

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 OCTOBER 2019

NET TANGIBLE ASSET VALUE BREAKDOWN

PRE TAX NTA	POST TAX & PRE UNREALISED GAINS TAX NTA	POST TAX NTA	SHARE PRICE	PREMIUM/ (DISCOUNT) TO NTA (PRE TAX)	FULLY FRANKED DIVIDEND YIELD
\$0.89	\$0.91	\$0.88	\$0.745	(16.29%)	5.37%

The above NTA figures include the 1.00 cent per share fully franked Q1 FY20 quarterly dividend, which went ex-dividend on 5 November 2019 and will be paid on 19 November 2019.

MARKET INSIGHT

For the month of October, the NSC Investment Portfolio produced a positive return of +0.17%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which fell by -0.50%. As at the end of October the NSC Investment Portfolio was made up of 11 long positions, with a portfolio weighted average market capitalisation of \$199.4 million. There were no significant major positive or negative contributors with only BSA Group (ASX: BSA) making a ~1% contribution to the funds NTA with a -1% adverse contribution on no stock specific news. October was a relatively quiet month with regard to stock specific events, though there were updates from Big River Group (ASX: BRI), Enero Group (ASX: EGG) and the 360 Total Return Fund (ASX: TOT). It is also worth mentioning that on the last day of the month MNF Group (ASX: MNF) went into trading halt pending the completion of a capital raising.

INVESTMENT BELIEFS

VALUE WITH LONG TERM GROWTH



QUALITY OVER QUANTITY



INVEST FOR THE LONG TERM



PERFORMANCE V LIQUIDITY FOCUS



IGNORE THE INDEX



PURE EXPOSURE TO INDUSTRIALS



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



MANAGEMENT ALIGNMENT



INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
FY20	-0.18%	+12.91%	+8.10%	+0.17%									
FY19	-0.60%	+4.07%	-1.34%	-7.61%	-3.04%	-3.21%	+4.16%	-3.88%	+1.14%	+0.69%	-5.17%	+1.33%	-13.29%
FY18						+1.11%	-0.93%	-0.57%	+0.25%	-3.35%	-1.16%	+1.24%	-3.44%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders.

BRI held their AGM in October and provided a trading update for Q1FY20, stating that operating EBITDA was up circa +30% on the previous corresponding period (pcp), which based on our estimates would equate to an annualised run rate of between \$12.50 - \$13.50 million EBITDA for FY20. Importantly, management also stated that they have seen markets largely stabilise and that sales rates have been consistent for the past 3 months. Pleasingly the acquisition that was made a few months ago in New Zealand has started the year strongly and is tracking to expectations. Secondly, EGG provided a general trading update at their AGM which stated that Q1 FY20 had started well and was in line with the pcp. We believe this a sound outcome and that EGG is well placed to grow out its client list which includes the likes of Pinterest and Adobe, as well as providing growth through internally funded acquisitions.

TOT completed a significant transaction, announcing a merger with another listed investment company (LIC) being URB Investments (ASX: URB). TOT offered a 3% premium to the URB NTA in an all scrip deal. This will increase the size of the TOT portfolio by approximately \$80 million with the additional funds to be utilised in accordance with the current TOT investment philosophy and strategy.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NSC aims to deliver shareholders a sustainable growing stream of fully franked quarterly dividends.



MARKET INSIGHT CONTINUED

Finally, MNF announced the completion of a \$50 million capital raising at \$5.00 per share. We believe this is a sound decision by the company, albeit a slightly larger amount than we would have expected. Although we strongly believed that MNF had a manageable level of net debt which did not need paying down, this capital raising gives MNF the opportunity to continue and even potentially increase the pace of their South East Asian expansion which started last year in Singapore. MNF have been quite open with the market that the biggest risk and potential delay to building out a new operation comes from regulatory issues, and the best way to manage this risk is often via acquisition, then to build the MNF capability over the top. The services that MNF offer to its customers such as Google, Skype, Twilio and Zoom can be used across the globe assuming the necessary infrastructure and systems are in place. If MNF can deploy this capital to expand into markets such as Hong Kong, Japan, South Korea and Thailand then the potential opportunity is significant, especially considering that MNF generates \$1.00 per head of population in Australia and has recently expanded into New Zealand and Singapore. In the short term, the impact of the 14% dilution should be offset by the removal of the interest cost on the debt facility. We also believe that the wider market will become more aware of MNF as in our view they are a potential candidate to move into the ASX-300 index within the next 12 months.

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, December 2017. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
Enero Group Limited (ASX: EGG)	8.07%
Broadcast Services Australia Limited (ASX: BSA)	4.47%
Over The Wire Limited (ASX: OTW)	2.96%
Service Stream Limited (ASX: SSM)	1.50%
360 Capital Total Return Fund (ASX: TOT)	1.41%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	INCEPTION (P.A.)	INCEPTION (Total Return)
NSC Investment Portfolio Performance*	+0.17%	+17.28%	+12.22%	+1.13%	+2.18%
S&P/ASX Small Ordinaries Accumulation Index	-0.50%	+2.24%	+14.41%	+6.56%	+12.96%
Performance Relative to Benchmark	+0.67%	+15.04%	-2.19%	-5.43%	-10.78%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders. Inception performance (P.A. and Total Return) is from 1 December 2017.

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$199.4 million
Number of Holdings	11 Long Positions
Cash Weighting	3.20%
Standard Deviation of Returns (NSC)	14.57%
Standard Deviation of Returns (XSOAI)	12.21%
Downside Deviation (NSC)	6.97%
Downside Deviation (XSOAI)	7.50%
Percentage of Positive Months (NSC)	48%
Percentage of Positive Months (XSOAI)	52%
Convertible Notes on Issue (NSCG)	265,000
Convertible Note Price	\$101.00
Shares on Issue	162,733,412
NSC Directors Shareholding (Ordinary Shares)	2,066,449

OUR TEAM

Chairman

Trevor Carroll (Independent)

Directors

Warwick Evans

Sebastian Evans

David Rickards (Independent)

Chief Investment Officer

Sebastian Evans

Portfolio Managers

Robert Miller

Ben Rundle

Investment Analyst

Rachel Cole

Chief Financial/

Operating Officer

Richard Preedy

Business Development

Manager

Julia Stanistreet

Compliance Officer

Julie Coventry

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