

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 AUGUST 2018

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
\$1.27	\$1.27	\$1.24	\$1.27	0.00%	5.71%

MARKET INSIGHT

August brought with it the end of another reporting season for the NCC investment portfolio, and pleasingly the majority of the company updates were well received, with the investment portfolio producing a monthly return of +3.94%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by +2.49% over the same period. This brings the investment portfolio return since inception to +125.00% against the XSOAI which has returned +45.69% over the last 5 years and 6 months.

Core to the NAOS investment philosophy is our ability to preserve our shareholders' capital in any investment decision that we make. Against this backdrop, it was pleasing to see that a clear majority of the investments held within the portfolio all produced results that resulted in share price appreciation. If there were one or two results that we would consider mixed these would be Saunders International (ASX: SND) and BSA Limited (ASX: BSA), both of which met their previously downgraded guidance. Going forward, we believe these companies can grow earnings significantly as they continue to streamline their respective businesses against a backdrop of significant potential revenue growth.

The two standout results from within the NCC investment portfolio were from Wingara Ag (ASX: WNR), which updated the market at their Annual General Meeting, and from Enero Group (ASX: EGG). Firstly, WNR provided guidance to the market for FY19 EBITDA of approximately \$6 million. This is a significant increase from the \$1 million EBITDA reported in FY18 (WNR has a 31 March year-end); and even more impressive when taking into account that their second hay processing site at Raywood is yet to be up and running.

The other standout result came from integrated advertising & communication services firm Enero Group (ASX: EGG). EGG reported an EBITDA increase of over +29% as its long-term strategy of slimming down the business, focusing on service offerings that are not commoditised; and providing long-term value to the end client started to bear fruit. As was evident from the full year result, the 2nd half of FY18 was exceptionally strong and we believe this provides EGG with the platform to again grow earnings significantly in FY19. This should allow the valuation multiple to increase as the market starts to gain a greater understanding of the EGG portfolio of businesses, and the opportunities presented by many of their clients being large multinational firms. EGG also produced excellent cash flow generation which leaves the balance sheet in a net cash position in FY19 and provides flexibility to re-invest in their own business or supplement this through internally funded acquisitions.

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	3 YEARS (P.A.)	4 YEARS (P.A.)	5 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (NOM.)
NCC Investment Portfolio Performance*	+3.94%	+0.11%	+16.50%	+9.90%	+11.58%	+15.86%	+125.00%
S&P/ASX Small Ordinaries Accumulation Index	+2.49%	+22.32%	+16.89%	+9.62%	+9.19%	+7.07%	+45.69%
Outperformance Relative to Benchmark	+1.45%	-22.21%	-0.39%	+0.28%	+2.39%	+8.79%	+79.31%

*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 nom.) includes part performance for the month of February 2013. Returns compounded for periods greater than 12 months.

INVESTMENT BELIEFS

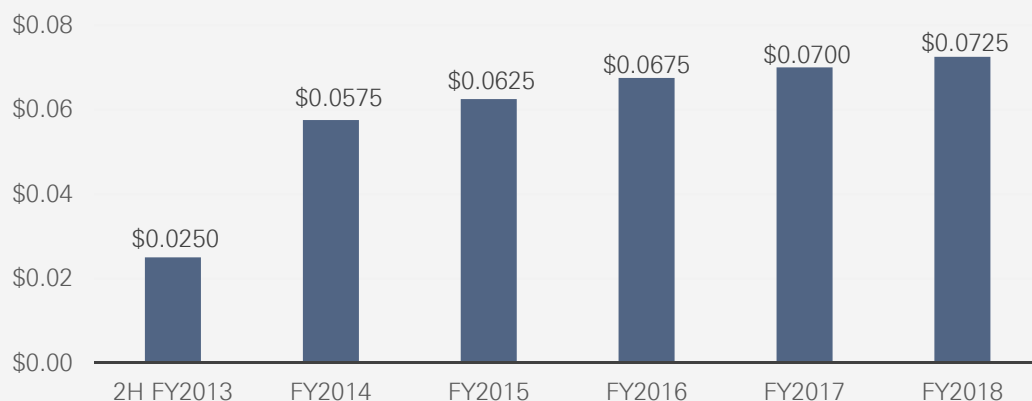
VALUE WITH LONG
TERM GROWTHQUALITY OVER
QUANTITYINVEST FOR THE
LONG TERMPERFORMANCE V
LIQUIDITY FOCUS

IGNORE THE INDEX

PURE EXPOSURE TO
INDUSTRIALSENVIRONMENTAL,
SOCIAL AND
GOVERNANCE (ESG)MANAGEMENT
ALIGNMENT

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
BSA Limited (ASX: BSA)	+24.38%
Calliden Group Limited (ASX: CIX)	+15.88%
Consolidated Operations Group Limited (ASX: COG)	+15.45%
Capitol Health Limited (ASX: CAJ)	+15.44%
CML Group Limited (ASX: CGR)	+12.41%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$93 million
Number of Holdings	10 Long Positions
Cash Weighting	0.00%
Standard Deviation of Returns (NCC)	10.56%
Standard Deviation of Returns (XSOAI)	12.77%
Downside Deviation (NCC)	4.60%
Downside Deviation (XSOAI)	6.73%
Percentage of Positive Months (NCC)	68%
Percentage of Positive Months (XSOAI)	59%
Shares on Issue	59,673,562
NCC Directors Shareholding (Ordinary Shares)	3,952,180

INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY19	-2.42%	+3.94%										
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%
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%
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%
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%
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%
FY13								+0.03%	+3.81%	+3.03%	+4.48%	-0.99%

*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.

N
A
O
S

OUR TEAM

Chairman
David Rickards (Independent)

Directors
Warwick Evans
Sebastian Evans

Company Secretary/
Senior Legal Counsel
Rajiv Sharma

Chief Investment Officer
Sebastian Evans

Portfolio Managers
Robert Miller
Ben Rundle

Investment Analyst
Rachel Folder

Chief Financial/
Operating Officer
Richard Preedy

Business Development
Manager
Julia Stanistreet

Communications
& Marketing
Megan Walker

Distribution &
Sales Manager
Scott Hildebrand

ENQUIRIES

Telephone: (02) 9002 1576
Email: enquiries@naos.com.au

www.naos.com.au

Follow us on Twitter
@NaosAssetMgmt

Add us on LinkedIn
NAOS Asset Management

Like us on Facebook
NAOS Asset Management

Subscribe to us on YouTube
NAOS Asset Management

Subscribe to our News and
Insights www.naos.com.au

Important Information:

This material has been prepared by NAOS Asset Management Limited (ABN 23 107 624 126, AFSL 273529) (NAOS) as investment manager of the listed investment company referred to herein (Company). This material is provided for general information purposes only and must not be construed as investment advice. It does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, investors should consider obtaining professional investment advice that is tailored to their specific circumstances. Past performance is not necessarily indicative of future results and neither NAOS nor the Company guarantees the future performance of the Company, the amount or timing of any return from the Company, or that the investment objectives of the Company will be achieved. To the maximum extent permitted by law, NAOS and the Company disclaims all liability to any person relying on the information contained herein in relation to any loss or damage (including consequential loss or damage), however caused, which may be suffered directly or indirectly in respect of such information. This material must not be reproduced or disclosed, in whole or in part, without the prior written consent of NAOS.