

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 JUNE 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
\$0.90	\$0.90	\$0.96	\$0.795	(11.67%)	9.12%


MARKET INSIGHT

For the month of June, the Investment Portfolio produced a positive return of +1.32%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which decreased by -1.95%. This brings the inception return of the investment portfolio to +9.37% p.a. or +93.02% on a total return basis, outperforming the XSOAI which has increased by +4.49% p.a. or +38.05% over the same period. For FY20 the performance of the NCC Investment Portfolio was -0.54%, outperforming the benchmark XSOAI which decreased by -5.67%. A positive month with BSA Limited (ASX: BSA) and Consolidated Operations Group (ASX: COG) providing trading updates, as well as Saunders International (ASX: SND) announcing the successful tender of their 6th major contract within the last 6 months.

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 

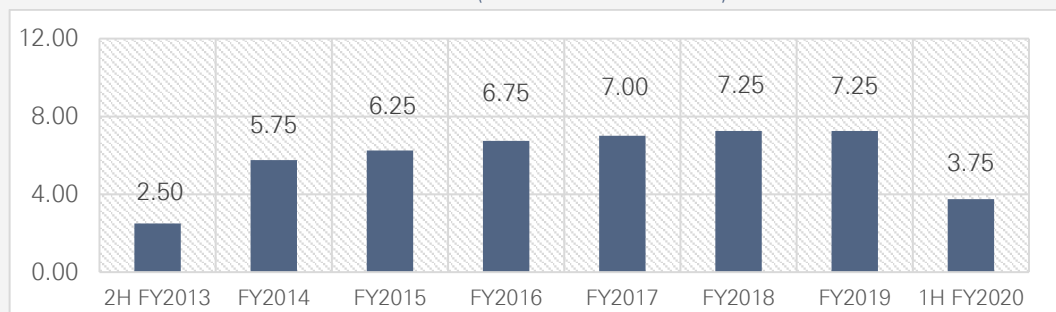
INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	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%	+5.39%	+8.70%	+1.32%	-0.54%
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.

After withdrawing guidance in late March and announcing a significant reduction in business activities for their leasing business, COG updated the market on the financial expectations for their Finance Broker & Aggregation segment (FB&A). This division is expected to earn an EBITDA after non-controlling interests of approximately \$10.50 million. We believe this highlights the resilient nature of finance brokers as FY20 EBITDA should only be down ~7.50% compared to FY19, even with the significant disruption that has occurred due to COVID-19. We would also expect that close to 100% of the after-tax earnings from this business will flow through to free cash due to low working capital requirements and minimal capex spend. COG also announced that they have entered into an agreement to increase their shareholding in Westlawn Finance Group to 75%. We believe that this is a highly strategic acquisition as Westlawn is a well-regarded brand in the mid-north coast region, which has enabled their debenture offering to maintain a size of \$200 million even in these times of significant market volatility.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)



MARKET INSIGHT CONTINUED

BSA also provided a trading update in June, after numerous months of providing little to no information to the market, which we believe was a major factor in the share price hitting a 12-month low of \$0.23. The update covered a number of key points with commentary on expected profitability for FY20, capital management initiatives, dividend policy and balance sheet flexibility. FY20 underlying EBITDA is expected to be in the range of \$20-\$22 million, with a strong cash position enabling the board to pay the deferred interim dividend in July 2020. Looking forward, the board expect to implement a dividend payout ratio between 40-60% of earnings and are also looking at various capital management initiatives which may allow the release of the significant franking credit balance. No commentary was provided on the current tender pipeline, but we believe that the actions of the board with regard to capital management implies that the potential workload ahead of BSA may well be significant.

Finally, SND announced its 6th major contract win for 2H FY20 with a \$12 million contract for the mechanical refurbishment and upgrade of two liquid storage tanks at Bulwer Island. In terms of potential future opportunities, it is also worth noting that the Federal Government recently announced a Request for Information (RFI) process for potential liquid storage projects around Australia. The purpose of the RFI according to Government is to strengthen local industry, as well as enhance Australia's onshore fuel security. We estimate that if Australia is to store its recently acquired fuel onshore (currently stored in the US), the total spend on storage facilities to reach the necessary capacity, prior to the acquisition of any land and buildings, would be between \$1 - \$1.5 billion. Submissions close on the 10th of July and we expect a decision to be made later in the calendar year.

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)	21.64%
Calliden Group Limited (ASX: CIX)	13.17%
Capitol Health Limited (ASX: CAJ)	12.81%
CML Group Limited (ASX: CGR)	10.81%
Enero Group Limited (ASX: EGG)	9.65%

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* S&P/ASX Small Ordinaries Accumulation Index	+1.32%	-0.54%	-2.31%	+5.50%	+8.27%	+9.37%	+93.02%
Performance Relative to Benchmark	-1.95%	-5.67%	+6.10%	+7.89%	+7.52%	+4.49%	+38.05%
	+3.27%	+5.13%	-8.41%	-2.39%	+0.75%	+4.88%	+54.97%

* 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	\$68.4 million
Number of Holdings	11 Long Positions
Cash Weighting	0.72%
Standard Deviation of Returns (NCC)	16.58%
Standard Deviation of Returns (XSOAI)	16.77%
Downside Deviation (NCC)	11.68%
Downside Deviation (XSOAI)	10.78%
Percentage of Positive Months (NCC)	64%
Percentage of Positive Months (XSOAI)	56%
Shares on Issue	61,784,395
NCC Directors Shareholding (Ordinary Shares)	4,289,990
NCC Options Closing Price (ASX: NCCOB)	\$0.01

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

Marketing & Communications
Manager
Angela Zammit

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