

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 OCTOBER 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)	FULLY FRANKED DIVIDEND YIELD
\$0.83	\$0.87	\$0.85	\$0.73	(12.05%)	7.53%

The above NTA figures include the 1.35 cents per shares fully franked Q1 FY19 dividend, which went ex-dividend on 5 November and will be paid on 19 November 2018.

#### MARKET INSIGHT

For the month of October, the NSC Investment Portfolio fell by -7.61%, outperforming the Benchmark Small Ordinaries Accumulation Index (XSOAI) which fell by -9.60%. During the month, the 1Q FY19 fully franked dividend of 1.35 cents per share was declared and is payable on 19 November 2018.

Amongst the market volatility during the month there were a number of early Annual General Meetings (AGMs) held by our portfolio companies as well as a strategic acquisition completed by Over The Wire (ASX: OTW). MNF Group (ASX: MNF) was the clear disappointment from a market reaction perspective, with the shares falling more than 14% following the release of updated guidance for both FY19 and FY20. Clearly the market was disappointed by the \$4 million gross profit drop within the global minutes business, a poorly timed Share Purchase Plan and the announcement of the Telco In A Box (ASX: IAB) acquisition without the release of an expected synergy figure. We believe that over the next 2-3 years the market will re-focus on the significant organic growth that MNF has been able to generate, driven by a clear market trend both domestically and globally to cloud hosted voice services, with the likes of Twilio and Skype continuing to offer new products and services around voice. In our view, the acquisition of IAB makes sound strategic sense as this is a software platform business with a customer base that could be a big beneficiary from the much larger MNF software product offering, together with a network that may release significant synergies over time.

OTW completed two smaller acquisitions with the market reacting positively and sending the stock over 4% higher. Each of the acquisitions support OTW's long term strategy of expanding via geography and/or service to enable them to provide a nationwide service offering across data networks, voice, hosting and managed services ultimately allowing their SME customer base to deal with one point of contact and not four different service providers.

The most notable AGM update came from Motorcycle Holdings (ASX: MTO), which updated the market on year to date trading. New bike sales continue to be under pressure as the industry slows to levels not seen since 1991 and 2008, coupled with Harley Davidson trying to address the replacement of unsuccessful previous models. Pleasingly, the higher margin used bike sales have remained steady and the wholesale Cassons division is also expected to remain steady due to taking share in a slowing market. MTO has very little capex requirements which should lead to excellent cash flow conversion and allow the business to internally fund any potential bolt on acquisitions. Clearly MTO is swimming against the tide, but with the valuation multiple falling by over 45% in 18 months despite the addition of a quality wholesale division, we believe now is the time to accumulate shares in MTO and are further encouraged by a proven and highly aligned management team who have a ~30% equity ownership after starting the business with just one dealership in 1989.

#### INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	3 MONTH	6 MONTH	INCEPTION (NOM.)
NSC Investment Portfolio Performance*	-7.61%	-5.14%	-5.65%	-8.94%
S&P/ASX Small Ordinaries Accumulation Index	-9.60%	-7.67%	-4.22%	-1.27%
<b>Outperformance Relative to Benchmark</b>	<b>+1.99%</b>	<b>+2.53%</b>	<b>-1.43%</b>	<b>-7.67%</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



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



## FY18 DIVIDEND PROFILE (CENTS PER SHARE)

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



## 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)
Over The Wire Limited (ASX: OTW)	+3.26%
Consolidated Operations Group Limited (ASX: COG)	+1.46%
Service Stream Limited (ASX: SSM)	+1.37%
Enero Group Limited (ASX: EGG)	+1.25%
360 Capital Total Return Fund (ASX: TOT)	+0.74%

## KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$175.9 million
Number of Holdings	10 Long Positions
Cash Weighting	4.77%
Convertible Notes on Issue (NSCG)	265,000
Convertible Note Price	\$100.50
Shares on Issue	168,995,806
NSC Directors Shareholding (Ordinary Shares)	1,919,792

## INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS\*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY19	-0.60%	+4.07%	-1.34%	-7.61%								
FY18						+1.11%	-0.93%	-0.57%	+0.25%	-3.35%	-1.16%	+1.24%

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NAOS

## 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 Analyst  
Rachel Folder

Chief Financial/  
Operating Officer  
Richard Preedy

Business Development  
Manager  
Julia Stanistreet

Communications  
& Marketing  
Megan Walker

Distribution &  
Sales Manager  
Scott Hildebrand

## ENQUIRIES

Telephone: (02) 9002 1576  
Email: [enquiries@naos.com.au](mailto:enquiries@naos.com.au)

[www.naos.com.au](http://www.naos.com.au)

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