

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 SEPTEMBER 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
\$1.17	\$1.17	\$1.17	\$1.07	(8.55%)	6.78%

The above NTA figures include the 3.50 cents per share fully franked FY19 final dividend, which went ex-dividend on 7 October 2019 and will be paid on 23 October 2019

#### MARKET INSIGHT

For the month of September, the Investment Portfolio returned +6.56%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by +2.61%. This brings the inception return over the past 6 years and 8 months to +13.27% p.a. or +127.30% on a total return basis, outperforming the XSOAI which has increased by +6.44% p.a. or +50.91% over the same period. September was again a busy month as many investors were still digesting FY19 results. In respect of the NCC investment portfolio there were two notable events, the first being from CML Group (ASX: CGR) which acquired an unlisted business to strengthen its product offering, and the second being the inclusion of Eureka Group (ASX: EGH) as a new core investment within the portfolio.

#### 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 RETURNS\*

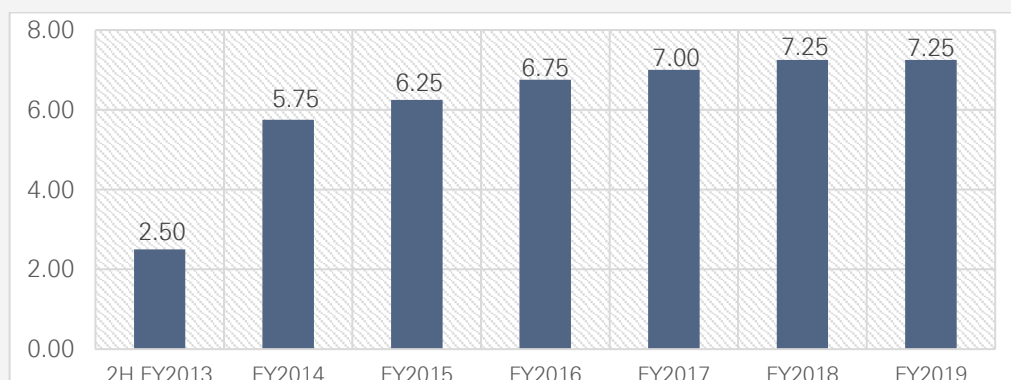
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
<b>FY20</b>	+6.85%	+2.86%	+6.56%										
<b>FY19</b>	-2.42%	+3.94%	+2.88%	-6.09%	-6.12%	-2.92%	-0.24%	+4.96%	-1.80%	-3.54%	-1.43%	+0.20%	-12.51%
<b>FY18</b>	+3.43%	+4.94%	-1.24%	+2.32%	+2.39%	+0.14%	-0.77%	-1.52%	+0.43%	-1.49%	-1.89%	+0.44%	+7.13%
<b>FY17</b>	+4.63%	+6.48%	+3.65%	-0.49%	-0.45%	+1.92%	+0.08%	-1.93%	+0.82%	-3.69%	+0.70%	+0.44%	+12.39%
<b>FY16</b>	+2.28%	-5.77%	+0.86%	+3.72%	+1.10%	+4.56%	-3.26%	+4.96%	+1.57%	+4.67%	+5.31%	+2.97%	+24.77%
<b>FY15</b>	+2.30%	+3.58%	-1.51%	-2.39%	+0.58%	+0.46%	+0.58%	+2.81%	-2.59%	-0.18%	+2.37%	-4.27%	+1.43%
<b>FY14</b>	+9.19%	+7.64%	+2.80%	+5.11%	-4.84%	-3.57%	+4.76%	+3.87%	+2.91%	-0.70%	+0.85%	+0.67%	+31.54%
<b>FY13</b>								+0.03%	+3.81%	+3.03%	+4.48%	-0.99%	+10.67%

\*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.

CGR announced the acquisition of unlisted diversified financial services company Classic Funding Group (CFG), for approximately \$11 million. We believe this is a sound and low risk acquisition for several reasons. CFG has been operating for over 25 years and has a history of strict credit criteria which has led to very low client default rates. The CFG product offering is predominantly within equipment finance, as well as invoice discounting. These two product lines are the smallest revenue drivers within the CGR business, but importantly in our view the ones with the largest market potential over the long term. The acquisition also brings with it two warehouse financing facilities with a major Australian bank, which provides CGR with the funding capacity to grow, and benefit from a low cost of funds. We believe CGR is now trading on a P/E of less than 9 times based on FY20 earnings expectations.

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

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



## MARKET INSIGHT CONTINUED

Secondly, EGH was added as a new core investment within the NCC investment portfolio, the first new core investment that has been added in over 18 months. EGH is a provider of quality and affordable accommodation for seniors, and owns or manages approximately 2,000 units predominantly across the eastern seaboard of Australia. Unlike aged care providers, EGH offers its rental units through a standard rental agreement and falls under the regulations of the Residential Tenancies Act. Essentially, EGH holds a property portfolio and then leases units to seniors who wish to downsize from their current residence, but do not need the support of an aged care facility. It is essential that the management of EGH provide a quality offering, which can include fresh meals, organised activities, a secure environment and most importantly a community feel where tenants can socialise with other tenants. The stated net tangible asset backing (NTA) of EGH is approximately \$0.35 per share based on a cap rate of over 10%. We believe this is overly conservative, especially if the revitalised management team can improve the occupancy levels of the portfolio and the overall service offering. Over the longer term there is significant potential for EGH to acquire bolt-on properties to diversify its geographic spread in what is a highly fragmented industry with no major players in the rental space (as opposed to the deferred management fee offering). Between the current dividend yield, discount to NTA and earnings growth opportunities over the long term we believe EGH presents an attractive risk-adjusted investment.

## STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, February 2013. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
BSA Limited (ASX: BSA)	31.71%
Enero Group Limited (ASX: EGG)	15.82%
Calliden Group Limited (ASX: CIX)	15.66%
Capitol Health Limited (ASX: CAJ)	15.22%
Consolidated Operations Group Limited (ASX: COG)	10.72%

## INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	6 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NCC Investment Portfolio Performance*	+6.56%	-1.80%	+2.23%	+8.39%	+9.25%	+13.27%	+127.30%
S&P/ASX Small Ordinaries Accumulation Index	+2.61%	+3.95%	+8.81%	+9.61%	+7.93%	+6.44%	+50.91%
<b>Performance Relative to Benchmark</b>	<b>+3.95%</b>	<b>-5.75%</b>	<b>-6.58%</b>	<b>-1.22%</b>	<b>+1.32%</b>	<b>+6.83%</b>	<b>+76.39%</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 February 2013. Returns compounded for periods greater than 12 months.

## KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$97.3 million
Number of Holdings	10 Long Positions
Cash Weighting	2.20%
Standard Deviation of Returns (NCC)	11.42%
Standard Deviation of Returns (XSOAI)	13.19%
Downside Deviation (NCC)	5.38%
Downside Deviation (XSOAI)	7.26%
Percentage of Positive Months (NCC)	65%
Percentage of Positive Months (XSOAI)	57%
Shares on Issue	60,328,814
NCC Directors Shareholding (Ordinary Shares)	4,140,992

## 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

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