

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
\$0.57	\$0.61	\$0.66	\$0.49	(14.04%)	8.16%

MARKET INSIGHT

After generating sound relative outperformance in the extreme sell-off that occurred in March, the NSC Investment Portfolio produced a negative return of -1.65% for the month of April, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which rebounded significantly by +14.27%; the largest monthly return for the index in its history. We believe it is too early to tell whether this sharp rally was a bear market rally or the beginnings of the next bull market. In our view, 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 came from BSA Limited (ASX: BSA) and MNF Group (ASX: MNF). At the end of the report we will touch on an emerging structural theme that will affect the Experience Co (ASX: EXP) business going forward.

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*

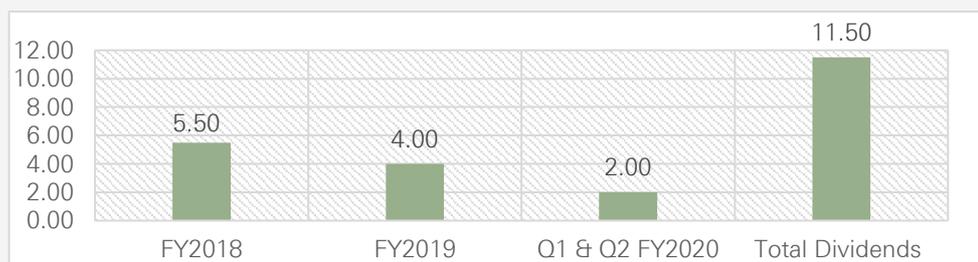
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
FY20	-0.18%	+12.91%	+8.10%	+0.17%	-1.80%	-0.57%	+2.50%	-10.15%	-18.50%	-1.65%			-12.04%
FY19	-0.60%	+4.07%	-1.34%	-7.61%	-3.04%	-3.21%	+4.16%	-3.88%	+1.14%	+0.69%	-5.17%	+1.33%	-13.29%
FY18						+1.11%	-0.93%	-0.57%	+0.25%	-3.35%	-1.16%	+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.

BSA released a trading update which we believe highlights the resilience of the business model, stating that as at the end of March the business remains on track to meet internal forecasts, despite the impact of the COVID-19 lockdowns. In saying this, the BSA board decided to remove guidance as a precaution against what may occur in the last 3 months of trading. The one area of concern for BSA is within the smallest of their business units, being Maintain, where a number of its clients have seen a significant drop in short-term revenue which may lead them to defer non-essential maintenance work. Offsetting this, we believe that in the BSA Connect division, volumes from NBN have continued to remain strong, particularly as more consumers look to join the network as they work from home. Longer term we also believe the maintenance work associated with NBN will increase as users demand greater internet speeds and less downtime, particularly in locations away from CBD's that were not previously associated with such demand. Finally, BSA mentioned that their tender pipeline across the entire business is strong and over the next 6 months we would expect the company to have secured additional work with both existing customers but also new customers who could benefit from the services BSA offers i.e. Telstra, TPG Telecom and Vocus. We would also expect to see BSA make significant moves into adjacent industries where their skillset is relevant in the medium-term.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



MARKET INSIGHT CONTINUED

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. 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.

Finally, one of the key themes developing over the past two months is the realisation that international travel may not be up and running until very late in 2020 at the earliest, and in reality a majority of people may have little desire to travel overseas for 12-24 months. We believe this will provide a significant tailwind for the domestic tourism market and will therefore benefit the operators within this space. To illustrate the sheer number of people that we believe will be looking for domestic travel options, over 1 million people booked a cruise holiday last calendar year, and over 11 million overseas trips were made. We have also received anecdotal evidence that bookings for hotel accommodation at the time of the next school holidays have already started to increase. Although inbound international travel will be significantly reduced, we believe that the domestic demand for tourism will assist a number of operators such as EXP in the short term and provide a solid bridge until inbound international tourism rebounds in 2-3 years.

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)	1.27%
Service Stream Limited (ASX: SSM)	1.05%
MNF Group Limited (ASX: MNF)	1.01%
Over The Wire Holdings Limited (ASX: OTW)	0.85%
360 Capital Total Return Fund (ASX: TOT)	0.63%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	2 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NSC Investment Portfolio Performance*	-1.65%	-27.92%	-15.47%	-12.63%	-11.90%	-26.35%
S&P/ASX Small Ordinaries Accumulation Index	+14.27%	-15.20%	-13.31%	-3.60%	-1.77%	-4.22%
Performance Relative to Benchmark	-15.92%	-12.72%	-2.16%	-9.03%	-10.13%	-22.13%

* 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	\$163.6 million
Number of Holdings	11 Long Positions
Cash Weighting	0.22%
Standard Deviation of Returns (NSC)	18.67%
Standard Deviation of Returns (XSOAI)	21.21%
Downside Deviation (NSC)	13.60%
Downside Deviation (XSOAI)	15.80%
Percentage of Positive Months (NSC)	41%
Percentage of Positive Months (XSOAI)	52%
Shares on Issue	159,284,641
NSC Directors Shareholding (Ordinary Shares)	2,194,412

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

Chief Financial/

Operating Officer

Richard Preedy

Business Development

Manager

Julia O'Brien

Compliance Officer

Julie Coventry



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