

## KEY CHARACTERISTICS

### 1. Concentrated Small/Mid Cap Exposure with a Long Term Value Focus

NAC seeks to provide investors with exposure to high quality, undervalued small-mid cap companies (market capitalisation generally >\$400 million to \$1 billion+) with an industrial bias in a concentrated structure.

### 2. Sustainable Growing Fully Franked Dividends

NAC's dividend has grown every year since inception with dividends usually paid on a six-monthly basis. To date all dividends have been fully franked.

### 3. Focus on Quality of Companies Not Quantity

Our primary focus is on developing a deep understanding and appreciation of the companies in our portfolio. We believe the best way to achieve this is to focus on a select number (typically 0-20) of high quality investment ideas in order to capitalise on our 'long term knowledge & liquidity advantage'. NAC has the ability to selectively short sell companies that the investment team believe are overvalued and of poor quality.

### 4. Portfolio Flexibility with a Benchmark Unaware Approach

This means we are not forced holders of stocks with large benchmark/index weightings that we are not convinced are attractive investment propositions. NAC can also hold up to 100% cash, it has been proven that holding cash offers the 'best hedge' during times of crisis.

### 5. Significant Alignment of Interests with Shareholders

NAOS directors and employees (including related parties) own over 8 million NAC shares, providing shareholders with a significant alignment of interests.

### 6. Environmental, Social and Governance (ESG) NAOS adopts an ESG screen across its investments.

## Net Tangible Asset Value Breakdown as at 30 June 2018

Pre Tax NTA:	\$1.11
Post Tax & Pre Unrealised Gains Tax NTA:	\$1.12
Post Tax NTA:	\$1.09
Share Price	\$0.955
Historical Fully Franked Dividend Yield	5.50%

## Investment Portfolio Performance & Market Insight

The NAC Investment Portfolio returned -0.25% for the month of June compared to the absolute benchmark which increased by +0.36%. This brings the inception return for 3 years and seven months to +67.21% and with it the FY18 return to +10.25%. Clearly, although relative to the wider market, NAC underperformed through this financial year, we have maintained our record of no negative financial year returns, and when the market (XAOAI) has had a negative monthly return, the NAC Investment Portfolio has never been down more than the market. This highlights our ability to generate sustainable long term returns but not at the expense of an increased chance of permanent capital loss. With a concentrated portfolio of between 10-15 positions our performance is very much dictated by the movements of our core holdings. When we overlay our long-term investment process, which results in many of our core positions being held for 3+ years this can result in periods of flat or even negative performance. However, over the long term we believe that it is through this investment philosophy that our substantial understanding of our investments, together with high conviction holdings in the portfolio will result in sound long term performance that should bear little resemblance to that of the wider market.

There was one key event within the NAC Portfolio and that came from MNF Group (ASX: MNF). MNF announced the acquisition of a Singapore-based business and also provided a guidance update for FY18, sending the share price up +5.85% over the course of the month. Although small in financial terms, we believe the acquisition of the Singaporean based Superinternet is very significant from a strategic point of view as this gives MNF the infrastructure capability to offer their wide range of software capability to a much larger client base in Singapore, and over time in more regions within South East Asia. This strategy builds on what MNF have achieved in Australia and a number of other countries post the acquisition of TNZI in 2015. MNF also reiterated their guidance given at the half year result, clarifying that the core business continues to grow organically and the start-up losses in Pennytel are within guidance, whereas the market may have expected worse. We believe the FY18 result in August will allow the market to once again focus on the strong organic growth opportunities of the business, that are supported by a Tier-1 client list that is now expanding overseas. MNF also has the ability to continue to internally fund further bolt on acquisitions due to their high cash flow generation and net cash balance sheet, which may increase the earnings growth in FY19 and FY20 above the current expectations of the market.

