

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 JULY 2018

#### 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)
\$0.92*	\$0.92	\$0.91	\$0.77	(16.03%)

\*The NTA before tax is after the provision for tax of \$3.88m (2.3cps) for the 2018 financial year

#### MARKET INSIGHT

The NSC Investment Portfolio produced a return of -0.60% for the month of July, outperforming the Benchmark S&P/ASX Small Ordinaries Accumulation Index ('XSOAI') which returned -1.01%. The month of July was an extremely quiet month from a company announcement perspective with most companies in a blackout period prior to the release of their full year results in August, when reporting season kicks into gear.

The most interesting release from a portfolio perspective in July came from US-based business Harley-Davidson, which held a strategy day briefing. This was of interest to us, as not only does Motorcycle Holdings (ASX: MTO) account for almost 25% of all Harley-Davidson sales Australia-wide, but more importantly in our view these are the highest margin sales in the MTO business due to Harley-Davidson's premium brand. Over the past 12-months Harley-Davidson sales have been under pressure globally due to the lack of take-up of new models which have failed to resonate with their loyal following, together with the lack of a competitive offering in the lower powered motorcycle range. The briefing touched on a number of key points including a significant focus on launching new products in a lower power range, with the goal of getting more millennials to ride their products, and also the launch of a broad portfolio of electric products ranging from large motorcycles to electric bicycles. The presentation also focused on the strategy of improving the quality of their dealers through training, consulting, network management and delivery of an integrated in-store and online experience. Clearly this strategy has a long-term focus, but it does provide clarity on the pathway ahead, and a refreshing focus on product innovation for MTO's most important supplier.

Although reporting season has only just begun, there have been a number of businesses providing notable updates which may give a slight readthrough into how the rest of reporting season could unfold. There have been two distinct groups to date; the first being the likes of ALS Limited (ASX: ALQ), Credit Corp (ASX: CCP) and GUD (ASX: GUD), all of which slightly exceeded market expectations by moderate margins. The second group, which so far is made up of RCR Tomlinson (ASX: RCR) and Nufarm (ASX: NUF), have provided the market with significant negative surprises which is even more disconcerting as these updates were provided after the end of the financial year. Surprisingly, there have been few companies that have provided results in line with market expectations at this early stage of reporting season.

#### INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	3 MONTH	6 MONTH	INCEPTION (NOM.)
NSC Investment Portfolio Performance*	-0.60%	-0.54%	-4.17%	-4.01%
S&P/ASX Small Ordinaries Accumulation Index	-1.01%	+3.74%	+4.19%	+6.94%
<b>Outperformance Relative to Benchmark</b>	<b>+0.41%</b>	<b>-4.28%</b>	<b>-8.36%</b>	<b>-10.95%</b>

\* 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 nom) is from 1 December 2017.

#### INVESTMENT BELIEFS

VALUE WITH LONG TERM GROWTH 

SUSTAINABLE GROWING DIVIDEND STREAM 

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 

HISTORICAL FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)



OUR TEAM

Chairman

Trevor Carroll (Independent)

Directors

Warwick Evans

Sebastian Evans

David Rickards (Independent)

Company Secretary/Senior

Legal Counsel

Rajiv Sharma

Chief Investment Officer

Sebastian Evans

Portfolio Managers

Robert Miller

Ben Rundle

Investment Analysts

Rachel Folder

Chadd Knights

Chief Financial/Operating

Officer

Richard Preedy

Business Development

Manager

Julia Stanistreet

Communications

& Marketing

Megan Walker

Distribution &

Sales Manager

Scott Hildebrand

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
Service Stream Limited (ASX: SSM)	+1.48%
Over The Wire Limited (ASX: OTW)	+1.16%
360 Capital Total Return Fund (ASX: TOT)	+0.73%
360 Capital Group Limited (ASX: TGP)	+0.64%
Consolidated Operations Group Limited (ASX: COG)	+0.39%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$234.8 million
Number of Holdings	11 Long Positions
Cash Weighting	7.62%
Convertible Notes on Issue (NSCG)	265,000
Convertible Note Price	\$100.21
Shares on Issue	168,995,806
NSC Directors Shareholding (Ordinary Shares)	1,594,880

ENQUIRIES

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