

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 SEPTEMBER 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
\$0.89	\$0.90	\$0.88	\$0.725	(18.54%)	5.52%

MARKET INSIGHT

For the month of September, the NSC Investment Portfolio produced a positive return of +8.10%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by +2.61%. As at the end of September the NSC Investment Portfolio was made up of 11 long positions, with a portfolio weighted average market capitalisation of \$191.4 million. There were numerous positive contributors to portfolio performance with the most notable being MNF Group (ASX: MNF), BSA Group (ASX: BSA), and Enero Group (ASX: EGG). The only major detractor to performance was Consolidated Operations Group (ASX: COG).

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%										
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%

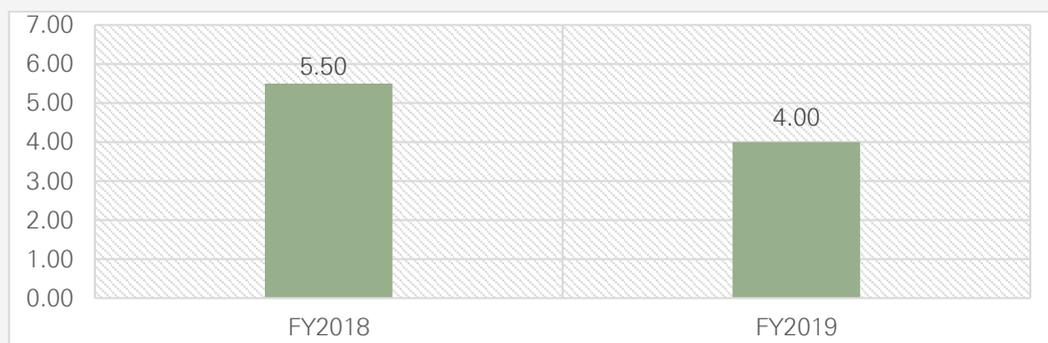
* Investment Portfolio Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders.

There were several notable events in the month of September with COG, BSA, 360 Total Return Fund (ASX: TOT) and MNF all providing significant market updates. Firstly, COG announced that it had put forward a fully funded proposal worth \$80 million to the Board of Thorn Group (ASX: TGA) for COG to acquire their equipment finance business. The Board of TGA did not accept the proposal but stated they are open to further evaluating and continuing discussions with COG to better understand the terms of the proposal. In our view this potential acquisition appeared to be a sound fit with the COG model, as it would have been highly complementary to their existing distribution capability and would have expedited their white label product launch.

Secondly, TOT announced a residual stock acquisition of 23 new strata apartments within inner Sydney for \$16.5 million, representing a 20% discount to the current market value. These apartments will be sold in an orderly fashion over the next 12 - 36 months and if executed successfully will increase the NTA of TOT by almost 5%. We expect the management team of TOT will continue to make selective investments within the real estate space but now diversify the way they invest, with the capital structure depending on the risk involved within the project and market i.e. secured debt, mezzanine debt or full equity ownership.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NSC 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



MARKET INSIGHT CONTINUED

BSA announced the extension of its Operate and Maintain Master Agreement (OMMA) with the National Broadband Network (NBN) until 31 December 2020. This contract centres around new connections and maintenance work on the network across multiple technologies that are used to connect the end user to the national network. We believe that the BSA management team have made substantial investments to ensure the service and result that the customer receives is first rate. If BSA can maintain a long-term role in maintaining the NBN network, we believe it will set the business up for many years to come. To highlight the opportunity ahead, it is estimated that when the NBN network build is completed in 2023 just 30% of all users will be connected via fibre to the premise, with all other connections using some form of the old Telstra copper network that will need to be replaced over time.

Finally, MNF issued an updated investor presentation for its US institutional investor roadshow. Within the presentation FY20 guidance was re-affirmed, but more importantly greater disclosure was included around the annualised run rates for the business based on the 4th quarter of FY19. The key takeaways were that annualised recurring revenue and annualised gross margin was \$100 million and \$69 million respectively. When comparing this to the FY20 guidance we believe this makes the guidance figure readily achievable and highlights that on a run-rate basis circa 70% of the total gross margin is now recurring in nature.

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)
Enero Group Limited (ASX: EGG)	7.81%
Broadcast Services Australia Limited (ASX: BSA)	5.76%
Over The Wire Limited (ASX: OTW)	3.31%
360 Capital Total Return Fund (ASX: TOT)	1.52%
Service Stream Limited (ASX: SSM)	1.50%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	INCEPTION (P.A.)	INCEPTION (Total Return)
NSC Investment Portfolio Performance*	+8.10%	+17.89%	+3.51%	+1.09%	+2.01%
S&P/ASX Small Ordinaries Accumulation Index	+2.61%	+6.98%	+3.95%	+7.17%	+13.53%
Performance Relative to Benchmark	+5.49%	+10.91%	-0.44%	-6.08%	-11.52%

* 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	\$191.4 million
Number of Holdings	11 Long Positions
Cash Weighting	4.90%
Standard Deviation of Returns (NSC)	14.90%
Standard Deviation of Returns (XSOAI)	12.45%
Downside Deviation (NSC)	7.06%
Downside Deviation (XSOAI)	7.66%
Percentage of Positive Months (NSC)	45%
Percentage of Positive Months (XSOAI)	55%
Convertible Notes on Issue (NSCG)	265,000
Convertible Note Price	\$100.50
Shares on Issue	164,211,461
NSC Directors Shareholding (Ordinary Shares)	2,066,449

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

Investment Analyst

Rachel Cole

Chief Financial/

Operating Officer

Richard Preedy

Business Development

Manager

Julia Stanistreet

Compliance Officer

Julie Coventry

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