

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
\$0.78	\$0.83	\$0.81	\$0.74	(5.13%)	7.57%

MARKET INSIGHT

For the month of November, the NSC Investment Portfolio fell by -3.04%, compared to the Benchmark Small Ordinaries Accumulation Index (XSOAI) which fell by -0.37%. During November, NSC paid the first quarterly dividend for FY2019, being a 1.35 cent per share fully franked dividend and completed a Dividend Re-Investment Plan (DRP) with all shares acquired on-market, eliminating any dilution for shareholders. The negative performance for November was predominately driven by MotorCycle Holdings (ASX: MTO), which fell by -27% on no company specific news and contributed almost -2% towards the November portfolio return. Clearly the MTO share price is being driven down by market concerns around poor industry sales figures, coupled with poor Harley Davidson sales figures. To gain some perspective, MTO is currently valued at \$117 million excluding its outstanding net debt balance; in October 2017 MTO acquired the Cassons Group, a wholesaler and retailer of motorcycle accessories for \$123 million. MTO stated in late October that Cassons was maintaining its historical profitability, which essentially tells us that the market believes that excluding Cassons, the MTO dealership network of 34 stores is breakeven or even loss making.

November was again a busy month with AGM season wrapping up for CY2019. The most notable AGMs for the NSC investment portfolio were those of Consolidated Operations Group (ASX: COG) and Over The Wire (ASX: OTW), with 360 Total Return Fund (ASX: TOT) also holding its AGM in November. With regard to COG, the major points were that FY2019 guidance remains unchanged, and the annualised Net Asset Finance ('NAF') settled through COG owned platforms is now over \$4.3 billion, well on its way to accounting for close to 20% market share. COG also continues to be in discussions about expanding its in-house product offerings via white label loan products. Ultimately, the key for COG will be leveraging the trusted advisor relationship that its finance brokers have with their end clients. Over time we believe that these customers will look to COG brokers to provide solutions not only around equipment finance but extending into other financing arrangements such as invoice financing, car financing and potentially even into insurance products.

The OTW AGM didn't provide many new insights as they have provided a significant amount of commentary following their two recent acquisitions. The highlight from the AGM was the reaffirming of the 20% annual organic growth in revenue, driven by a customer retention rate of 97.3% in FY2018. This allows OTW to benefit from their customers growth, which drives demand for more services and potentially cross selling opportunities if the end client is satisfied with the OTW service offering. It was telling that OTW disclosed that they have recently hired a COO as well as a Head of People and Culture, focusing on building an engaged and customer centric workplace and improving the customer experience, which should support further revenue growth from OTW's existing client base.


INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	INCEPTION (NOM.)
NSC Investment Portfolio Performance*	-3.04%	-7.44%	-11.71%	-11.71%
S&P/ASX Small Ordinaries Accumulation Index	-0.37%	-7.98%	-1.63%	-1.63%
Outperformance Relative to Benchmark	-2.67%	+0.54%	-10.08%	-10.08%

* 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 

FULLY FRANKED 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)	+3.15%
Consolidated Operations Group Limited (ASX: COG)	+1.43%
Enero Group Limited (ASX: EGG)	+1.35%
Service Stream Limited (ASX: SSM)	+1.33%
360 Capital Total Return Fund (ASX: TOT)	+0.75%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$182 million
Number of Holdings	10 Long Positions
Cash Weighting	0.49%
Convertible Notes on Issue (NSCG)	265,000
Convertible Note Price	\$99.50
Shares on Issue	168,995,806
NSC Directors Shareholding (Ordinary Shares)	1,933,235

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%	-3.04%							
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

Distribution &
Sales Manager
Scott Hildebrand

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Important Information:

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