

## MONTHLY INVESTMENT REPORT &amp; NTA UPDATE

AS AT 30 NOVEMBER 2020

## Net Tangible Asset Value Breakdown

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings	Cumulative Fully Franked Dividends	Fully Franked Dividend Yield
\$0.77	\$0.81	\$0.79	\$0.670	11	\$0.1475	6.34%

## Market Insight

The NSC Investment Portfolio returned +6.19% for the month of November, underperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by a substantial +10.27%. The strong market return for November was driven by two key events, namely the apparent victory of Joe Biden to become the next president of the United States, and potentially more importantly by the news that three vaccine candidates have shown very high levels of efficacy in late stage trials. Annual General Meeting (AGM) season continued with Eureka Group Holdings (ASX: EGH) and COG Financial Services (ASX: COG) providing detailed updates. Finally, Big River Industries (ASX: BRI) announced that they have been successful in their application to the Bushfire Industry Recovery Package for a \$10 million grant.

## Investment Portfolio Performance Monthly and FY Returns\*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY21	+1.53%	+3.17%	-0.09%	+2.38%	+6.19%								+13.77%
FY20	-0.18%	+12.91%	+8.10%	+0.17%	-1.80%	-0.57%	+2.50%	-10.15%	-18.50%	-1.65%	+8.22%	+7.77%	+2.59%
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, interest, taxes and capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

Firstly, as mentioned above BRI have made a successful application in relation to a \$10 million grant from the Bushfire Industry Recovery Package. This grant will allow BRI to progressively close their manufacturing facility in Wagga Wagga and move this capability into their newer facility in Grafton. We believe this is an excellent outcome for BRI as it will reduce their exposure to more commodity-type manufactured goods and allow them to continue to focus on their distribution model which is supported by smaller and more nimble manufacturing operations that specialise in higher value products. Once the site is closed, we believe there will be a significant reduction in working capital and further upside from land sale proceeds.

COG released a detailed presentation at their AGM and although it didn't touch on the recent trading conditions (which were only updated a few weeks prior) it did give some insight into COG's strategy going forward. There continues to be a significant emphasis on the broking and aggregation business with a key focus on insurance broking, as COG brokers have a very close relationship with their clients due to their ability to meet their financing needs. Further disclosure was provided around the proprietary software which allows the COG brokers to have real time data on their entire client base together with real-time quoting and application functionality. We believe this is key for COG as some of the brokers they own may have 10,000 active SME clients which will have a number of financing and insurance needs in any given year. COG also appointed a Director to the board of previous merger target Earlypay (ASX: EPY) (formerly CML Group) as well as entering into a formal referral agreement. The COG stake in EPY has been a big unknown since the failed merger but we

## Fully Franked Dividend Profile (Cents Per Share)

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



Conviction. Long Term. Aligned

## 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

believe this shows that COG still has an intention to pursue a deal at the right time if both the risk and financial variables are beneficial for COG shareholders. The merger had a significant amount of merit when it was first announced and in our view this has not changed.

EGH provided a market update at their AGM in early November which included FY21 guidance at the EBITDA level of \$9.8 million - \$10.2 million, representing a significant increase on the PCP EBITDA result of \$8.1 million. Pleasingly occupancy has remained strong at >95% and the sale of non-core assets continues, which could provide funding for organic and inorganic growth opportunities. We continue to believe that EGH has numerous levers that will facilitate earnings growth at a significant rate going forward, and when overlaid with the current industry tailwinds we strongly believe that EGH will be highly attractive to investors, especially in an extremely low interest rate environment.

## Core Investment Portfolio Examples

			
<p><b>MNF Group</b> ASX: MNF</p> <p>MNF is a founder led software company, which specialises in proprietary digital network infrastructure for voice communications. With 'next generation' networks in Australia, NZ and Singapore, MNF provides voice carriage and value-added software services to some of the world's largest software companies and wants to expand further into the APAC region.</p>	<p><b>Over The Wire</b> ASX: OTW</p> <p>Over The Wire is a founder led B2B provider for IT &amp; telecommunication systems. OTW's purpose is to simplify technology to empower business through service offerings such as a national voice network, public cloud, PaaS/IaaS, cyber security services and on demand cloud connectivity.</p>	<p><b>Eureka Group</b> ASX: EGH</p> <p>Eureka Group is a provider of quality and affordable rental accommodation for independent seniors within a community environment. EGH owns 30 villages and manages a further 9 villages with a total of 2,147 units across Queensland, Tasmania, South Australia, Victoria and New South Wales.</p>	<p><b>BSA</b> ASX: BSA</p> <p>BSA is a solutions focussed technical services organisation. BSA assist clients in implementing their physical assets, needs and goals in the areas of Building Services, Infrastructure and Telecommunication. BSA clients include National Broadband Network (NBN), Aldi Supermarkets, Foxtel and the Fiona Stanley Hospital.</p>

## Investment Portfolio Performance

	1 Month	6 Months	1 Year	2 Years (p.a.)	Inception (p.a.)	Inception (Total Return)
<b>NSC Investment Portfolio Performance*</b>	+6.19%	+22.61%	-2.61%	+5.20%	-0.77%	-2.28%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	+10.27%	+14.78%	+5.98%	+11.16%	+6.73%	+21.57%
<b>Performance Relative to Benchmark</b>	-4.08%	+7.83%	-8.59%	-5.96%	-7.50%	-23.85%

\* Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes and capital raising costs. Returns compounded for periods greater than 12 months. 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	\$157.3 million
Cash Weighting	1.96%
Standard Deviation of Returns (NSC)	18.70%
Standard Deviation of Returns (XSOAI)	21.23%
Downside Deviation (NSC)	12.57%
Downside Deviation (XSOAI)	14.38%
Shares on Issue	156,048,222
NSC Directors Shareholding (Ordinary Shares)	2,251,611

## NAOS Asset Management Giving Back

NAOS Asset Management Limited, the Investment Manager, donates approximately 1% of all management fees to the following charities.

		
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**Important Information:** This material has been prepared by NAOS Asset Management Limited (ABN 23 107 624 126, AFSL 273529) (NAOS) as investment manager of the listed investment company referred to herein (Company). This material is provided for general information purposes only and must not be construed as investment advice. It does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, investors should consider obtaining professional investment advice that is tailored to their specific circumstances. Past performance is not necessarily indicative of future results and neither NAOS nor the Company guarantees the future performance of the Company, the amount or timing of any return from the Company, or that the investment objectives of the Company will be achieved. To the maximum extent permitted by law, NAOS and the Company disclaims all liability to any person relying on the information contained herein in relation to any loss or damage (including consequential loss or damage), however caused, which may be suffered directly or indirectly in respect of such information. This material must not be reproduced or disclosed, in whole or in part, without the prior written consent of NAOS.

## 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

Nina Dunn

### Compliance Officer

Julie Coventry

### Marketing & Communications Manager

Angela Zammit

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