

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 DECEMBER 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
\$0.85	\$0.87	\$0.85	\$0.755	(11.18%)	5.30%

MARKET INSIGHT

For the month of December, the NSC Investment Portfolio produced a negative return of -0.57%, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which fell by -0.29%. As at the end of December the Investment Portfolio was made up of 9 long positions, with a portfolio weighted average market capitalisation of \$192.6 million. In what is usually considered a low news flow month there were a number of significant announcements made from some of the companies held within the NSC Investment Portfolio, including Eureka Group (ASX: EGH), Eneko Group (ASX: EGG), Experience Co (ASX: EXP) and Consolidated Operations Group (ASX: COG).

INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
FY20	-0.18%	+12.91%	+8.10%	+0.17%	-1.80%	-0.57%							+19.16%
FY19	-0.60%	+4.07%	-1.34%	-7.61%	-3.04%	-3.21%	+4.16%	-3.88%	+1.14%	+0.69%	-5.17%	+1.33%	-13.29%
FY18						+1.11%	-0.93%	-0.57%	+0.25%	-3.35%	-1.16%	+1.24%	-3.44%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders.

Firstly, EGH announced the acquisition of an independent seniors rental accommodation facility with 124 units located in Bundaberg, Queensland. To put this in context this is the first acquisition that the new management team has made and the first one the Company has made in close to 2 years. Based on metrics of similar facilities we believe the acquisition should increase the EBITDA of EGH by over 15% with the potential to further increase this over time. We believe this implies the property was acquired on a cap rate of circa 10% which looks very attractive when you consider the demographics of the tenants and their source of income. Longer term we believe there is potential for EGH to acquire similar facilities as there is little competition within a highly fragmented industry structure.

Secondly, EGG announced that its CEO Matthew Melhuish will resign at the end of March 2020. This is a significant loss for the group as Matt has been part of EGG for over 8 years and has led a highly successful turnaround of the business. Even so we remain very positive on the outlook for the Company as EGG is a holding company for a number of key public relations and communications businesses (such as Hotwire PR and Orchard Communications) that each have their own highly regarded management teams. Importantly the Eneko businesses are not only acquiring market share but their customers (which includes the likes of Facebook, Adobe and Aldi) are growing significantly and therefore creating more opportunities for their current service providers.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



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



MARKET INSIGHT CONTINUED

Experience Co (ASX: EXP), a recent addition to the NSC portfolio, made an expected but still significant announcement, being the sale of the non-core helicopter operation out of North Queensland for \$17.50 million. This catalyst has been well flagged but even so it is comforting to see the relatively new management team execute on their strategy and achieve a credible outcome. From a financial perspective this provides a number of positive outcomes; the sale proceeds can be used to repay the majority of EXP's debt, the high capex requirement of these assets is now removed which increases free cash flow generation, and the profit and loss statement will no longer attract a significant depreciation charge. The short-term outlook for the business remains subdued mainly due to events largely out of EXP's control (i.e. smoke haze in key drop areas) but we firmly believe the management team has the ability to extract a significant amount of earnings out of the existing asset base before any complementary further expansion is even considered.

Finally, COG announced that its merger partner CML Group (ASX: CGR) has received a conditional, non-binding, indicative offer from Scottish Pacific for the entire business at \$0.60 per CGR share, being \$0.57 per share and a \$0.03 per share special dividend. It is still early days but if this potential takeover bid is successful it will be a disappointing outcome for COG considering the significant cost and revenue synergies that the CGR and COG merger may potentially generate. Even so, with \$20 million of equity already raised by COG this gives them ample financial capability to continue to acquire broking businesses and build market share.

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, December 2017. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
Enero Group Limited (ASX: EGG)	6.20%
Broadcast Services Australia Limited (ASX: BSA)	3.96%
Over The Wire Holdings Limited (ASX: OTW)	2.69%
Eureka Group Holdings Limited (ASX: EGH)	1.45%
Service Stream Limited (ASX: SSM)	1.45%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	INCEPTION (P.A.)	INCEPTION (Total Return)
NSC Investment Portfolio Performance*	-0.57%	+19.16%	+16.75%	-0.11%	-0.23%
S&P/ASX Small Ordinaries Accumulation Index	-0.29%	+3.89%	+21.36%	+6.66%	+14.39%
Performance Relative to Benchmark	-0.28%	+15.27%	-4.61%	-6.77%	-14.62%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders. Inception performance (P.A. and Total Return) is from 1 December 2017.

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$192.6 million
Number of Holdings	9 Long Positions
Cash Weighting	4.50%
Standard Deviation of Returns (NSC)	14.05%
Standard Deviation of Returns (XSOAI)	11.74%
Downside Deviation (NSC)	6.71%
Downside Deviation (XSOAI)	7.25%
Percentage of Positive Months (NSC)	44%
Percentage of Positive Months (XSOAI)	52%
Shares on Issue	161,319,859
NSC Directors Shareholding (Ordinary Shares)	2,078,554

OUR TEAM

Chairman

Trevor Carroll (Independent)

Directors

Warwick Evans

Sebastian Evans

David Rickards (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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