

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 APRIL 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
\$0.87	\$0.90	\$0.92	\$0.675	(22.41%)	7.78%

MARKET INSIGHT

The month of April saw the NAC Investment Portfolio increase by +8.81%, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which increased by +7.32%, though underperforming its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by a staggering +14.27%, its largest ever monthly return. This brings the inception performance to +45.88% on a total return basis, outperforming the benchmark index which has returned +26.43% over the same period. In our view, it is too early to tell whether this sharp rally is a bear market rally or the beginnings of the next bull market. The conundrum facing investors was clear in April, with high risk asset classes remaining somewhat resilient as cheap money flooded an array of markets globally, which we believe artificially distorts the underlying fundamental valuations of many businesses. From a portfolio perspective, significant releases during the month came from MNF Group Ltd (ASX: MNF) and People Infrastructure Ltd (ASX: PPE).

INVESTMENT PORTFOLIO PERFORMANCE MONTHLY AND FY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return	
FY20	+0.50%	+8.14%	+6.58%	+1.99%	+0.98%	+0.87%	+2.31%	-13.80%	-22.22%	+8.81%				-10.19%
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%	-4.57%	+5.20%	+0.10%	-0.10%	+3.65%	-4.74%	+2.29%		-2.86%
FY18	-0.54%	+0.76%	+1.22%	+2.28%	+6.69%	+3.18%	-0.27%	-1.99%	+0.23%	-2.05%	+0.85%	-0.25%		+10.25%
FY17	+3.81%	+5.01%	+3.84%	-0.22%	-0.63%	-1.98%	+0.35%	-2.56%	+1.48%	-2.78%	-0.11%	+0.65%		+6.69%
FY16	+0.31%	-1.35%	+1.98%	+3.38%	+3.63%	+7.93%	-2.39%	-1.02%	+5.97%	+4.48%	+4.83%	-0.51%		+30.16%
FY15					+0.54%	-1.66%	+2.77%	+0.88%	+2.73%	+0.43%	+4.87%	-1.54%		+9.21%

* 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.

Pleasingly, MNF provided another trading update following their March market update, again re-affirming FY20 EBITDA guidance of between \$36-\$39 million, which was originally provided almost 24 months ago. The company reiterated that it has experienced a continued demand for voice and collaboration services with minutes volumes consistently up 80% during most business days in April, as opposed to the demand spike in March which was more of an extreme reaction. We believe this better reflects the ongoing demand profile as people and businesses develop a more manageable routine as they work from home.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



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 

MARKET INSIGHT CONTINUED

Over the long term we expect the demand for MNF's services to make a significant short term step change as large technology providers such as Zoom, Cisco, Google, Microsoft and Amazon upgrade their offers to gain a greater share of consumer and business spend and meet the requirements of the end user. These software providers require greater capacity and flexibility to ensure the quality of their product and service and we believe MNF is one of the best providers to meet their needs.

One of the core NAC holdings, People Infrastructure Limited (ASX: PPE), raised \$17.6m at the beginning of the month which we greeted with mixed emotion. On one hand, the raising price of \$1.10 came with a significant dilutionary impact to existing earnings per share, however it provides PPE with greater flexibility to take advantage of potential acquisitions at distressed prices that may arise as a result of the COVID-19 pandemic. Since listing in late 2017, PPE has made five acquisitions in the temporary recruitment sector which has significantly increased their market share as well as positioning their business towards the key growth sectors of IT and healthcare. Importantly, PPE has been able to successfully integrate these acquisitions and strengthen the overall quality of their business. Whilst PPE's IT business has not been immune to staff lay-offs during COVID-19 as companies defer non-critical spend, it is their healthcare business that we believe puts the company in good stead to cushion the impact from COVID-19. PPE is the largest provider of nursing staff on the East Coast of Australia, and as elective surgeries start to resume we expect the demand for nurses to increase, making PPE a key beneficiary of a staged return to work in Australia. The market will be focussed on PPE proving the resilience of their business model within the healthcare space together with putting the recently raised funds to use on high quality assets at attractive valuations.

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, November 2014. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
MNF Group Limited (ASX: MNF)	19.63%
Service Stream Limited (ASX: SSM)	5.57%
BSA Limited (ASX: BSA)	5.41%
Elders Limited (ASX: ELD)	4.66%
Event Hospitality and Entertainment Limited (ASX: EVT)	4.27%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	5 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NAC Investment Portfolio Performance*	+8.81%	-12.49%	-6.31%	-1.11%	+6.64%	+7.15%	+45.88%
S&P/ASX 300 Industrials Accumulation Index	+7.32%	-9.07%	-0.14%	+0.22%	+2.84%	+4.39%	+26.43%
Performance Relative to Benchmark	+1.49%	-3.42%	-6.17%	-1.33%	+3.80%	+2.76%	+19.45%

* 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 November 2014. Returns compounded for periods greater than 12 months.

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$276.3 million
Number of Holdings	8 Long Positions
Cash Weighting	1.37%
Standard Deviation of Returns (NAC)	16.32%
Standard Deviation of Returns (XKIAI)	14.89%
Downside Deviation (NAC)	11.94%
Downside Deviation (XKIAI)	10.65%
Percentage of Positive Months (NAC)	64%
Percentage of Positive Months (XKIAI)	62%
Shares on Issue	47,499,409
NAC Directors Shareholding (Ordinary Shares)	7,944,998

OUR TEAM

Chairman

David Rickards (Independent)

Directors

Warwick Evans

Sebastian Evans

Sarah Williams (Independent)

Chief Investment Officer

Sebastian Evans

Portfolio Managers

Robert Miller

Ben Rundle

Chief Financial/ Operating Officer

Richard Preedy

Business Development Manager

Julia O'Brien

Compliance Officer

Julie Coventry

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