

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 NOVEMBER 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
\$1.02	\$1.04	\$1.03	\$0.92	(9.80%)	5.68%

MARKET INSIGHT

For the month of November, the NAC Investment Portfolio increased by +1.93%, outperforming the Benchmark S&P/ASX 300 Industrials Accumulation Index which fell by -1.07% over the same period. This brings the inception performance over 4 years to +60.22%, vs. the Benchmark which has returned +24.76%. NAC paid a 1.35 cent per share fully franked dividend during November, which represented the first quarterly dividend payment for FY2019. There were a couple of notable events throughout November with Helloworld (ASX: HLO) holding their Annual General Meeting, Elders (ASX: ELD) announcing their FY2018 results and MNF Group (ASX: MNF) increasing their bid for Telco In A Box (ASX: IAB) following IAB receiving a counterbid from a private consortium. Firstly, HLO held their AGM in mid-November and released commentary that the first quarter had started well and was in line with their expectations. Again, the disclosure from HLO was excellent as they provided revenue and EBITDA figures for the quarter as well as commenting that all segments had recorded EBITDA improvements on the previous corresponding quarter. The business has won over \$50 million in new accounts within the Corporate Travel segment and FY2019 EBITDA guidance remains at \$76-\$80 million.

MNF announced a simplified and slightly increased bid to acquire the Wholesale and Enablement Business from IAB. We believe that this offer from MNF is in line with their strategy of acquiring complementary businesses that can utilise the MNF voice network whilst remaining disciplined on price. Even though the IAB assets represent a logical fit for MNF we believe it is imperative that MNF do not overpay for this acquisition. MNF has a net cash balance sheet, with the ability to reinvest these funds into internal development and other assets, such as those recently acquired in Singapore, which may well deliver higher rates of return than those of IAB depending on the final acquisition price.

Uncertainty surrounding the impact of dry weather conditions on short term earnings led to us exiting our position in ELD during July, we have since monitored the company closely and subsequently re-established a position believing it to be an attractive investment on a risk adjusted basis. ELD delivered a particularly impressive FY2018 result given poor seasonal conditions experienced by the agricultural sector. Elders managed to grow their earnings by +5% over the previous year, with a return on capital of +24.2%, highlighting just how successful the current management team have been in streamlining Elders into a low cost, geographically diversified business. To give some context as to just how difficult the period was, the Australian Bureau of Agricultural & Resource Economics & Sciences reported that to the end of September 2018, 49% of agricultural land in South-Eastern Australia experienced 1 in 20-year drought conditions. Given these extremely difficult conditions, we believe Elders will be well-positioned to use their strong balance sheet to make sensible bolt-on acquisitions at potentially distressed prices. Importantly, Elders FY2020 eight-point plan for 5-10% p.a. growth through the cycle is on track and has been significantly tested in the past 12 months. We remain confident in the Elders management team to deliver on their objectives and drive long term growth for shareholders.


INVESTMENT PORTFOLIO PERFORMANCE


	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	4 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (NOM.)
NAC Investment Portfolio Performance*	+1.93%	-4.56%	+0.22%	+10.71%	+12.36%	+12.35%	+60.22%
S&P/ASX 300 Industrials Accumulation Index	-1.07%	-2.19%	+5.25%	+5.61%	+6.18%	+5.62%	+24.76%
Outperformance Relative to Benchmark	+3.00%	-2.37%	-5.03%	+5.10%	+6.18%	+6.73%	+35.46%

* 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 part performance for the month of November 2014. Returns compounded for periods greater than 12 months.

INVESTMENT BELIEFS


VALUE WITH LONG TERM GROWTH 

QUALITY OVER QUANTITY 

INVEST FOR THE LONG TERM 

PERFORMANCE V LIQUIDITY FOCUS 

IGNORE THE INDEX 

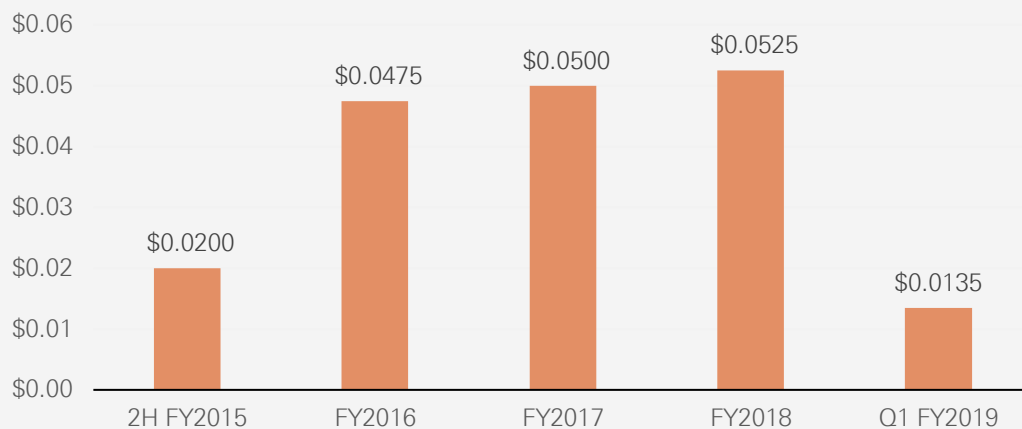
PURE EXPOSURE TO INDUSTRIALS 

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) 

MANAGEMENT ALIGNMENT 

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NAC 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)
BSA Limited (ASX: BSA)	+6.36%
Elders Limited (ASX: ELD)	+5.30%
Service Stream Limited (ASX: SSM)	+5.08%
Event Hospitality & Entertainment Limited (ASX: EVT)	+5.05%
Smartgroup Corporation Limited (ASX: SIQ)	+5.01%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$901 million
Number of Holdings	11 Long Positions, 1 Short Position
Cash Weighting	15.30%
Standard Deviation of Returns (NAC)	10.78%
Standard Deviation of Returns (XKIAI)	11.33%
Downside Deviation (NAC)	5.61%
Downside Deviation (XKIAI)	6.31%
Percentage of Positive Months (NAC)	61%
Percentage of Positive Months (XKIAI)	61%
Shares on Issue	52,536,889
NAC Directors Shareholding (Ordinary Shares)	7,492,433

INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%							
FY18	-0.54%	+0.76%	+1.22%	+2.28%	+6.69%	+3.18%	-0.27%	-1.99%	+0.23%	-2.05%	+0.85%	-0.25%
FY17	+3.81%	+5.01%	+3.84%	-0.22%	-0.63%	-1.98%	+0.35%	-2.56%	+1.48%	-2.78%	-0.11%	+0.65%
FY16	+0.31%	-1.35%	+1.98%	+3.38%	+3.63%	+7.93%	-2.39%	-1.02%	+5.97%	+4.48%	+4.83%	-0.51%
FY15					+0.54%	-1.66%	+2.77%	+0.88%	+2.73%	+0.43%	+4.87%	-1.54%

* 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.



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.

NAOS

OUR TEAM

Chairman

David Rickards (Independent)

Directors

Warwick Evans

Sebastian Evans

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

Distribution &

Sales Manager

Scott Hildebrand

ENQUIRIES

Telephone: (02) 9002 1576

Email: enquiries@naos.com.au

www.naos.com.au