

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 29 FEBRUARY 2020

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
\$1.14	\$1.14	\$1.14	\$0.995	(12.72%)	7.29%


The above NTA figures are inclusive of the 3.75 cents per share fully franked FY20 interim dividend, which has an ex-dividend date of 16 March 2020 and a payment date of 31 March 2020.


MARKET INSIGHT

For the month of February, the Investment Portfolio produced a negative return of -8.57%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which fell by -8.68%. This brings the inception return to +12.75% p.a. or +131.77% on a total return basis, outperforming the XSOAI which has increased by +5.29% p.a. or +43.54% over the same period. February is normally a highly eventful month with interim reporting for many companies, however this February was overshadowed by the developing situation arising from COVID-19, also known as Coronavirus, and its impact on world markets. This effectively meant reporting season was put to one side as investors globally tried to better understand the short- and medium-term impacts of the virus outbreak. From a reporting standpoint, we were pleased with how the majority of our investments reported, with no single investment releasing results that provided a significant negative surprise. From a contribution perspective there was just one holding that generated a positive return with four positions each delivering a negative contribution of over -1%, impacted by the flight to liquidity and short-term uncertainty. Importantly all four of these positions are cash flow positive, and three of them have net cash balance sheets which we believe positions them well to navigate the headwinds of a more prolonged economic slowdown. This applies across the entire NCC Investment Portfolio as in our view all portfolio positions have strong business models with well-funded balance sheets, operating in sound industries, and all bar 1 are profitable, allowing them to withstand potentially challenging times in the domestic and global economy.

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%	-0.04%	+4.11%	+11.11%	-8.57%					+19.42%
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.

After a stellar month in January, Saunders International (ASX: SND) delivered further positive news in February. Following the signing of two major contracts in January, SND signed a further two contracts in February as well as releasing a financial report that saw EBITDA margins move back to >5%, even off the back of very low revenue growth. SND now has an order book value in excess of \$117 million.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)



MARKET INSIGHT CONTINUED

We believe with a much-improved cost base and operational structure SND has the ability to grow revenue from circa \$50-\$60 million to closer to \$100 million, and increase margins from the recently announced 5% to a figure closer to 8%.

Other notable half-year updates from two core holdings within the NCC Investment Portfolio were as follows:

Big River Industries (ASX: BRI) continued to grow gross margin (as they have for 6 consecutive halves) in what has been a challenging market. BRI reported a like-for-like sales decrease of 3%, with estimates having the entire market down 6%. The recent New Zealand acquisition highlights the opportunity for BRI to manufacture high margin and unique products and sell them through their distribution network (similar to the Reece Limited (ASX: REH) business model). Consolidation remains a significant opportunity with 100's of building distribution-related businesses around Australia where business owners have few options for succession.

BSA Limited (ASX: BSA) delivered a strong result with revenue on track to be ~\$500 million even after taking into account the lost revenue following the sale of BSA Build. No one-off costs were reported in the half-year results, although it is worth noting \$1.5 million of expenses within EBITDA were due to legal fees and other non-recurring items. The BSA Maintain business also saw significant investment which reduced overall margins. The balance sheet remains healthy with ~\$15 million in net cash, and all three business segments are expected to provide continued revenue growth.

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)	28.76%
Calliden Group Limited (ASX: CIX)	15.84%
Capitol Health Limited (ASX: CAJ)	15.40%
CML Group Limited	13.00%
Enero Group Limited (ASX: EGG)	12.94%

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*	-8.57%	+11.74%	+3.20%	+8.38%	+8.72%	+12.75%	+131.77%
S&P/ASX Small Ordinaries Accumulation Index	-8.68%	+1.64%	+8.31%	+7.43%	+6.69%	+5.29%	+43.54%
Performance Relative to Benchmark	+0.11%	+10.10%	-5.11%	+0.95%	+2.03%	+7.46%	+88.23%

* 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	\$87.1 million
Number of Holdings	12 Long Positions
Cash Weighting	1.10%
Standard Deviation of Returns (NCC)	12.44%
Standard Deviation of Returns (XSOAI)	13.31%
Downside Deviation (NCC)	6.08%
Downside Deviation (XSOAI)	7.62%
Percentage of Positive Months (NCC)	63%
Percentage of Positive Months (XSOAI)	56%
Shares on Issue	61,758,973
NCC Directors Shareholding (Ordinary Shares)	4,226,684
NCC Options Closing Price (ASX: NCCOB)	\$0.081

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

Chief Financial/
Operating Officer
Richard Preedy

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Julia O'Brien

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