

### 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
\$1.00	\$1.03	\$1.02	\$0.84	(16.00%)	6.19%

#### MARKET INSIGHT

For the month of March, the NAC Investment Portfolio decreased by -0.10%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (ASX: XKIAl) which increased by +0.42% over the same period. This brings the inception performance over 4 years and 5 months to +60.83%, vs. the benchmark index which has returned +33.99%.

Three new core positions were added to the portfolio in March as the investment team looked to take advantage of significant share price pullbacks across businesses that we have followed for many years, which operate in industries that we believe are conducive to earnings growth. The first of these is Smartgroup Holdings, (ASX: SIQ) which operates within the novated car leasing and salary packaging space, yet importantly without the residual risk of having a significant asset and liability exposure tied to used car prices. The SIQ share price peaked at \$12.83 in August 2018 and had recently fallen to below \$8.00. We believe this weakening in the share price has been affected by two key items: the first being the founder and Managing Director taking long service leave for 6 months, and secondly a slowdown in new car sales. We believe both risks have been overstated with our view being that the Managing Director is committed to SIQ, and secondly most of SIQ's clients are not-for-profits within the healthcare and education sector where the average new car sales price is generally around \$38,000. As these clients operate in defensive industries with a relatively higher degree of job security we believe new car sales trends in this sector, whilst not immune to a slowdown, will be affected to a significantly lesser degree than the wider industry. Trading on a current P/E of less than 13 times and with a free cash flow conversion to NPATA of ~100%, we believe our entry price into SIQ when factoring in potential efficiency gains, acquisitions and dividends will generate a strong total shareholder return over the medium term.

The second new core position is Elders Group (ASX: ELD), which in mid-March announced revised downgraded guidance for FY19 due to the dry conditions experienced across NSW and QLD. Even so, FY19 earnings are expected to be flat, and the business believes that a 5-10% EBIT growth rate from the 2017 result is very achievable. We believe that at these levels the brand and network that Elders has been able to build over many years is being priced on the assumption that drought conditions will remain for many years. With competitor Ruralco (ASX: RHL) receiving a bid from a Canadian suitor at 9 times EBITDA it is clear there is significant long-term value in such networks and brands. We also added Clydesdale Bank (ASX: CYB) to the NAC portfolio during March. After announcing their merger with Virgin Money UK and rebasing earnings assumptions of the two merged entities the CYB share price has fallen from \$6.30 to \$3.20. The CYB management team has previously demonstrated that they can execute on delivering both cost savings and improving product synergies throughout their tenure. We believe this transaction will be no different over the longer term and see significant cost synergies between the two businesses in addition to revenue and funding synergies, that if capitalised on will deliver significant shareholder value.


#### 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*	-0.10%	-5.22%	+1.81%	+7.23%	+11.17%	+11.46%	+60.83%
S&P/ASX 300 Industrials Accumulation Index	+0.42%	+8.26%	+4.04%	+8.27%	+4.36%	+6.91%	+33.99%
<b>Outperformance Relative to Benchmark</b>	<b>-0.52%</b>	<b>-13.48%</b>	<b>-2.23%</b>	<b>-1.04%</b>	<b>+6.81%</b>	<b>+4.55%</b>	<b>+26.84%</b>

\* 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)
Service Stream Limited (ASX: SSM)	6.65%
BSA Limited (ASX: BSA)	6.41%
My Net Fone Limited (ASX: MNF)	6.02%
People Infrastructure Limited (ASX: PPE)	5.94%
Event Hospitality & Entertainment Limited (ASX: EVT)	5.10%

## KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$623.3 million
Number of Holdings	11 Long Positions, 1 Short Position
Cash Weighting	16.01%
Standard Deviation of Returns (NAC)	10.90%
Standard Deviation of Returns (XKIAI)	11.25%
Downside Deviation (NAC)	5.72%
Downside Deviation (XKIAI)	6.14%
Percentage of Positive Months (NAC)	60%
Percentage of Positive Months (XKIAI)	62%
Shares on Issue	52,536,889
NAC Directors Shareholding (Ordinary Shares)	7,508,999

## 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%	-4.57%	+5.20%	+0.10%	-0.10%			
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%

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### Important Information:

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NAOS

## OUR TEAM

### Chairman

David Rickards (Independent)

### Directors

Warwick Evans

Sebastian Evans

Sarah Williams (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

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