

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 MARCH 2020

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
\$0.78	\$0.78	\$0.86	\$0.76	(2.56%)	9.54%

Register for the NAOS COVID-19 Update Investor Webinar, Wednesday (tomorrow) 8th April 2020 11am (AEST)

MARKET INSIGHT

For the month of March, the Investment Portfolio produced a negative return of -28.25%, underperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which fell by -22.38%. This brings the inception return to +7.44% p.a. or +66.29% on a total return basis, outperforming the XSOAI which has increased by +1.54% p.a. or +11.42% over the same period. March saw a savage sell-off, with the market at one stage falling by over 30% as investors initially tried to digest how the government-enacted restrictions to control the spread of COVID-19 would affect businesses. The economic outlook was complicated further by a significant deterioration in the global oil market, and finally with numerous fiscal and monetary stimulus packages being announced as a response to COVID-19. Clearly such a large negative drop in one month is a very poor outcome for ourselves and all shareholders, but to put some perspective around this the FY20 portfolio return to date is -14.32%, compared to the XSOAI which is down by -23.87%. From a stock contribution perspective there was not one company that generated a positive contribution to the portfolio. On the negative side Eneo Group (ASX: EGG) and Experience Co. (ASX: EXP) were the two most significant detractors from portfolio performance, followed by Saunders International (ASX: SND) and BTC Health (ASX: BTC).

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



CONSTRUCTIVE ENGAGEMENT



INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
FY20	+6.85%	+2.86%	+6.56%	-3.56%	-0.04%	+4.11%	+11.11%	-8.57%	-28.25%				-14.32%
FY19	-2.42%	+3.94%	+2.88%	-6.09%	-6.12%	-2.92%	-0.24%	+4.96%	-1.80%	-3.54%	-1.43%	+0.20%	-12.51%
FY18	+3.43%	+4.94%	-1.24%	+2.32%	+2.39%	+0.14%	-0.77%	-1.52%	+0.43%	-1.49%	-1.89%	+0.44%	+7.13%
FY17	+4.63%	+6.48%	+3.65%	-0.49%	-0.45%	+1.92%	+0.08%	-1.93%	+0.82%	-3.69%	+0.70%	+0.44%	+12.39%
FY16	+2.28%	-5.77%	+0.86%	+3.72%	+1.10%	+4.56%	-3.26%	+4.96%	+1.57%	+4.67%	+5.31%	+2.97%	+24.77%
FY15	+2.30%	+3.58%	-1.51%	-2.39%	+0.58%	+0.46%	+0.58%	+2.81%	-2.59%	-0.18%	+2.37%	-4.27%	+1.43%
FY14	+9.19%	+7.64%	+2.80%	+5.11%	-4.84%	-3.57%	+4.76%	+3.87%	+2.91%	-0.70%	+0.85%	+0.67%	+31.54%
FY13								+0.03%	+3.81%	+3.03%	+4.48%	-0.99%	+10.67%

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

In our recent [Letter to Shareholders](#) we wanted to stress the balance sheet resilience that in our view a significant majority of our investments exhibit. Such resilience should enable these companies to survive the ramifications of COVID-19, even in the case of an extended shutdown of the economy. Some of the NCC investments have been directly affected by the recent events, including Eneo, where we expect to see a reasonable fall in revenue as it is a provider of PR and marketing services; EXP, which has been forced to temporarily close all of its operations; and BTC Health (ASX: BTC), a provider of medical devices and supplies, will also see an interruption in its operations as the private hospital sector is closed and comes under public control.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)



MARKET INSIGHT CONTINUED

However, it is important to stress that we believe all 3 of these businesses have balance sheets that can fund their operations even through a prolonged shutdown and just as importantly all are led by proven leadership teams who are highly aligned through significant equity ownership stakes. On a more positive note, there are a number of investments that we believe will see no significant change to their respective operations (aside from a recent fall in share price). These include BSA Limited (ASX: BSA), where we would expect to see no adverse change, or even a step up in their NBN-related work as greater demand is placed on the network for increased bandwidth and quality requirements from people working at home. Saunders International (ASX: SND) entered this crisis with the largest order book and tender pipeline in the company's history, together with a much reduced fixed cost base. Importantly the client base that SND has amassed over the past 6 months is made up of tier-1 clients such as Rio Tinto, Sydney Water and the ADF, so we see no reason why the outlook for SND would change materially.

To conclude, we do not profess to know how or when the COVID-19 crisis will end. To that end it is important to remain rational and put everything into perspective over a long-term view, i.e. 3-5+ years. As an example, we have a sizeable investment in EGG which we significantly reduced at \$1.90+ over the past 6 months. At ~\$0.80 today, it may well be an opportune time over the next six months to re-acquire those shares. Today EGG has an EV of just \$55 million, and prior to the COVID-19 crisis was on track to earn >\$21 million at the EBITDA level. Even in a bear case, if earnings were to fall by 70% the EV/EBITDA would be 8.50 times. It is also important to remember that many of Enero's clients, including Aldi, Facebook, Adobe and various healthcare businesses, are well positioned to weather a downturn, which may reduce the impact of COVID-19 on EGG's revenue base.

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, February 2013. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
BSA Limited (ASX: BSA)	18.18%
Calliden Group Limited (ASX: CIX)	11.35%
Capitol Health Limited (ASX: CAJ)	11.04%
CML Group Limited (ASX: CGR)	9.32%
Lindsay Australia Limited (ASX: LAU)	7.32%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	7 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NCC Investment Portfolio Performance*	-28.25%	-18.36%	-7.86%	+1.96%	+6.96%	+7.44%	+66.29%
S&P/ASX Small Ordinaries Accumulation Index	-22.38%	-21.02%	-1.33%	+2.52%	+1.91%	+1.54%	+11.42%
Performance Relative to Benchmark	-5.87%	+2.66%	-6.53%	-0.56%	+5.05%	+5.90%	+54.87%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Since inception (P.A. and Total Return) includes part performance for the month of February 2013. Returns compounded for periods greater than 12 months.

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$61.3 million
Number of Holdings	13 Long Positions
Cash Weighting	0.80%
Standard Deviation of Returns (NCC)	16.52%
Standard Deviation of Returns (XSOAI)	15.75%
Downside Deviation (NCC)	11.85%
Downside Deviation (XSOAI)	10.93%
Percentage of Positive Months (NCC)	62%
Percentage of Positive Months (XSOAI)	55%
Shares on Issue	61,784,395
NCC Directors Shareholding (Ordinary Shares)	4,289,990
NCC Options Closing Price (ASX: NCCOB)	\$0.02



Important Information:

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