	1 Month	6 Month	1 Year	2 Year (p.a.)	3 Year (p.a.)	Inception (p.a.)	Inception (Nom.)
NAC Investment Portfolio Performance*	-0.25%	-3.46%	+10.25%	+8.46%	+15.25%	+15.21%	+67.21%
Benchmark (RBA Cash Rate + 250bps)	+0.36%	+2.18%	+4.35%	+4.37%	+4.52%	+4.63%	+17.86%
Relative Performance	-0.61%	-5.64%	+5.90%	+4.09%	+10.73%	+10.58%	+49.35%
XAOAI <sup>^</sup>	+2.95%	+4.04%	+13.73%	+13.43%	+9.48%	+8.52%	+34.57%

\*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 nom.) includes past performance for the month of November 2014. Returns compounded for periods greater than 12 months. <sup>^</sup> Refers to the S&P/ASX All Ordinaries Accumulation Index.

**Positive Stock Contribution Analysis**

(Contribution is what has attributed to NAC’s performance since Inception of 12 November 2014)

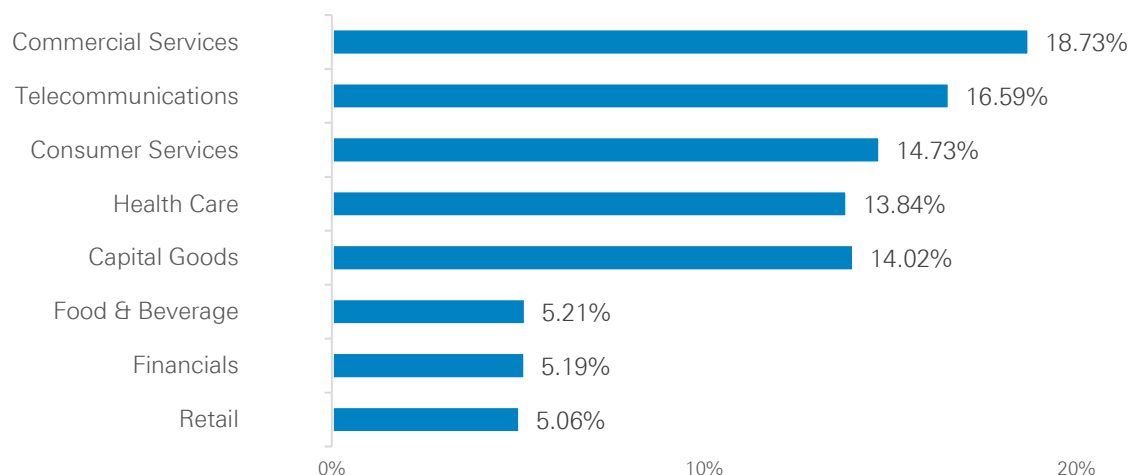
The table below lists the top positive contributors to NAC’s total return since inception. The purpose of the information is to illustrate that the performance the investment team derive over time is not simply from one or two positions, but from a variety of positions, even with a concentrated portfolio of investments that is generally limited to 0-20 securities at any one time. We will disclose securities in which NAC has a current substantial holding, or when we have exited the position. Positions in the table below have either been a long or short position in the portfolio at some point in time.

Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
MNF Group Ltd	+8.82%	Event Hospitality & Entertainment Ltd	+5.34%
BSA Ltd	+6.60%	Gentrack Group Ltd	+3.33%
Elders Ltd	+6.03%	Enero Group Ltd	+2.80%
Smartgroup Corporation Ltd	+6.00%	Service Stream Ltd	+2.24%

