



NTA

NTA (before tax)*	\$0.88
NTA (after tax)**	\$0.87

ASX Code	GC1
Inception date	21 August 2015
Share price (30/09/20)	\$0.72
Cumulative dividends***	17.75c

* As required by the ASX listing rule, 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

*** Excluding GST and franking

PORTFOLIO

Cash weighting	7.53%
Number of holdings	44

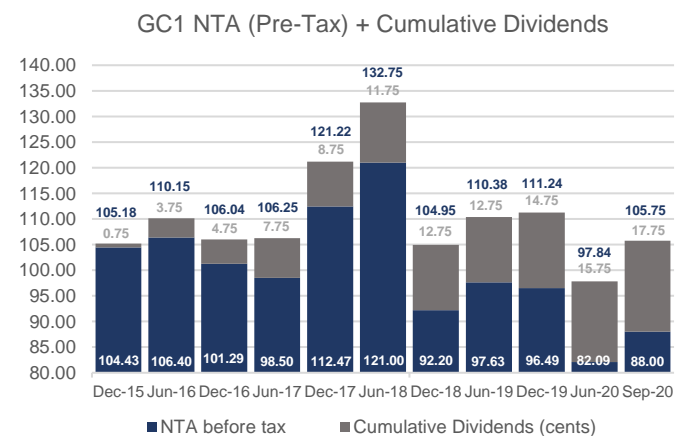
DIVIDEND HISTORY

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
31 December 2019	Interim	1.00
30 June 2020	Final	2.00
Total dividends		17.75

TOP 5 HOLDINGS

Company Name	ASX code
HUB24 Limited	HUB
Netwealth Group Limited	NWL
Nextdc Limited	NXT
OptiComm Limited	OPC
Service Stream Limited	SSM

NTA + DIVIDENDS



REVIEW OF THE QUARTER

The market continued to recover in the September quarter. Government stimulus packages and the spread of coronavirus were the main focus of the market. During the second wave in Victoria, the Federal Government extended the JobKeeper payment until the end of March 2021 with aim to support businesses and employment. In August, the earning season showed that the JobKeeper scheme helped businesses to a large degree. Many companies retained their employees because of the subsidies. The slowdown in redundancies also allowed companies to capture the rebound in retail sales in the first quarter in FY21, when the economy started to open.

The news on coronavirus is mixed. On one hand, Russia claimed the production of vaccines has commenced, and that Russian medical workers had begun vaccinating. The market reacted positively to the hope that the economy will go back to normal quickly. However, the potential risk behind Russian vaccines is unknown as the vaccines were approved, with the absence of Phase-3 trials. In addition, the United Kingdom was hit by a second wave of coronavirus. The path to opening the global economy returned to dull.

The Small Ordinaries fell -2.82% for the month and rose +5.67% for the quarter. Small Industrials advanced by +6.93% for the quarter, with the Small Resources rising +0.88%. GC1 returned -3.16% for the month and returned +12.77% for the quarter.

COMPANY NEWS

Our top 3 largest contributors to performance during this quarter were PointsBet (PBH), Redbubble (RBL) and Sequoia Financial Group (SEQ), while The Reject Shop (TRS) was the largest detractor from portfolio performance.

We discussed PBH in detail in last month's NTA report. We took a small position in PBH because we saw the potential in US the market and the size in which the industry could be. PBH announced in conjunction with their results that they had struck a deal with US broadcaster NBC and that NBC would become a strategic shareholder in the company. The share price doubled on the back of the strategic alliance resulting a run from the \$7 level, to one point being intraday over \$16. We took the opportunity to exit the position and lock in an 84% profit from a very short holding period. We believe the outlook for the company is positive but we are now cautious about its valuation.

SEQ is an integrated financial services company providing a wide range of products and services to self-directed retail and

wholesale clients, and those of third-party professional service firms. This company is a turnaround story. In 2018, the company started a business improvement program to strengthen the business and reposition the company as one of the leading wealth advisory groups in Australia. Two years later, the company has made significant progress as reflected in margin expansion and reduction in debts. Accordingly, the market re-rated it and the share price rose significantly.

The result of the business improvement program is encouraging and we see the company will continue to grow in the future. For example, the investment in transforming Morrisons Securities from a small B2C clearing and execution business to B2B market improves the monthly value of trading transactions by over 300% during FY20. The division moved from loss-making to profit-making from March 2020. Another example is the margin expansion from significant cost reduction. The head office costs had reduced by 45% contributed to the stricter authorisation and control on discretionary spending and a tighter recruitment policy.



Michael Glennon
Chairman

The business is generating positive cash flow due to internal improvement. The company makes good use of the internally generated cash flow to repay debts and make acquisitions. The company had \$22.3 mil net cash as at 30 June 2020. This is attractive to investors given the market capitalisation of the company is only \$47 mil. The company is priced at 20 trailing PER. Based on the acquisitions SEQ made in the past 2 years, further upside in profitability is expected to come.

Our largest detractor for this quarter is TRS. The company is executing a turnaround strategy to strengthen the margin as evidenced by the reduced inventory burden. We believe this investment is undervalued and the market will re-rate it if the management continues with the turnaround execution.

PORTFOLIO OUTLOOK

The Federal Budget announced on 6 October revealed the government's plan for Australia's recovery from one of the most severe economic crises. It is the biggest government spending plan in Australian history. Through this Budget, we can understand the government's attitude and its direction to support the economy. We believe it is a good opportunity to look for undervalued companies which can benefit from the Budget.

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY TOTAL RETURN
FY21	5.77%	10.10%	-3.16%										12.77%
FY20	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%
FY19	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%
FY18	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%
FY17	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%
FY16		1.80%	1.23%	2.24%	4.38%	-1.57%	-1.58%	-1.31%	5.55%	0.63%	2.28%	1.43%	15.87%

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



GLENNON CAPITAL

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