

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 MAY 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
\$0.63	\$0.66	\$0.70	\$0.53	(15.87%)	7.55%

The above NTA figures are inclusive of the 1.00 cent per share fully franked Q3 FY20 dividend, which went ex-dividend on 1 June 2020 and will be paid on 18 June 2020.

MARKET INSIGHT

The NSC Investment Portfolio returned +8.22% for the month of May, compared to the benchmark S&P/ASX Small Ordinaires Accumulation Index (XSOAI) which had another stellar month, finishing up +10.59%. To put this in perspective the XSOAI has now recouped all but 11% of losses prior to the market sell off which started in late February. Even though NSC posted a significant positive absolute monthly return, some of the core holdings have yet to experience the recent recovery in share prices, with Consolidated Operations Group (ASX: COG) and BSA Limited (ASX: BSA) registering share price decreases for the month. There were a number of notable releases made in May with Over The Wire (ASX: OTW) providing an earnings update, Enero Group (ASX: EGG) appointing a new CEO and Experience Co. (ASX: EXP) providing a company update.

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



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%	+2.50%	-10.15%	-18.50%	-1.65%	+8.22%		-4.81%
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, OTW provided the market with a company and financial update for FY20, their first update since the release of their 1H FY20 accounts in late February. The most pleasing news was the confirmation that FY20 EBITDA will be within 3% of market consensus. From our point of view this implies an improved 2H run rate for the core recurring revenue business, which now represents over 75% of the group EBITDA. The balance sheet remains in excellent shape with an expected improvement on the net debt position, which may well be in a slight net cash position at the end of FY20. Finally, a brief comment was made around potential acquisitions with the Company progressing a number of discussions with quality businesses. With numerous businesses leaders stating that one of the key effects of COVID-19 will be technological and digital productivity initiatives being brought forward at a significant rate, OTW should benefit from a significant tailwind over the short and medium term. Many of OTW's current and potential clients will require a partner who can provide them with the capability and services to implement these digital initiatives into their respective businesses, and we believe OTW are well-positioned to capitalise on this opportunity.

EGG announced the appointment of Brent Scrimshaw as CEO effective from 1 July 2020. Interestingly, the major part of Brent's experience is on the client side of advertising and PR, as opposed to agency side. Most notably Brent held positions at Nike for almost 19 years until he left in 2012, when he was the Vice President and GM for Nike in Western Europe. As EGG is a holding company this role will be very different to his prior role at Nike where he oversaw 4,000 employees.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



MARKET INSIGHT CONTINUED

In our view, the key will be to focus on the successful execution of EGG's medium-term strategy and how it can add the most value to the leaders of its respective agencies. This also needs to be overlaid with effective capital management, namely whether or not acquisitions will assist this strategy going forward, or if other forms of capital management are a better use of shareholders' funds.

EXP also provided a general update to the market in late May. As EXP's operations have been completely closed due to COVID-19 restrictions, profitability expectations are clearly not the core focus in the short term. From a balance sheet and liquidity perspective, EXP noted that they currently have \$10 million in cash at 30 April, as well as \$15 million available in an undrawn financing facility, and are also expecting to finalise the divestment of non-core assets in the near-term. If operations were to remain closed, then cash burn is expected to be ~\$1 million per month. Pleasingly, EXP also announced that their skydiving operations in Queenstown have opened and they are also targeting the re-opening of several other sites around Australia later in June. No comment was made regarding the cruise operations in North Queensland, but we would expect these to start again once the Queensland border is reopened. We also believe that it makes sense for EXP to look to acquire businesses that are highly complementary to their existing portfolio, and therefore increase their ability to sell direct to the client rather than through other channels that can incur very large commission fees. Over the longer term we firmly believe that EXP will be a much larger business but more importantly a more efficient business that will command a higher profitability margin and an overall EBITDA significantly higher than the \$27 million generated pre-COVID-19.

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)
MNF Group Limited (ASX: MNF)	4.14%
Enero Group Limited (ASX: EGG)	3.81%
Over The Wire Holdings Limited (ASX: OTW)	2.07%
Service Stream Limited (ASX: SSM)	1.13%
360 Capital Total Return Fund (ASX: TOT)	0.68%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	2 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NSC Investment Portfolio Performance*	+8.22%	-20.57%	-3.54%	-8.58%	-8.68%	-20.30%
S&P/ASX Small Ordinaries Accumulation Index	+10.59%	-7.66%	-2.91%	-0.46%	+2.33%	+5.92%
Performance Relative to Benchmark	-2.37%	-12.91%	-0.63%	-8.12%	-11.01%	-26.22%

* 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	\$172.6 million
Number of Holdings	9 Long Positions
Cash Weighting	2.19%
Standard Deviation of Returns (NSC)	19.21%
Standard Deviation of Returns (XSOAI)	21.86%
Downside Deviation (NSC)	13.44%
Downside Deviation (XSOAI)	15.58%
Percentage of Positive Months (NSC)	43%
Percentage of Positive Months (XSOAI)	53%
Shares on Issue	159,239,641
NSC Directors Shareholding (Ordinary Shares)	2,194,412

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

Chief Financial/

Operating Officer

Richard Preedy

Business Development

Manager

Julia O'Brien

Compliance Officer

Julie Coventry

Angela Zammit

Marketing & Communications

Manager

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