

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 JUNE 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
\$0.68	\$0.72	\$0.73	\$0.450	(33.82%)	8.88%

MARKET INSIGHT

The NSC Investment Portfolio returned +7.77% for the month of June, compared to the benchmark S&P/ASX Small Ordinaires Accumulation Index (XSOAI) which posted a negative monthly return of -1.95%. For the financial year it was pleasing to see the Investment Portfolio delivering a positive return of +2.59%, compared to the benchmark which fell by -5.67% over the same period. In June there were positive market updates from three of the core NSC investments, pleasingly two of them were businesses which have been significant detractors to portfolio performance over the past few months. BSA Limited (ASX: BSA) provided a detailed update with regard to various aspects related to the business and also their capital management strategy. In addition, Consolidated Operations Group (ASX: COG) updated the market on its Finance Broking and Aggregation Business (FB&A), as well as entering into an agreement to acquire a larger shareholding in Westlawn Finance.

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%	+7.77%	+2.59%
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%

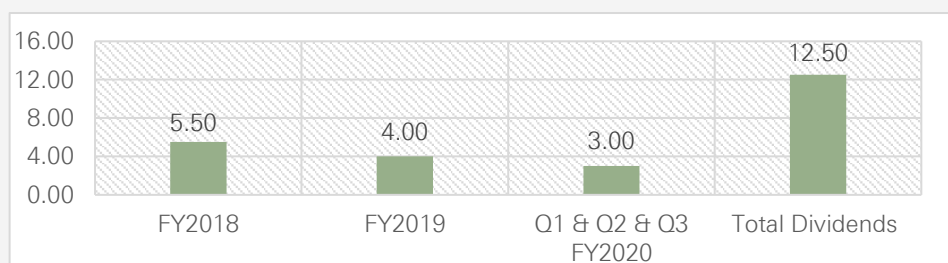
* Investment Portfolio Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders.

Firstly, BSA provided a trading update in the middle of the month, after numerous months of providing little to no information to the market, which we believe was a major factor in the share price recently hitting a 12-month low of \$0.23. The update provided commentary on a number of key points including expected profitability for FY20, capital management initiatives, dividend policy and balance sheet flexibility. FY20 underlying EBITDA is expected to be in the range of \$20-\$22 million, with a strong cash position enabling the board to pay the deferred interim dividend in July 2020. Looking forward, the board expect to implement a dividend payout ratio between 40-60% of earnings and are also looking at various capital management initiatives which may allow the release of the significant franking credit balance. No commentary was provided on the current tender pipeline, but we believe that the actions of the board regarding capital management implies that the potential workload ahead of BSA may well be significant.

After withdrawing guidance in late March and announcing a significant reduction in business activities for their leasing business, COG updated the market on the financial expectations for their Finance Broker & Aggregation segment (FB&A). This division is expected to earn an EBITDA after non-controlling interests of approximately \$10.50 million. We believe this highlights the resilient nature of finance brokers as FY20 EBITDA should only be down ~7.50% compared to FY19, even with the significant disruption that has occurred due to COVID-19.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

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



MARKET INSIGHT CONTINUED

We would also expect that close to 100% of the after-tax earnings from this business will flow through to free cash due to low working capital requirements and minimal capex spend. COG also announced that they have entered into an agreement to increase their shareholding in Westlawn Finance Group to 75%. We believe that this is a highly strategic acquisition as Westlawn is a well-regarded brand in the mid-north coast region, which has enabled their debenture offering to maintain a size of \$200 million even in these times of significant market volatility.

Finally, during the month, Greg Paramour AO was appointed to the board of Eureka Group (ASX: EGH) as an Independent Non-executive Director. We believe this is a very credible appointment for the EGH board, especially considering this is just his second listed board seat, and taking into account the size of the current EGH business. Mr Paramour has run numerous successful property businesses and is probably best known for being the former CEO of Mirvac Group (ASX: MGR) as well as the founder of Folkstone which was acquired by Charter Hall (ASX: CHC), of which Mr Paramour is now a Non-Executive Director. We believe the experience this appointment will bring to the EGH Board is invaluable, particularly with regard to executing on the strategic growth targets of the business over the coming years.

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)	6.01%
Enero Group Limited (ASX: EGG)	3.10%
Over The Wire Holdings Limited (ASX: OTW)	3.10%
Service Stream Limited (ASX: SSM)	1.22%
360 Capital Total Return Fund (ASX: TOT)	0.73%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	6 MONTHS	1 YEAR	2 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NSC Investment Portfolio Performance*	+7.77%	-13.90%	+2.59%	-5.68%	-5.72%	-14.10%
S&P/ASX Small Ordinaries Accumulation Index	-1.95%	-9.21%	-5.67%	-1.95%	+1.48%	+3.86%
Performance Relative to Benchmark	+9.72%	-4.69%	+8.26%	-3.73%	-7.20%	-17.96%

* 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	\$182.7 million
Number of Holdings	12 Long Positions
Cash Weighting	1.93%
Standard Deviation of Returns (NSC)	19.58%
Standard Deviation of Returns (XSOAI)	21.55%
Downside Deviation (NSC)	13.28%
Downside Deviation (XSOAI)	15.33%
Percentage of Positive Months (NSC)	45%
Percentage of Positive Months (XSOAI)	52%
Shares on Issue	158,809,641
NSC Directors Shareholding (Ordinary Shares)	2,213,910

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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