

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 MARCH 2019

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
\$0.75	\$0.76	\$0.78	\$0.625	(16.67%)	8.80%

MARKET INSIGHT

For the month of March, the NSC Investment Portfolio increased by +1.14%, outperforming the Benchmark S&P/ASX Small Ordinaries Accumulation Index (ASX: XSOAI) which fell by -0.12%. At the end of March, NSC announced its intention to commence an on-market buy-back of up to 10% of its ordinary shares on issue. As the buy-back of shares at a discount is accretive to Net Tangible Assets per share, the Board considers this to be an effective use of the Company's capital and in the interests of all shareholders.

There was only one notable stock specific event within the NSC portfolio in March, with MNF Group (ASX: MNF) announcing the sale of its residential DSL business to Southern Phone. The residential DSL business was a small headwind for the group in 1HFY19 and in our view has presented a significant distraction to investors, away from the core recurring and growing earnings streams out of the domestic and global wholesale divisions. To highlight this value, Bandwidth (US: BAND) a US-based competitor of MNF recently held a number of interviews with their CEO with many of the comments made applicable to MNF. BAND share a very similar customer profile to MNF, and just like MNF in Asia, BAND have started an international expansion plan into the UK and EU which has been driven by customer demand. When comparing the valuation metrics, BAND generates a slightly smaller gross margin than MNF, yet has a market capitalisation of \$2.20 billion, compared to MNF's market capitalisation of \$304 million.

Looking forward, we believe there are several significant catalysts within the NSC portfolio over the coming 6-12 months. Fundamentally, we believe our core positions are significantly undervalued yet we understand a catalyst or catalysts will be required for the share prices to re-rate. Starting with MNF, in our view the catalyst is their ability to prove to the market that their 2H earnings expectations can be achieved, which may well result in the FY20 guidance being too conservative. We will also be looking for additional commentary on the progress of their Singapore operation, and potential expansion into other international geographies driven by customer demand. Secondly, Consolidated Operations Group (ASX: COG) has recently stated that a number of informal and preliminary enquiries have been made to the company and we believe that such interest will only continue to gain momentum as COG's business develops. We will also be looking for COG to launch a white label finance product potentially funded and/or partnered with a major big-4 bank for prime auto loans. Finally, for BSA Group (ASX: BSA) the catalyst we will be looking for is a conclusion of the strategic review of the HVAC Build business, together with potential acquisitions that can leverage the national workforce of BSA by adding capabilities that BSA does not currently offer.

In conclusion, it is worth highlighting the significant outperformers within the Small Ordinaries Index (ASX: XSO) for the month of March. When we look at the leading contributors to the index performance, the top 5 were WiseTech (ASX: WTC), Afterpay (ASX: APT), Saracen Mining (ASX: SAR), Bellamy's (ASX: BAL) and Lynas (ASX: LYC). These five positions added almost +1% to the index performance in the month of March alone, reflecting the fact that hyper-growth and small resources stocks continue to remain firmly in favour.

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	INCEPTION (P.A.)	INCEPTION (NOM.)
NSC Investment Portfolio Performance*	+1.14%	-12.20%	-13.33%	-10.30%	-13.46%
S&P/ASX Small Ordinaries Accumulation Index	-0.12%	-2.83%	+5.78%	+4.57%	+6.12%
Outperformance Relative to Benchmark	+1.26%	-9.37%	-19.11%	-14.87%	-19.58%

* 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)	3.00%
Enero Group Limited (ASX: EGG)	2.73%
Service Stream Limited (ASX: SSM)	1.30%
360 Capital Total Return Fund (ASX: TOT)	0.86%
360 Capital Group (ASX: TGP)	0.37%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$182.5 million
Number of Holdings	10 Long Positions
Cash Weighting	2.14%
Standard Deviation of Returns (NSC)	10.05%
Standard Deviation of Returns (XSOAI)	13.11%
Downside Deviation (NSC)	7.10%
Downside Deviation (XSOAI)	8.45%
Percentage of Positive Months (NSC)	38%
Percentage of Positive Months (XSOAI)	50%
Convertible Notes on Issue (NSCG)	265,000
Convertible Note Price	\$101.50
Shares on Issue	168,995,806
NSC Directors Shareholding (Ordinary Shares)	1,946,477

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%	-3.21%	+4.16%	-3.88%	+1.14%			
FY18						+1.11%	-0.93%	-0.57%	+0.25%	-3.35%	-1.16%	+1.24%

* 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.

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

ENQUIRIES

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Important Information:

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