. We await the company's results and commentary keenly.

Swift Networks bounced following the release of a business update and the announcement of a new contract. We met with management and believe the company is on the right path. Axesstoday successfully closed a corporate bond offer then released a guidance update which was all good news.

The fund's worst performing stocks were Emeco, Experience Co, National Veterinary Care and Fiducian.

Emeco has been consistently one of the funds best performers and it simply took a breather during July. It has bounced back quite well in early August. Experience Co is not popular with the market at the moment. We met with management during July and recognise the company needs to deliver some consistency before its share price will be rewarded.

We reduced the fund's position in National Veterinary Care post the February results season and it has proven a good decision. We spoke with management recently and believe the company will rebound in the next six months. Fiducian is still feeling the secondary effects of the Royal Banking Commission and the share price has been turbulent.

## **PORTFOLIO OUTLOOK**

The fund has been relatively quiet leading into August with cash levels marginally lower than they were during July, but still relatively high. There has been quite a bit of valuation volatility running through the market and we are happy to sit with the stocks we know best while the dust settles.

We don't have any plans to take a major swing at resources although coal and oil do interest the fund somewhat ... if we can find the appropriately-priced opportunities.

The domestic economy is generally still heading in a positive direction, despite the negative sentiment around domestic property, and the falling \$A will provide good opportunities for internationally exposed businesses.