

# ASX: NSC

## NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED

ABN 47 107 617 381

NSC generally invests in small-cap industrial companies with a market cap of \$100m-\$1b

## MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 30 SEPTEMBER 2021

### Net Tangible Asset Value Breakdown

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings	Cumulative Fully Franked Dividends	Fully Franked Dividend Yield
\$1.06	\$1.07	\$0.99	\$0.88	7	\$0.185	5.68%

### Market Insight

For the month of September, the NSC investment portfolio delivered a negative return of -0.77%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which decreased by -2.14%. From a contribution perspective the only investment to contribute more than 1% during the month was Over The Wire Holdings (ASX: OTW), although this was on no company specific news flow. Conversely the only investment to detract more than -1% was BSA Limited (ASX: BSA), again on no company specific news flow. There was just one announcement of any significance which was came from Gentrack Group (ASX: GTK), who provided a profit upgrade for FY21 as well as a revenue upgrade to FY22 forecasts.

### Investment Portfolio Performance Monthly and FY Returns\*

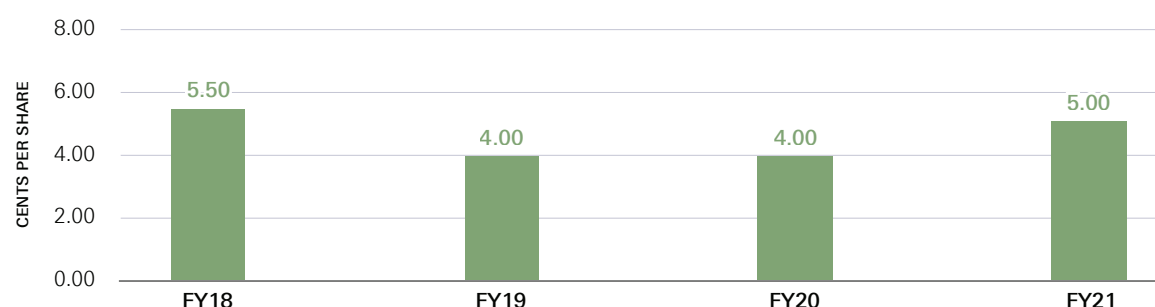
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY22	-0.68%	-0.18%	-0.77%										-1.62%
FY21	+1.53%	+3.17%	-0.09%	+2.38%	+6.19%	+4.25%	+1.05%	+11.30%	+4.51%	6.33%	+6.52%	+0.32%	+58.40%
FY20	-0.18%	+12.91%	+8.10%	+0.17%	-1.80%	-0.57%	+2.50%	-10.15%	-18.50%	-1.65%	+8.22%	+7.77%	+2.59%
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, interest, taxes and capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

GTK have a September financial year-end and provided FY21 results guidance ahead of the release of their full-year results in November. Pleasingly both the revenue and EBITDA forecasts were ahead of consensus expectations by 5% and 20% respectively. The company stated this was predominantly due to new customer wins, greater throughput and a lower-than-expected R&D spend due to supply constraints. We view this as a very commendable result especially against the backdrop of the current B2C market, which is under significant strain, and has seen many recent market entrants cease trading due to a significant increase in wholesale gas prices. To put this into perspective there were 49 energy suppliers at the start of September and this number had reduced by 7 in the space of just a month. Management also stated that FY22 revenue is expected to be higher than that of FY21. Over the past 12-24 months GTK has lost several clients for a variety of reasons and as such many expected FY22 revenue to be lower than that generated in FY21. Although it is still early days, for what is generally a very conservative management team who have historically not provided the most detailed disclosure, we believe this shows that the strategy of improving the technology, increasing market share and expanding into new geographies could be gaining traction. The FY21 results will be released in late November, and we believe that if management were to provide more disclosure around the revenue profile such as the split between B2B clients vs. B2C as well as revenue by geographic region this would allow the market to gain a greater understanding of the business and appreciate the diversified nature of GTK and the defensive nature of the revenue base.