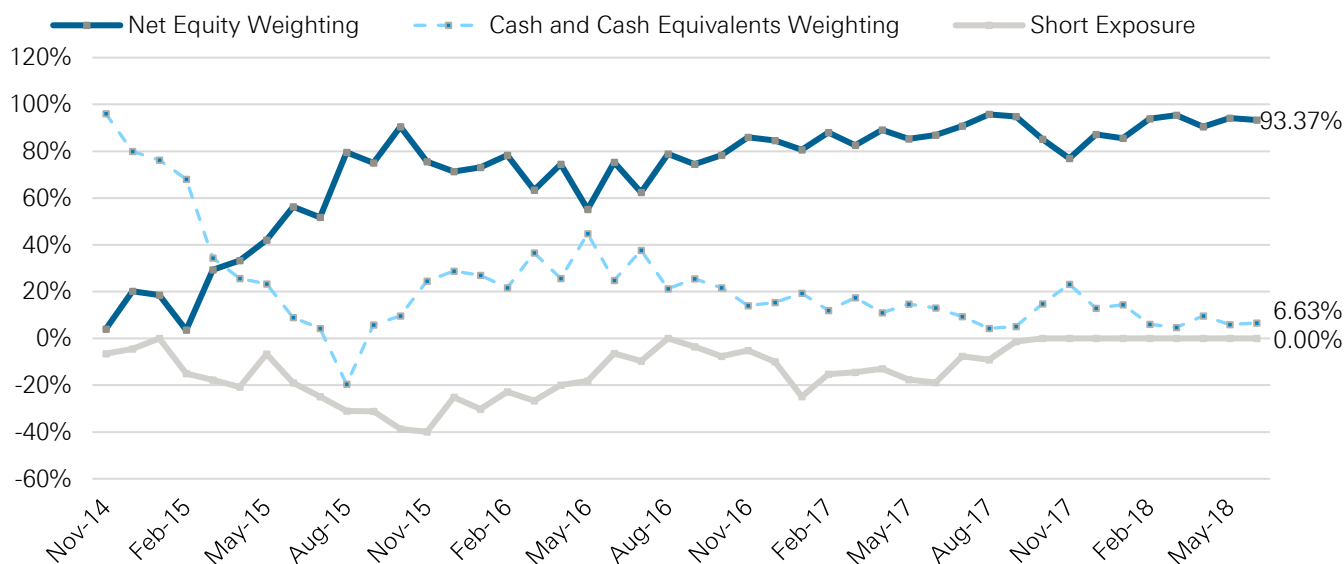
**Portfolio Positioning as at 30 June 2018**

As at 30 June 2018 the portfolio’s net equity exposure was ~93.37% with a subsequent cash weighting of +6.63%. As at month end, the portfolio was comprised of 11 holdings, with 11 long positions and 0 short positions.

**Net Industry Exposure**



**Net Equity Exposure**



## Company Meetings

The NAOS investment philosophy is based around the belief that for a company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. That is why the NAOS Investment Team has contact with many listed and unlisted companies across a wide range of industries and geographies. A selection of the companies the team had contact with during the month were as follows:

- WPP AUNZ Ltd (WPP AU)
- Helloworld Travel Ltd (HLO AU)
- Corporate Travel Management Ltd CTD AU)
- Estia Health Ltd (EHE AU)
- Netwealth Group Ltd (NWL AU)
- Lovisa Holdings Ltd (LOV AU)
- Twilio Australia (TWLO US)
- Eclipx Group Ltd (ECX AU)
- Graincorp Ltd (GNC AU)
- Viva Energy Group Ltd (VEA AU)

## Portfolio Characteristics – Summary Data as at 30 June 2018

Below are a number of historical portfolio risk measures. Our aim in providing these metrics is to demonstrate to investors how NAC is placed from a risk adjusted basis to meet its objective, being to outperform the benchmark over the long term, and also to preserve investors' capital. A glossary of the terms used below and the method used for calculating them can be found on the last page of this report.

