

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 JANUARY 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
\$1.02	\$1.05	\$1.03	\$0.885	(13.24%)	5.90%

MARKET INSIGHT

For the month of January, the NAC Investment Portfolio increased by +5.20%, outperforming the Benchmark S&P/ASX 300 Industrials Accumulation (XKIAI) Index which increased by +2.58% over the same period. This brings the inception performance over 4 years and 2 months to +60.84%, vs. the benchmark index which has returned +26.15%. Pleasingly, this was a much-improved performance for the NAC portfolio even with a significant cash holding of over 30% at times during the month. Reviewing some of the key lessons of CY2018, it is imperative that we continue to invest with conviction both on the long and short side, remain committed to taking profits in a market that in our view will continue to have increased volatility, and play to the strengths of the portfolio that should be able to remain very nimble compared to many of our counterparts.

During the month we added two new positions to the investment portfolio as we aim to continue to deploy capital into investments that we believe offer the best risk and return equation, whilst removing positions that are inferior when judged on such metrics, even if we believe they will produce a positive absolute return. These two new long positions were Adelaide Brighton (ASX: ABC) and Costa Group (ASX: CGC). ABC had a poor finish to CY2018, releasing a downgrade to full year guidance due to unfavourable weather and project delays together with the appointment of a new CEO and CFO. In saying this, ABC is a simple to understand business that operates solely in Australia in duopoly or oligopoly industry structures, with assets that are often hard to replicate. We believe that the recent retraction in share price is an opportune time to acquire a stake in a high-quality business with long term exposure to the significant infrastructure spend that will continue in Australia over the next 4-5 years. We also view it as a positive that an existing ABC shareholder operating in similar industries and owning over 35% of the company continues to frequently increase their stake.

Fresh fruit producer Costa Group was also added to the portfolio in January, following the release of a significant downgrade. Costa released a trading update citing poor volume sales coupled with lower prices achieved in certain categories, which sent the share price down by over -40%; though it later rallied towards month end. Costa still commands a premium valuation compared to peers, although we believe this can be justified for a number of reasons. Costa is the dominant scale player in many of its categories, an example being raspberries, for which Costa accounts for around 90% market share through production or marketing arrangements. Costa also has a competitive advantage through its premium blueberry varieties which can supply the market in off-peak seasons and hence command a price premium over the year. Multiple growth levers exist in the business, including through plantings in China and Morocco and through production growth in avocado and citrus crops as well. Clearly, the market has concerns around short term pricing and volumes, but we believe this can be managed over the long term through diversity of product and growing region, and a focus on premium products.

To fund these two positions one new short was added within the financial services/advice industry and one core long position was removed due to increasing concerns around a deterioration in industry dynamics.

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	4 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (NOM.)
NAC Investment Portfolio Performance*	+5.20%	-6.89%	+1.24%	+8.95%	+12.17%	+11.92%	+60.84%
S&P/ASX 300 Industrials Accumulation Index	+2.58%	-1.15%	+4.56%	+6.61%	+4.63%	+5.66%	+26.15%
Outperformance Relative to Benchmark	+2.62%	-5.74%	-3.32%	+2.34%	+7.54%	+6.26%	+34.69%

* 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 November 2014. Returns compounded for periods greater than 12 months.

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)

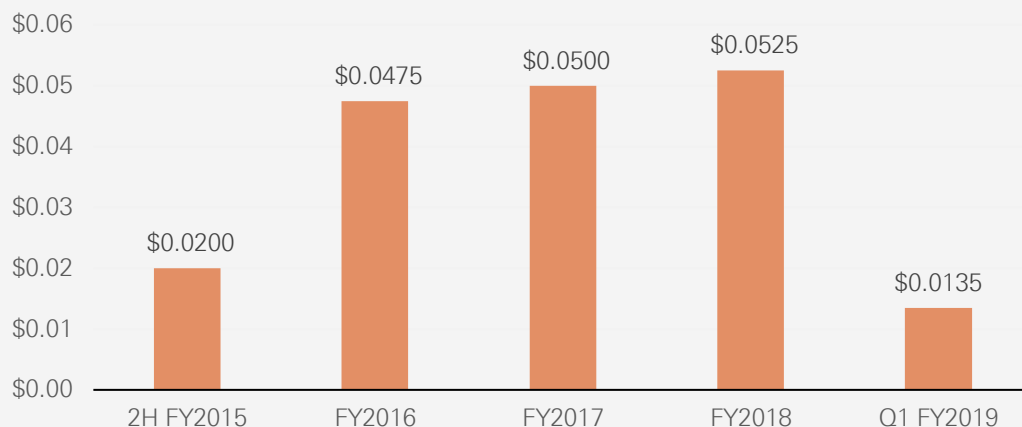


MANAGEMENT ALIGNMENT



FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NAC aims to deliver shareholders a sustainable growing stream of fully franked quarterly 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)
MNF Group (ASX: MNF)	7.14%
BSA Limited (ASX: BSA)	6.39%
Service Stream Limited (ASX: SSM)	5.98%
Event Hospitality & Entertainment Limited (ASX: EVT)	5.08%
Elders Limited (ASX: ELD)	4.69%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$437.8 million
Number of Holdings	10 Long Positions, 1 Short Position
Cash Weighting	38.71%
Standard Deviation of Returns (NAC)	11.09%
Standard Deviation of Returns (XKIAL)	11.19%
Downside Deviation (NAC)	5.82%
Downside Deviation (XKIAL)	6.22%
Percentage of Positive Months (NAC)	61%
Percentage of Positive Months (XKIAL)	61%
Shares on Issue	52,536,889
NAC Directors Shareholding (Ordinary Shares)	7,492,433

INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%	-4.57%	+5.20%					
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%
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%
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%
FY15					+0.54%	-1.66%	+2.77%	+0.88%	+2.73%	+0.43%	+4.87%	-1.54%

* 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.



Important Information:

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NAOS

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