

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 OCTOBER 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	\$1.09	\$1.10	\$1.07	(0.93%)	6.78%

MARKET INSIGHT

For the month of October, the Investment Portfolio returned -3.56%, underperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which produced a negative return of -0.50%. This brings the inception return over the past 6 years and 9 months to +12.48% p.a. or +119.21% on a total return basis, outperforming the XSOAI which has increased by +6.28% p.a. or +50.15% over the same period. October was a much a quieter month for the investment portfolio though there were meaningful updates from Enero Group (ASX: EGG), Eureka Group (ASX: EGH), Saunders International (ASX: SND) and Wingara Ag (ASX: WNR). From a contribution perspective BTC Health (ASX: BTC), BSA Group (ASX: BSA), Wingara Ag and CML Group (ASX: CGR) had a cumulative negative contribution of approximately -4% on no significant news flow.

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*

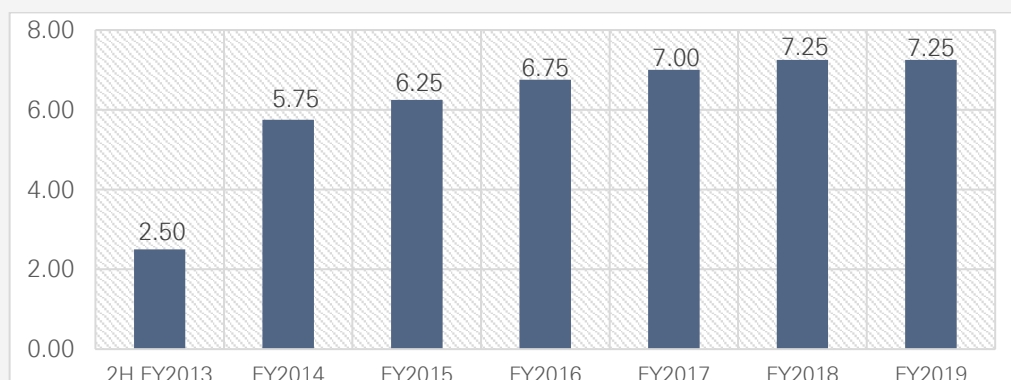
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
FY20	+6.85%	+2.86%	+6.56%	-3.56%									
FY19	-2.42%	+3.94%	+2.88%	-6.09%	-6.12%	-2.92%	-0.24%	+4.96%	-1.80%	-3.54%	-1.43%	+0.20%	-12.51%
FY18	+3.43%	+4.94%	-1.24%	+2.32%	+2.39%	+0.14%	-0.77%	-1.52%	+0.43%	-1.49%	-1.89%	+0.44%	+7.13%
FY17	+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%
FY16	+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%
FY15	+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%
FY14	+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%
FY13								+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.

SND was the first NCC investment to hold their Annual General Meeting (AGM), and pleasingly the tone of the presentation was more upbeat than previous years. Over the past two years SND has been a significant detractor to the performance of the NCC investment portfolio but we firmly believe that it has the potential to be one of the top performers over the medium term, and in our view the AGM commentary goes some way to confirming this view. The guidance provided was positive, with the business focused on returning to profitability in FY20. Pleasingly the order book is the highest it has been, despite the storage tank construction business not having a significant order. Over the past two years the business has expanded into new sectors such as plant maintenance and shutdown work for the industrial sector as well as significant expansion into the defence sector. It is also worthwhile pointing out that SND's largest global competitor, McDermott's (NYSE: MDR), has

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



MARKET INSIGHT CONTINUED

recently run into business issues that we believe will make it hard for them to tender on new work due to their financial liabilities, which in theory should provide a much more benign industry structure and lead to more normalised margins. Secondly, EGH held their AGM where they provided an update for the full year earnings outlook. It was pleasing to see that the management team have already been delivering on increasing occupancy, from 91% at 30 June, to 93% at the end of September. Non-core assets continue to be sold in line with the strategy to recycle capital into growth, with EGH stating that they will begin making acquisitions in the second half of the year. Guidance was provided for full year EBITDA of circa \$8m which allows for investment into marketing and IT in 2H, which ought to flow through to earnings in subsequent periods. In our view, EGH remains an attractive investment opportunity through a combination of industry tailwinds, capital recycling and asset turnaround, whilst being priced below net tangible assets. Finally, EGG provided a general trading update at their AGM which stated that Q1 FY20 had started well and was in line with the prior reporting period. We believe this a sound outcome and that EGG is well placed to grow out its client list which includes the likes of Pinterest and Adobe, as well as providing growth through internally funded acquisitions.

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)	29.22%
Enero Group Limited (ASX: EGG)	15.70%
Calliden Group Limited (ASX: CIX)	15.10%
Capitol Health Limited (ASX: CAJ)	14.68%
Consolidated Operations Group Limited (ASX: COG)	10.78%

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*	-3.56%	+0.84%	+1.17%	+8.13%	+7.69%	+12.48%	+119.21%
S&P/ASX Small Ordinaries Accumulation Index	-0.50%	+14.41%	+10.39%	+9.62%	+7.36%	+6.28%	+50.15%
Performance Relative to Benchmark	-3.06%	-13.57%	-9.22%	-1.49%	+0.33%	+6.20%	+69.06%

* 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	\$94.9 million
Number of Holdings	10 Long Positions
Cash Weighting	2.90%
Standard Deviation of Returns (NCC)	11.49%
Standard Deviation of Returns (XSOAI)	13.11%
Downside Deviation (NCC)	5.45%
Downside Deviation (XSOAI)	7.22%
Percentage of Positive Months (NCC)	64%
Percentage of Positive Months (XSOAI)	56%
Shares on Issue	60,998,931
NCC Directors Shareholding (Ordinary Shares)	4,205,147

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

ENQUIRIES

Telephone: (02) 9002 1576
Email: enquiries@naos.com.au

www.naos.com.au



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