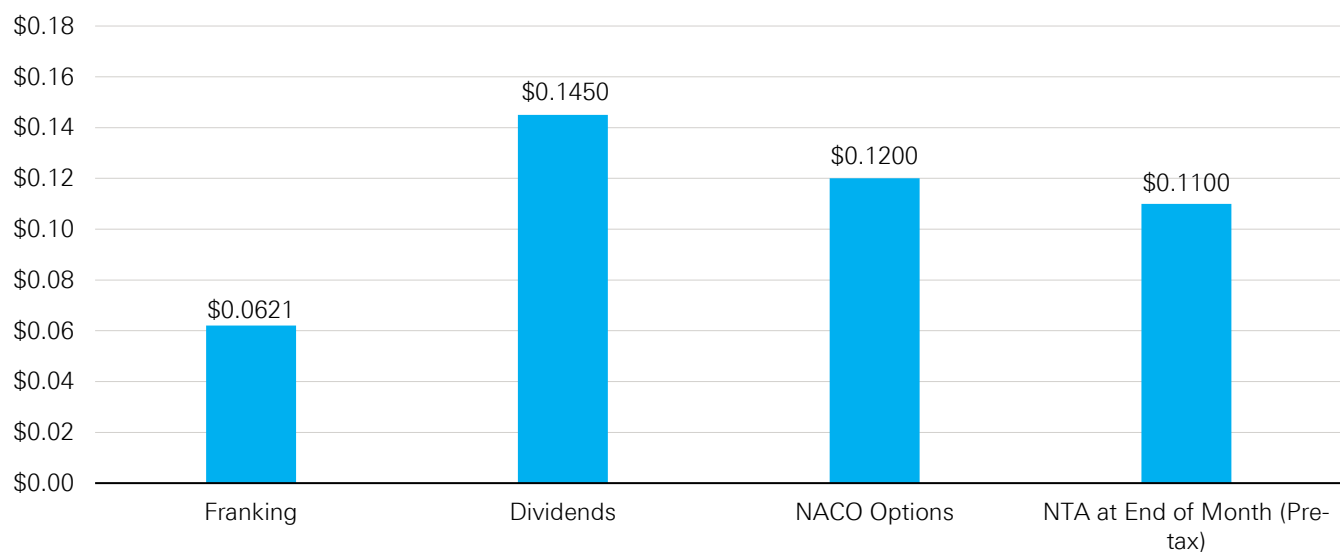
Total Number of Equity Holdings (Long & Short)	11
Total Number of Income/Debt Instruments*	0
Average Market Capitalisation of the Portfolio's Equity Holdings	\$879.5 million
Percentage of Positive Months (NAC)	64%
Percentage of Positive Months (XAOAI)	64%
Standard Deviation of Returns (NAC)	9.53%
Standard Deviation of Returns (XAOAI)	13.82%
Correlation of Returns to XAOAI	0.45
Sortino Ratio	4.56
Downside Deviation (NAC)	2.89%
Downside Deviation (XAOAI)	5.83%
Current Estimated Portfolio Beta	0.52

\*Listed and unlisted bonds, convertible notes, preference shares and other income securities – both domestic and international.

