

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 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
\$0.96	\$0.95	\$0.92	\$0.855	8	\$0.211	5.96%

Market Insight

For the month of March, the NSC investment portfolio fell by -1.21% compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index which increased by +5.26% with the majority of the index return being driven by materials (such as lithium producers and explorers) and business associated with energy i.e., oil and gas. During the month Eureka Group Holdings (ASX: EGH) released two pieces of news, one being the impact of the recent flooding events in northern New South Wales and the other being the settlement of an acquisition and the disposal of two non-core assets. BSA Limited (ASX: BSA) announced that it had secured a 4-year contract with Aldi Australia, and finally Gentrack Group (ASX: GTK) signed what we believe to be a reasonably significant contract which will focus on business transformation and customer experience.

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%	+4.15%	-2.17%	+3.89%	-6.51%	-2.96%	-1.21%				-6.67%
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%

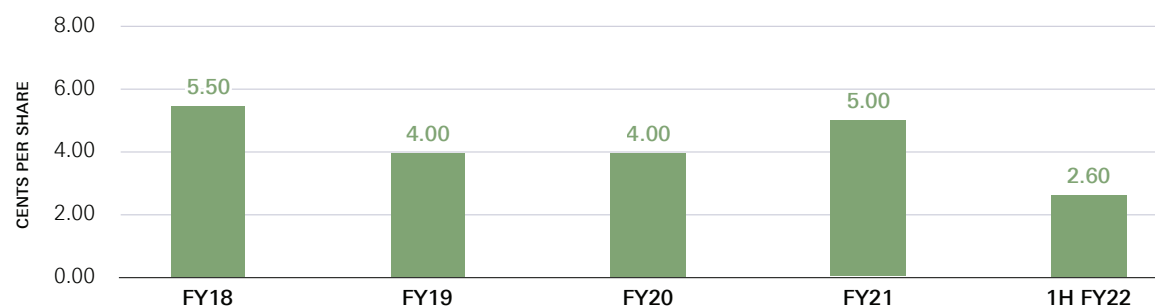
*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes and capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

As mentioned above EGH updated the market regarding their village based in Lismore, NSW. Unfortunately, this village was completely destroyed by the recent catastrophic flooding in the region. Fortunately, none of the tenants or employees were seriously injured during these events. EGH will now lose the earnings contribution from this village which we estimate to be circa 6% of group earnings. EGH also settled on the acquisition of a large management rights portfolio which comprises of over 300 individual units. As we have said previously this should provide EGH with a long runway of units that they can acquire as and when they become available. In our view, this further demonstrates the management of EGH preparing the business for a significant increase in scale, as we have also seen through the recent executive hires. We will also hopefully see further progress in relation to a complementary funds management model later in the year.

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 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.

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

Finally, GTK publicly stated that they have partnered with New Zealand based energy and broadband retailer Pulse Energy to assist in transforming their IT systems to deliver a new and innovative customer experience across their entire business. This contract is not material in its own right but does go a long way to solidifying our investment thesis. For the last couple of years GTK has been very much internally focused which has seen a refreshed executive team, a rebuilding of its technology stack, and a focus on ensuring GTK achieves acceptable margins for high quality client outcomes. The management team of GTK has made no secret that a culmination of this strategy would be signing tier-1 clients. Although Pulse is not a tier-1 client it does show that GTK can once again compete effectively against the likes of Kraken who many believe have a superior technology offering. We believe that GTK has not only an excellent technological offering but also a flawless implementation track record which for most clients is just as important as the technological offering itself. With this in mind we believe a tier-1 client signing is just a matter of time. This should in turn lead to a significant re-rate in the GTK share price.

Core Investment Portfolio Examples

 <p>Move Logistics Group NZX: MOV</p> <p>Move Logistics Group is a logistics operator based in New Zealand specialising in both international and domestic freight and warehousing logistics. Move is one of New Zealand's largest logistics companies with 50 sites across the country servicing 3,500+ customers. The Group is expanding its operations into coastal shipping and is looking to support the growth and development of hydrogen within the economy.</p>	 <p>Eureka Group ASX: EGH</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 ASX: BRI</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>
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Investment Portfolio Performance

	1 Month	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Inception (p.a.)	Inception (Total Return)
NSC Investment Portfolio Performance*	-1.21%	-5.13%	+6.05%	+30.24%	+13.64%	+5.67%	+26.99%
S&P/ASX Small Ordinaries Accumulation Index	+5.26%	-2.27%	+9.68%	+29.20%	+9.64%	+8.06%	+39.87%
Performance Relative to Benchmark	-6.47%	-2.86%	-3.63%	+1.04%	+4.00%	-2.39%	-12.88%

*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	\$194.6 million
Cash Weighting	0.87%
Standard Deviation of Returns (NSC)	17.79%
Standard Deviation of Returns (XSOAI)	18.76%
Downside Deviation (NSC)	11.03%
Downside Deviation (XSOAI)	12.78%
Shares on Issue	146,758,856
NSC Directors Shareholding (Ordinary Shares)	2,434,050
NSC Options Closing Price (ASX: NSCOA)	\$0.025

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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