### Fully Franked Dividend Profile (Cents Per Share)

NSC aims to deliver shareholders a sustainable growing stream of dividends, franked to the maximum extent possible.



Conviction. Long Term. Aligned

NAOS

### 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

## Market Insight Continued

Looking forward, we believe that a number of catalysts exist across the investment portfolio, some of which we expect to occur over the remainder of FY22. We believe that a significant amount of groundwork has been executed upon throughout the period of lockdown and that as some of the major states open over the coming months this will enable these plans and strategies to be enacted upon. The forthcoming annual general meeting (AGM) season in late October and November will be extremely important as it will allow many companies to update the market in regard to trading conditions in what is expected to be a difficult Q1. It will also allow them to provide commentary on the outlook post the easing of lockdowns and whether or not this will translate into a much-improved 2H FY22 as many expect. The demand environment may improve significantly but we expect there will continue to be issues related to supply chains and staff shortage issues which will impact profitability and growth rates across many industries.

## Core Investment Portfolio Examples

		
<b>Over The Wire</b> ASX: OTW	<b>Eureka Group</b> ASX: EGH	<b>Big River</b> ASX: BRI
<p>Over The Wire is a founder led B2B provider for IT &amp; telecommunication systems. OTW's purpose is to simplify technology to empower business through service offerings such as a national voice network, public cloud, PaaS/ IaaS, cyber security services and on demand cloud connectivity.</p>	<p>Eureka Group is a provider of quality and affordable rental accommodation for independent seniors within a community environment. EGH owns 30 villages and manages a further 9 villages with a total of 2,147 units across Queensland, Tasmania, South Australia, Victoria and New South Wales.</p>	<p>Big River is a large distributor of building material products as well as a manufacturer of high value niche timber products. Big River is an integrated Australian timber products business that operates across the full continuum from procurement of raw materials through to sale of finished products to end users which are then distributed across 21 sites across Australia and New Zealand.</p>

## Investment Portfolio Performance

	1 Month	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Inception (p.a.)	Inception (Total Return)
<b>NSC Investment Portfolio Performance*</b>	-0.77%	+11.78%	+48.91%	+14.54%	+10.74%	+7.90%	+33.86%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	-2.14%	+12.23%	+30.41%	+12.27%	+9.43%	+9.80%	+43.12%
<b>Performance Relative to Benchmark</b>	+1.37%	-0.45%	+18.50%	+2.27%	+1.31%	-1.90%	-9.26%

\*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes and capital raising costs. Returns compounded for periods greater than 12 months. 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	\$189.2 million
Cash Weighting	0.08%
Standard Deviation of Returns (NSC)	18.22%
Standard Deviation of Returns (XSOAI)	19.15%
Downside Deviation (NSC)	11.36%
Downside Deviation (XSOAI)	12.93%
Shares on Issue	151,461,905
NSC Directors Shareholding (Ordinary Shares)	2,362,943
NSC Options Closing Price (ASX: NSCOA)	\$0.048
NSC Options on Issue	50,905,876

## NAOS Asset Management Giving Back

NAOS Asset Management Limited, the Investment Manager, donates approximately 1% of all management fees to the following charities.

			
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## Our Team

### Chairman

Trevor Carroll  
(Independent)

### Directors

Warwick Evans  
Sebastian Evans  
David Rickards OAM  
(Independent)

### Chief Investment Officer

Sebastian Evans

### Portfolio Managers

Robert Miller  
Brendan York

### Senior Investment Analyst

Jared Tilley

### Associate Investment Analyst

Nelson De Mestre

### Chief Financial/ Operating Officer

Richard Preedy

### Business Development Manager

Nina Dunn

### Head of Legal and Compliance

Rajiv Sharma

### Marketing & Communications Manager

Angela Zammit

NAOS

## Enquiries

(02) 9002 1576

enquiries@naos.com.au

www.naos.com.au