

## MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 28 FEBRUARY 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
\$1.01	\$1.03	\$1.02	\$0.89	(11.88%)	5.84%

## MARKET INSIGHT

For the month of February, the NAC Investment Portfolio increased by +0.10%, underperforming the Benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which increased by +5.78% over the same period. This brings the NAC inception performance over 4 years and 3 months to +11.72% p.a. or +61.00% in nominal terms outperforming the benchmark index which has returned +6.95% p.a. or +33.43% in nominal terms. During February NAC declared a fully franked dividend of 1.35 cents per share, paid on the 11<sup>th</sup> of March 2019. February brought with it the end of the half year reporting season with disparate results across industries, highlighted by the monthly performance of their respective ASX 300 indexes. Strong share price gains for resources +6.15%, financials +8.09% and information technology +6.95%, were in stark contrast to several so-called industrial industries which lagged significantly, including Consumer Staples, Healthcare and Communication Services which produced monthly returns of -2.18%, +1.28% and +2.70% respectively.

There were a number of positive contributors for the month of February with 4 positions each producing a contribution greater than +0.50%. The investment team have taken the opportunity to remove two of these positions which experienced significant price increases over a short period of time. The first of these was Adelaide Brighton (ASX: ABC), which was removed prior to their result after the share price rose by just over 20%. The second position removed was Service Stream (ASX: SSM), who once again produced a stellar result. Management have arguably been faultless in their execution, but at a share price of \$2.20 together with a number of board members and management selling a not insignificant amount of their respective shareholdings, we felt the market had not priced in a level of risk which is commensurate to a contracting business. In saying this, if the share price of SSM was to fall back significantly, it is a business that we would consider adding back to the portfolio.

There were two significant detractors for the NAC investment portfolio in February, the first being a short position in a diversified financial business which has suffered several regulatory and business integration issues over recent years. Following the release of their results, and management commentary around potential future liabilities and the ongoing process with regulators the shares rose significantly. We continue to believe that the business has a number of cultural and structural issues which will ultimately lead to a breakup of the business and a significantly lower valuation than it has today. Finally, MNF Group (ASX: MNF) fell by over -15% after the company maintained their FY20 EBITDA guidance, yet reduced their FY19 EBITDA guidance by between -3.50% to -7.00%. Management blamed a longer timeline for the recently acquired Telco-In-A-Box business together with losses in their small ADSL business and international minutes trading business. Annualising the required 2H FY19 EBITDA to meet the revised FY19 guidance implies no growth is assumed within the FY20 guidance, so there is potentially significant upside to MNF at the current valuation. To realise this management need to deliver on this guidance and continue to execute on their strategy of simplifying the business structure.

## 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*	+0.10%	-4.91%	+2.61%	+9.36%	+11.95%	+11.72%	+61.00%
S&P/ASX 300 Industrials Accumulation Index	+5.78%	+3.94%	+5.79%	+9.72%	+4.55%	+6.95%	+33.43%
Outperformance Relative to Benchmark	-5.68%	-8.85%	-3.18%	-0.36%	+7.40%	+4.77%	+27.57%

\* 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)
People Infrastructure Limited (ASX: PPE)	7.17%
Service Stream Limited (ASX: SSM)	6.64%
BSA Limited (ASX: BSA)	6.40%
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	\$480.9 million
Number of Holdings	9 Long Positions, 1 Short Position
Cash Weighting	28.23%
Standard Deviation of Returns (NAC)	10.99%
Standard Deviation of Returns (XKIAL)	11.36%
Downside Deviation (NAC)	5.77%
Downside Deviation (XKIAL)	6.18%
Percentage of Positive Months (NAC)	62%
Percentage of Positive Months (XKIAL)	62%
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%	+0.10%				
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%

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### Important Information:

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NAOS

## OUR TEAM

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Sebastian Evans

Sarah Williams (Independent)

Company Secretary/  
Senior Legal Counsel

Rajiv Sharma

Chief Investment Officer

Sebastian Evans

Portfolio Managers

Robert Miller

Ben Rundle

Investment Analyst

Rachel Folder

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