

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 MARCH 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
\$0.80	\$0.82	\$0.87	\$0.625	(21.88%)	8.40%

[Register for the NAOS COVID-19 Update Investor Webinar, Wednesday \(tomorrow\) 8<sup>th</sup> April 2020 11am \(AEST\)](#)

#### MARKET INSIGHT

The month of March saw the NAC Investment Portfolio fall by -22.22%, performing broadly in line with the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAL) which fell by -21.57%, and its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which fell by -22.38%. This brings the inception performance to +34.07% on a total return basis, outperforming the benchmark index which has returned +17.81% over the same period. March saw a savage sell-off, with the market at one stage falling by over -30% as investors initially tried to digest how the government-enacted restrictions to control the spread of COVID-19 would affect businesses. The economic outlook was complicated further by a significant deterioration in the global oil market, and finally with numerous fiscal and monetary stimulus packages being announced. Clearly such a large negative drop in one month is a very poor outcome for ourselves and all shareholders. To put some perspective around this the FY20 return to date is -17.46%, compared to the index which is down by -19.22%. Over this time NAC has generally been fully invested and invested in businesses that would be considered more illiquid and on the smaller side of what constitutes the XKIAL benchmark i.e. the Big-4 banks.

#### 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%	+0.87%	+2.31%	-13.80%	-22.22%				-17.46%
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.

From a contribution perspective there were a wide range of detractors and contributors. The two major detractors for the month were Moelis Australia (ASX: MOE) and People Infrastructure (ASX: PPE), which fell by -64% and -59% respectively, and at one stage when the market was at peak bearishness, both falls were closer to -75%. We believe the sharp fall in MOE occurred for two main reasons; firstly revenue from their corporate advisory business may be under significant pressure due to the lack of corporate activity in the near-term, and secondly their funds management business, which predominantly operates in the real-estate and credit space, is likely to be under pressure from the perspective of both returns and fund inflows. Even so, it is worth noting that MOE has over \$100 million in net cash and investments.

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

NAC 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 

CONSTRUCTIVE ENGAGEMENT 

## MARKET INSIGHT CONTINUED

With regards to PPE, they are providers of workforce management solutions to businesses that operate in a variety of industries such as healthcare, IT and hospitality. Clearly, in the current unprecedented environment, the ability for businesses to keep staff employed let alone hire new staff is a major challenge, and as such the earnings profile for PPE is uncertain. Having said that, it is important to note that over 60% of the earnings within PPE relate to the healthcare industry which we believe should experience a net increase in demand for staff, and that its entire debtor book is covered for 90% of any bad debt losses.

On a positive note, MNF Group (ASX: MNF), was a significant positive contributor to portfolio performance, with the share price rising over +19% in March. MNF is a provider of voice and communication services to many large Over the Top (OTP) communication providers such as Twilio and Zoom through its national voice over internet protocol network (VOIP). With a significant proportion of the workforce now working from home, the demand for services such as video conferencing has increased at an extraordinary rate. We would therefore expect that the usage through the VOIP network that MNF has in Australia and New Zealand to increase significantly, which will lead to a substantial increase in demand for recurring revenue services such as cloud-based phone numbers. If this is the start of a longer-term remote working trend this may lead to an even stronger long-term earnings profile for MNF.

Looking forward, in the short term it is imperative to focus on the liquidity and solvency of all investments in the portfolio, whilst also seeking to capitalise on opportunities to enter new investments at attractive prices that represent an upgrade on quality, and therefore a better risk adjusted investment opportunity over the next 3-5 years. We have already started to do this by adding 2 small new investments and exiting 1 core position towards the end of the month.

## 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)	18.02%
Service Stream Limited (ASX: SSM)	5.11%
BSA Limited (ASX: BSA)	4.93%
Elders Limited (ASX: ELD)	4.28%
Event Hospitality and Entertainment Limited (ASX: EVT)	3.92%

## INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	5 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NAC Investment Portfolio Performance*	-22.22%	-16.64%	-11.11%	-4.75%	+4.95%	+5.60%	+34.07%
S&P/ASX 300 Industrials Accumulation Index	-21.57%	-12.07%	-2.43%	-1.64%	+0.84%	+3.09%	+17.81%
Performance Relative to Benchmark	-0.65%	-4.57%	-8.68%	-3.11%	+4.11%	+2.51%	+16.26%

\* 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	\$279.3 million
Number of Holdings	9 Long Positions
Cash Weighting	3.00%
Standard Deviation of Returns (NAC)	16.06%
Standard Deviation of Returns (XKIAI)	14.71%
Downside Deviation (NAC)	12.02%
Downside Deviation (XKIAI)	10.72%
Percentage of Positive Months (NAC)	63%
Percentage of Positive Months (XKIAI)	62%
Shares on Issue	47,566,909
NAC Directors Shareholding (Ordinary Shares)	7,944,998

## 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

### Business Development

Manager

Julia O'Brien

### Compliance Officer

Julie Coventry

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