

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 NOVEMBER 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	\$1.18	\$1.13	\$0.96	(17.95%)	5.47%

MARKET INSIGHT

For the month of November, the NAC Investment Portfolio increased by +0.98%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (ASX: XKIAl) which increased by +2.83%. This brings the inception performance to +93.77% on a total return basis, outperforming the benchmark index which has returned +56.05% over the same period. At the end of the month the investment portfolio was made up of 9 long positions and 1 short position with a cash weighting of 6.70%, and the weighted average market capitalisation of the investments was \$369.3 million. There were three significant positive contributors with Objective Group (ASX: OCL) leading the way, finishing up over +30% for the month. There was only one major negative contributor to portfolio performance being MNF Group (ASX: MNF), which fell by close to -7% after the company raised \$50 million at \$5.00 per share. It was a busy month for company announcements with OCL, Moelis Australia (ASX: MOE) and People Infrastructure (ASX: PPE) all providing meaningful updates.

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%	+6.58%	+1.99%	+0.98%								+19.29%
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.

MOE announced two key pieces of news for the month, both of which we view positively for the company. The first was that a Moelis managed investment vehicle, fully capitalised by Singapore Exchange listed SPH REIT, acquired a 50% interest in the Westfield Marion Shopping Centre in South Australia for \$670m. In our view, the transaction highlights the ability for Moelis to attract institutional mandates which we believe will assist in significantly growing their funds under management over the longer term. Separately, Moelis also announced that they had entered into an exclusivity agreement to acquire the Beach Hotel in Byron Bay for slightly above \$100m. The two acquisitions take total funds under management to slightly under \$5 billion and give us confidence in Moelis' ability to grow their asset management business which we view as the most attractive part of the business, as it provides the most stable earnings stream.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



MARKET INSIGHT CONTINUED

People Infrastructure (ASX: PPE) held their Annual General Meeting (AGM) during the month, and whilst no quantitative guidance was provided for FY20, the company did highlight where they expect to grow their business over the next 3 years. We expect PPE to gain market share in their key verticals of IT & Disability as well as growing their offering and regional footprint in both aged care and home care, in addition to their existing hospital business. The company noted that the recent acquisitions they have made are integrating well into the core business, and the recent investment in systems is expected to begin to generate cost savings across the group. Given the track record of successful acquisitions by the management team, we feel comfortable with their ability to continue this capital allocation strategy going forward. In a further encouraging sign, we note that the Chairman of PPE bought shares on market for the second month in a row. At Naos we value management alignment highly, so these purchases are pleasing to see.

Finally, OCL held their AGM towards the end of the month. Within the detailed presentation the company released three key points in our view. Firstly, there was more commentary around the potential for a significant acquisition, which could be funded by the significant net cash balance or via debt. Secondly the company stated that material profit and revenue growth is expected in FY20, and thirdly that R&D spend is set to increase to 20% of revenue which we believe is a positive sign that significant potential exists for the OCL software stack to continue to grow amongst its existing client base.

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, November 2014. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
MNF Group Limited (ASX: MNF)	13.02%
People Infrastructure Limited (ASX: PPE)	12.03%
Service Stream Limited (ASX: SSM)	7.78%
BSA Limited (ASX: BSA)	7.50%
Smartgroup Corporation (ASX: SIQ)	6.98%

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*	+0.98%	+20.94%	+7.44%	+6.70%	+13.19%	+14.00%	+93.77%
S&P/ASX 300 Industrials Accumulation Index	+2.83%	+25.08%	+10.62%	+11.49%	+10.17%	+9.22%	+56.05%
Performance Relative to Benchmark	-1.85%	-4.14%	-3.18%	-4.79%	+3.02%	+4.78%	+37.72%

* 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	\$369.3 million
Number of Holdings	9 Long Positions and 1 Short Position
Cash Weighting	6.70%
Standard Deviation of Returns (NAC)	11.30%
Standard Deviation of Returns (XKIAI)	10.79%
Downside Deviation (NAC)	5.69%
Downside Deviation (XKIAI)	5.84%
Percentage of Positive Months (NAC)	64%
Percentage of Positive Months (XKIAI)	64%
Shares on Issue	49,567,803
NAC Directors Shareholding (Ordinary Shares)	7,909,860

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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