

## MONTHLY INVESTMENT REPORT &amp; NTA UPDATE

AS AT 31 MARCH 2022

## 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
\$1.11	\$1.11	\$1.09	\$1.035	11	\$0.6125	7.25%

The above NTA figures are exclusive of the 3.75 cents per share fully franked 1H FY22 dividend, which went ex-dividend on 28 March 2022 and will be paid on 21 April 2022.

## Market Insight

For the month of March, the NCC Investment Portfolio increased by +0.55%, against the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by +5.26%. The strong performance of the index was driven by outperformance from resources stocks, particularly those correlated to the record high oil price which included lithium, coal and oil and gas producers and/or explorers. The Investment Portfolio has now returned +12.10% p.a. since inception in February 2013, significantly outperforming the XSOAI which has returned +7.06% p.a. over this time. It was a relatively uneventful month for the NCC investments with just Saunders International (ASX: SND) and BSA Limited (ASX: BSA) providing updates of any significance. From a contribution perspective the main positive contributors were SND and COG Financial Services (ASX: COG), with the only detractor of any significance again being BSA.

## Investment Portfolio Performance Monthly and FY Returns\*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY22	+1.29%	+0.55%	-0.10%	+0.06%	+0.80%	+1.76%	-3.17%	-3.00%	+0.55%				-1.38%
FY21	+7.98%	-0.90%	+3.69%	+6.01%	+5.57%	+1.25%	+0.23%	+4.28%	-0.79%	+8.79%	+2.72%	+1.82%	+48.34%
FY20	+6.85%	+2.86%	+6.56%	-3.56%	-0.04%	+4.11%	+11.11%	-8.57%	-28.25%	+5.39%	+8.70%	+1.32%	-0.54%
FY19	-2.42%	+3.94%	+2.88%	-6.09%	-6.12%	-2.92%	-0.24%	+4.96%	-1.80%	-3.54%	-1.43%	+0.20%	-12.51%
FY18	+3.43%	+4.94%	-1.24%	+2.32%	+2.39%	+0.14%	-0.77%	-1.52%	+0.43%	-1.49%	-1.89%	+0.44%	+7.13%
FY17	+4.63%	+6.48%	+3.65%	-0.49%	-0.45%	+1.92%	+0.08%	-1.93%	+0.82%	-3.69%	+0.70%	+0.44%	+12.39%
FY16	+2.28%	-5.77%	+0.86%	+3.72%	+1.10%	+4.56%	-3.26%	+4.96%	+1.57%	+4.67%	+5.31%	+2.97%	+24.77%
FY15	+2.30%	+3.58%	-1.51%	-2.39%	+0.58%	+0.46%	+0.58%	+2.81%	-2.59%	-0.18%	+2.37%	-4.27%	+1.43%
FY14	+9.19%	+7.64%	+2.80%	+5.11%	-4.84%	-3.57%	+4.76%	+3.87%	+2.91%	-0.70%	+0.85%	+0.67%	+31.54%
FY13								+0.03%	+3.81%	+3.03%	+4.48%	-0.99%	+10.67%

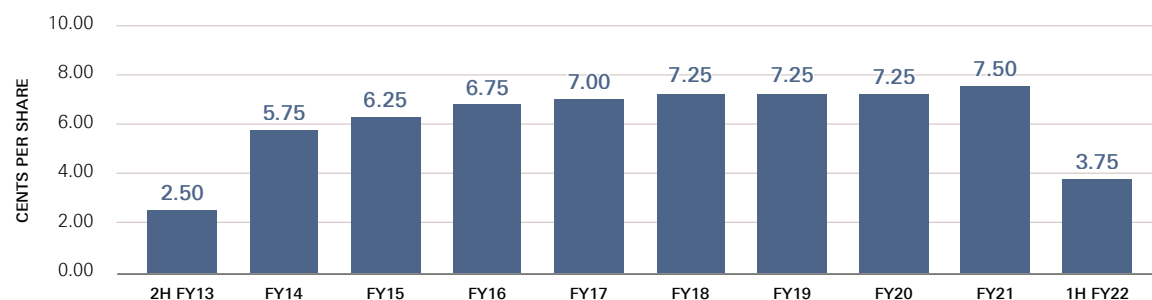
\*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

SND announced that they had won a further \$17 million of contracts with a further \$11 million of work at the preferred contractor stage. All of the contracts related to some form of infrastructure works, with the majority more specifically related to bridge replacement programs in regional NSW. SND have previously stated that regional bridge replacement programs are an area of focus for the business, so it is pleasing to see them gain a significant amount of traction in this space and diversify from the storage tank work which has been a main driver of recent contract wins.

BSA finally released some positive news after they signed a contract with national grocery retail chain Aldi which will be worth approximately \$20 million revenue over the first two years. Although not significant against the entire BSA revenue profile it does highlight the opportunity BSA has to win further clients of this nature due to its national network which gives

## Fully Franked Dividend Profile (Cents Per Share)

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



Conviction. Long Term. Aligned

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BeliefsValue with  
Long Term GrowthQuality over  
QuantityInvest for the  
Long TermPerformance v  
Liquidity Focus

Ignore the Index



Pure Exposure  
to IndustrialsEnvironmental,  
Social and  
Governance (ESG)Management  
AlignmentConstructive  
Engagement

## Market Insight Continued

it a significant competitive advantage over smaller operators. Interestingly a number of BSA's peers including Ventia (ASX: VNT) and Service Stream (ASX: SSM) have both stated their order books and the tendering environment for maintenance services have increased significantly of late, which in theory should bode well for BSA over the medium term.