## Capital Structure - Summary Data as at 30 June 2018

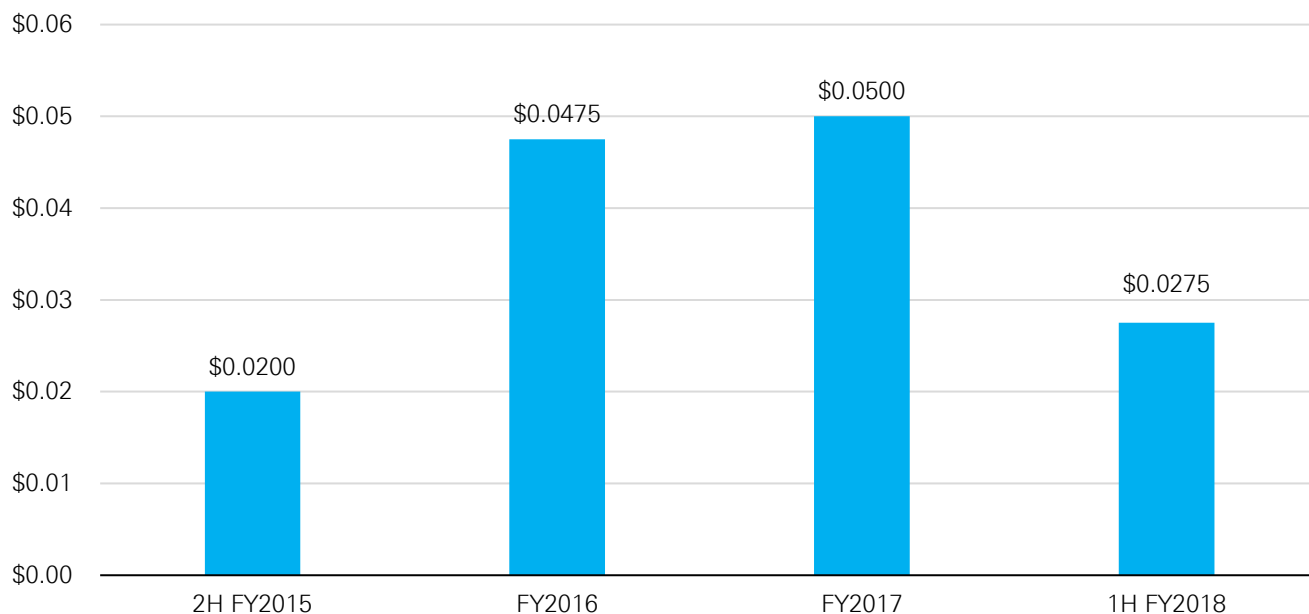
Share Price	\$0.955
Share Price Premium/(Discount) to Pre-Tax NTA	(-13.96%)
Shares on Issue	52,536,889
Directors Shareholding	7,200,952

Historical Shareholder Return Breakdown



\*Assumes an intrinsic NACO value of \$0.12 cents per option at expiry (30 November 2016) based on pre-tax NTA on this date diluted for remaining options.

Dividend Profile – Historical Fully Franked Dividends (Cents per share)



### Description of Statistical Terms/Glossary

**Average Market Capitalisation of the Portfolio's Equity Holdings** – The sum of, the percentage of each individual position relative to the total value of all Equity Holdings multiplied by each company's respective market capitalisation (Cash and Income/Debt securities are excluded).

**Standard Deviation of Returns** – A historical analysis of the volatility in monthly returns also known as historical volatility.

**Correlation of Returns** – A statistical measure of how two securities move in relation to each other. In this case the two securities are NAC and XAOAI. If the correlation is 1 then the two securities should have the same monthly returns and if the correlation is -1 and XAOAI had a return of -1.00% then NAC would be expected to have a return of +1.00%

**Sortino Ratio** – A modification of the Sharpe ratio that differentiates harmful volatility from general volatility by taking into account the standard deviation of negative asset returns, called downside deviation. A large Sortino may potentially indicate that there is a low probability of a large capital loss.

**Downside Deviation** - A measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR). For our calculations, we use returns negative to zero for the calculation of portfolio downside deviation.

**Portfolio Beta** – A measure of the volatility, or systematic risk of a portfolio or security. A beta of 1 indicates a portfolio/security's price will move with the market. A beta of less than 1 indicated that a security/portfolio should be less volatile than the market.

**XAOAI** – S&P/ASX All Ordinaries Accumulation Index

#### Important Information:

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#### CORPORATE DIRECTORY

##### Directors

David Rickards (Independent Chairman)  
Warwick Evans (Director)  
Sebastian Evans (Director)

##### Company Secretary

Rajiv Sharma

##### Investment Team

Sebastian Evans (Chief Investment Officer)  
Ben Rundle (Portfolio Manager)  
Robert Miller (Portfolio Manager)  
Chadd Knights (Investment Analyst)  
Rachel Folder (Investment Analyst)

##### Chief Financial/Operating Officer

Richard Preedy

##### Senior Legal Counsel

Rajiv Sharma

##### Business Development Manager

Julia Stanistreet

##### Communications & Marketing

Megan Walker

##### Distribution & Sales Manager

Scott Hildebrand

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