

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 AUGUST 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 |
|-------------|---|--------------|-------------|--------------------------------------|------------------------------|
| \$1.08      | \$1.10                                  | \$1.07       | \$0.85      | (21.30%)                             | 6.18%                        |


The above NTA figures include the 1.20 cents per share fully franked FY19 final quarterly dividend, which went ex-dividend on 2 September 2019 and will be paid on 16 September 2019.


#### MARKET INSIGHT


For the month of August, the NAC Investment Portfolio increased by +8.14%, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (ASX: XKIAl) which decreased by -0.96%. This brings the inception performance over 4 years and 10 months to +76.53% on a total return basis, outperforming the benchmark index which has returned +49.40%. As August brought with it FY19 reporting season there were a number of significant movements, that pleasingly were mostly positive. The standout performer was MNF Group (ASX: MNF), which made a significant positive contribution to the portfolio performance as the share price increased by over 35% for the month, together with Smartgroup (ASX: SIQ) which finished the month up almost 20% and AP Eagers (ASX: APE) which finished up over 10%.

#### 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 MONTHLY AND FY RETURNS\*

|      | JUL    | AUG    | SEP    | OCT     | NOV    | DEC    | JAN    | FEB    | MAR    | APR    | MAY    | JUN    | FY Total Return |
|------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------|
| FY20 | +0.50% | +8.14% |        |         |        |        |        |        |        |        |        |        |                 |
| FY19 | +0.24% | +6.23% | -1.46% | -10.41% | +1.93% | -4.57% | +5.20% | +0.10% | -0.10% | +3.65% | -4.74% | +2.29% | -2.86%          |
| 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% | +10.25%         |
| 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% | +6.69%          |
| 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% | +30.16%         |
| FY15 |        |        |        |         | +0.54% | -1.66% | +2.77% | +0.88% | +2.73% | +0.43% | +4.87% | -1.54% | +9.21%          |

\* 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.

MNF provided a sound result which met guidance and also provided an update to its FY20 guidance which was re-affirmed at the EBITDA level. Clearly, after recent underwhelming results the market was sceptical as to what sort of result MNF would deliver, and any resultant effect on the FY20 guidance. Importantly, management provided much greater transparency and disclosure around the core business drivers which we believe has resulted in a change in investor mentality on how MNF should be valued and what the customer proposition is. Examples include stating the recurring level of gross profit both in FY19 and previous years, together with clear and concise examples of customer uses, and greater disclosure around the end clients, being Microsoft, Skype, Google and Uber just to name a few. Finally, the management team also provided clarity around the total customer retention rate and also what the opportunity for MNF to expand into South East Asia looks like over the long term.

#### FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NAC aims to deliver shareholders a sustainable growing stream of fully franked quarterly dividends.



## MARKET INSIGHT CONTINUED

With an FY20 valuation under 12 times EV/EBITDA, and with significant cash flow generation to organically fund its offshore growth, we continue to believe MNF has significant upside potential both in the short and long term.

Secondly, SIQ provided a solid half year result that highlighted the company's resilience and demonstrated that the company can grow even with the backdrop of significant industry headwinds. Profit increased 5% for the half-year, which led to the shares re-rating positively by 20% in the month of August. This was a pleasing, clean result that provided the market with sound organic growth, very strong cash flow, a conservatively geared balance sheet and the potential to grow earnings over the long-term through cross-selling opportunities and bolt-on acquisitions. SIQ remains a solid and well managed business, though with a profit multiple for CY20 approaching 17 times any significant share price gains will be harder to come by in the near future.

Finally, AP Eagers Ltd (ASX: APE) released their half year results, reporting that profit for the half grew by 1.8% in a market where new car sales fell by 8.4% versus the same period last year. The merger with Automotive Holdings Group (ASX: AHG) remains on track, with targeted synergies now forecast to be \$30 million within 12 months. A significant revenue growth opportunity is the NSW and VIC market, which represents 60% of the national market but will be the smallest part of the merged co portfolio. As mentioned previously, we believe APE has historically been under-owned but post the merger in our view it will be a candidate for inclusion in the ASX-200.

## 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) |
|--|-------------------------------|
| MNF Group Limited (ASX: MNF)             | 11.62%                        |
| People Infrastructure Limited (ASX: PPE) | 11.55%                        |
| Service Stream Limited (ASX: SSM)        | 7.20%                         |
| BSA Limited (ASX: BSA)                   | 6.94%                         |
| Smartgroup Corporation (ASX: SIQ)        | 6.46%                         |

## 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*      | +8.14%        | -0.85%        | +7.78%         | +4.45%         | +13.05%        | +12.57%          | +76.53%                  |
| S&P/ASX 300 Industrials Accumulation Index | -0.96%        | +8.30%        | +11.24%        | +9.69%         | +9.89%         | +8.72%           | +49.40%                  |
| <b>Performance Relative to Benchmark</b>   | <b>+9.10%</b> | <b>-9.15%</b> | <b>-3.46%</b>  | <b>-5.24%</b>  | <b>+3.16%</b>  | <b>+3.85%</b>    | <b>+27.13%</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 Total Return) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months.

## KEY METRICS – SUMMARY DATA

|   |  |
|---|--|
| Weighted Average Market Capitalisation of the Investments | \$379.6 million                        |
| Number of Holdings  | 9 Long Positions and 0 Short Positions |
| Cash Weighting  | 16.29%                                 |
| Standard Deviation of Returns (NAC)                       | 11.31%                                 |
| Standard Deviation of Returns (XKIAI)                     | 11.01%                                 |
| Downside Deviation (NAC)                                  | 5.81%                                  |
| Downside Deviation (XKIAI)                                | 5.95%                                  |
| Percentage of Positive Months (NAC)                       | 62%                                    |
| Percentage of Positive Months (XKIAI)                     | 64%                                    |
| Shares on Issue   | 51,456,353                             |
| NAC Directors Shareholding (Ordinary Shares)              | 7,526,514                              |

## OUR TEAM

### Chairman

David Rickards (Independent)

### Directors

Warwick Evans

Sebastian Evans

Sarah Williams (Independent)

### Chief Investment Officer

Sebastian Evans

### Portfolio Managers

Robert Miller

Ben Rundle

### Investment Analyst

Rachel Cole

### Chief Financial/

### Operating Officer

Richard Preedy

### Business Development

### Manager

Julia Stanistreet

### Compliance Officer

Julie Coventry

## ENQUIRES

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