

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 MAY 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
\$0.99	\$1.01	\$1.01	\$0.87	(12.12%)	5.98%

The above NTA figures include the 1.35 cents per share fully franked Q3 FY19 dividend, which went ex-dividend on 3 June 2019 and will be paid on 18 June 2019.


#### MARKET INSIGHT


For the month of May the NAC Investment Portfolio fell by -4.74%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (ASX: XKIAl) which increased by +1.85%. This brings the inception performance over 4 years and 7 months to +58.79% on a total return basis, vs. the benchmark index which has returned +41.63%. There were several notable events in May with updates from Elders Group (ASX: ELD), Costa Group (ASX: CGC) and MNF Group (ASX: MNF). The underperformance is extremely disappointing, and even more so considering all the performance gained in April has been given back. The major detractors for the month were MNF, CYB and CGC, these three positions made up almost all of the total negative return. At the end of May, NAC 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.

Frustratingly, MNF Group (ASX: MNF) fell by almost 15% and contributed approximately -3% of the portfolio's negative performance. What made this even harder to understand was that MNF released an updated investor presentation for their US roadshow which they completed at the beginning of May, within which the guidance for FY19 and FY20 was reiterated. Pleasingly, MNF also provided much improved disclosure regarding the industry dynamics around Communication Platform as a Service (CPaaS) and how this dynamic is driving significant recurring gross margin growth in MNF's business, which we believe will be >80% in FY20. Trading on a forecast FY20 NPATA multiple of 15 times, we firmly believe MNF could trade closer to 22 times or higher once the organic growth of the business is appreciated by the market. Secondly, Costa Group (ASX: CGC) updated the market at their AGM, announcing their second downgrade of the year and sending the stock down by over -25%. Thankfully, our long position in CGC was sold out a week prior to this downgrade, although the share price had still fallen over the course of the month. We exited the position as in our view, the downside risks outweighed the potential reward, especially considering some of the negative commentary from a number of unlisted industry peers. We still believe that CGC has a sound long-term strategy with a clear competitive advantage, but we were surprised about the number of issues that have presented themselves over the last 30 days and we will remain on the sidelines until the valuation multiple compensates for this. Finally, UK based bank CYBG (ASX: CYB) announced their half year results, which beat market expectations on a number of metrics. Despite this, the stock has fallen from a high of \$4.00 in late April to \$3.34 at the end of May, mainly due to the significant uncertainty regarding Brexit, which has again heightened with the impending resignation of Theresa May, and pro-Brexit advocate Boris Johnson leading the race to replace her. Even so, we believe that CYB has a number of levers to pull regardless of the ongoing Brexit uncertainty, with potential cost synergies from the recent merger with Virgin Money, as well as revenue synergies around new account and product offerings through the combined group.

#### 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 

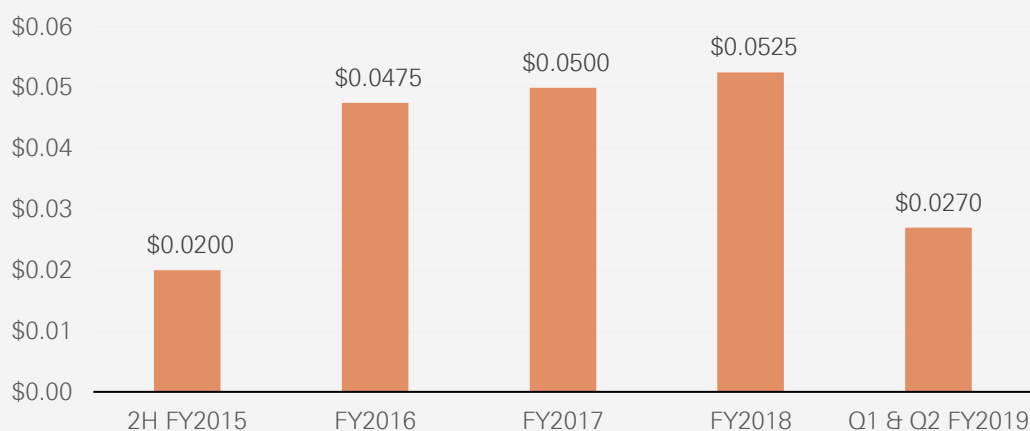
#### INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	4 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NAC Investment Portfolio Performance*	-4.74%	-5.27%	+2.66%	+3.58%	+9.38%	+10.70%	+58.79%
S&P/ASX 300 Industrials Accumulation Index	+1.85%	+10.76%	+8.07%	+8.13%	+6.44%	+7.95%	+41.63%
Performance Relative to Benchmark	-6.59%	-16.03%	-5.41%	-4.55%	+2.94%	+2.75%	+17.16%

\* 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 Total Return) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months.

## 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)
People Infrastructure Limited (ASX: PPE)	7.57%
Service Stream Limited (ASX: SSM)	6.55%
BSA Limited (ASX: BSA)	6.31%
Elders Limited (ASX:ELD)	5.53%
Event Hospitality & Entertainment Limited (ASX: EVT)	5.02%

## KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$716.8 million
Number of Holdings	11 Long Positions, 1 Short Position
Cash Weighting	11.27%
Standard Deviation of Returns (NAC)	11.10%
Standard Deviation of Returns (XKIAI)	11.16%
Downside Deviation (NAC)	5.93%
Downside Deviation (XKIAI)	6.07%
Percentage of Positive Months (NAC)	60%
Percentage of Positive Months (XKIAI)	64%
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%	+3.65%	-4.74%	
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

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### 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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Julia Stanistreet

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