Looking forward, after speaking with numerous current and potential investments over the past six weeks it has become very apparent that each business is facing arguably more pronounced challenges than they may have anticipated a year or so ago. At the top of the list would be inflation, driven by significant rising wage costs, logistical costs, and raw materials costs. In our view, the other most notable issue facing businesses is finding quality staff to fill the numerous vacancies they have due to the lack of availability of skilled workers. Businesses have no choice but to be nimble and adjust to this environment as best they can. It is too early to tell how this translates into earnings growth (or negative growth) but all businesses will be impacted in some shape or form. From a demand perspective we feel that many of our core investments will not experience much better conditions than they will over FY22-FY23 which should reduce a significant amount of risk around valuation. Even the worst performing investment in the NCC portfolio should deliver record revenue over the next 12-24 months, though how this translates into profit is simply too early to tell. Overall, we believe that emerging industrials businesses are priced attractively when taking into account their strong balance sheets, ability to reinvest, and inorganic growth opportunities. Many of these businesses have recently taken a back seat to their resource-focused counterparts but we firmly believe that when these companies update the market over the next 3-6 months on their performance there is potential for strong earnings growth against valuation multiples that are only factoring in limited growth at best.

## Core Investment Portfolio Examples

 <p><b>COG Financial Services Ltd</b> ASX: COG</p> <p>COG Financial Services Limited is Australia's leading finance broker aggregator and equipment leasing business for small to medium-sized enterprises (SMEs). COG has two complementary business divisions, Finance Broker &amp; Aggregation and Lending.</p>	 <p><b>Saunders International</b> ASX: SND</p> <p>Saunders International was established in 1951 and provides construction, maintenance and remediation services to the energy, resources and infrastructure sectors. Clients include Sydney Water, Australian Government, Lend Lease and Rio Tinto.</p>	 <p><b>BTC Health</b> ASX: BTC</p> <p>BTC Health is a founder led high growth distributor of niche high quality medical devices in Australia and New Zealand. The company's strategy is to make active investments in businesses that acquire, develop and commercialize product opportunities in the healthcare space which will benefit from greater access to development capital.</p>
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## Investment Portfolio Performance

	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	Inception (p.a.)	Inception (Total return)
<b>NCC Investment Portfolio Performance*</b>	+0.55%	+12.21%	+11.50%	+5.84%	+9.36%	+12.10%	+182.38%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	+5.26%	+9.68%	+9.64%	+9.90%	+9.52%	+7.06%	+85.93%
<b>Performance Relative to Benchmark</b>	-4.71%	+2.53%	+1.86%	-4.06%	-0.16%	+5.04%	+96.45%

\*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Since inception (P.A. and Total Return) includes part performance for the month of February 2013. Returns compounded for periods greater than 12 months.

## Key Metrics – Summary Data

Weighted Average Market Capitalisation of the Investments	\$145.4 million
Cash Weighting	2.64%
Standard Deviation of Returns (NCC)	15.70%
Standard Deviation of Returns (XSOAI)	16.21%
Downside Deviation (NCC)	10.65%
Downside Deviation (XSOAI)	10.20%
Shares on Issue	72,952,814
NCC Directors Shareholding (Ordinary Shares)	5,331,624
NCC convertible notes on issue (ASX: NCCGA)	230,000
NCC convertible note price	\$99.75

## NAOS Asset Management Giving Back

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



**Important Information:** This material has been prepared by NAOS Asset Management Limited (ABN 23 107 624 126, AFSL 273529) (NAOS) as investment manager of the listed investment company referred to herein (Company). This material is provided for general information purposes only and must not be construed as investment advice. It does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, investors should consider obtaining professional investment advice that is tailored to their specific circumstances. Past performance is not necessarily indicative of future results and neither NAOS nor the Company guarantees the future performance of the Company, the amount or timing of any return from the Company, or that the investment objectives of the Company will be achieved. To the maximum extent permitted by law, NAOS and the Company disclaims all liability to any person relying on the information contained herein in relation to any loss or damage (including consequential loss or damage), however caused, which may be suffered directly or indirectly in respect of such information. This material must not be reproduced or disclosed, in whole or in part, without the prior written consent of NAOS.

## Our Team

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David Rickards OAM  
(Independent)

### Directors

Warwick Evans  
Sebastian Evans  
Sarah Williams  
(Independent)

### Chief Investment Officer

Sebastian Evans

### Portfolio Managers

Robert Miller  
Brendan York

### Senior Investment Analyst

Jared Tilley

### Associate Investment Analyst

Nelson De Mestre

### ESG Officer

Julie Coventry

### Chief Financial/ Operating Officer

Richard Preedy

### 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