

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 APRIL 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 |
|-------------|---|--------------|-------------|--------------------|------------------------------------|------------------------------|
| \$1.07 | \$1.07 | \$1.00 | \$0.820 | 10 | \$0.2245 | 6.34% |

The above NTA figures are exclusive of the 1.35 cents per share fully franked Q3 FY22 dividend, which went ex-dividend on 9 May 2022 and will be paid on 6 June 2022.

Market Insight

For the month of April, the NSC investment portfolio recorded a very strong month finishing up +9.32%, significantly outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index which decreased by -1.50%. Pleasingly, the NSC investment portfolio has now outperformed the XSOAI benchmark over a 1, 2 and 3-year time period, as well as since inception in December 2017. Macro events aside, it was a reasonably eventful month for the NSC investment portfolio with significant positive contributions from core investments COG Financial Services (ASX: COG) and Big River Industries (ASX: BRI). During the month, COG provided a Q3 FY22 trading update, BSA Limited (ASX: BSA) started its journey to restoring shareholder value and there were a couple of less notable items related to Experience Co. (EXP) and Move Logistics (NZX: MOV). Maxiparts (ASX: MXI) and Gentrack Group (ASX: GTK) both fell slightly on no specific news flow, but GTK will report their HY results at the end of May.

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% | +9.32% | | | +2.03% |
| 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% |

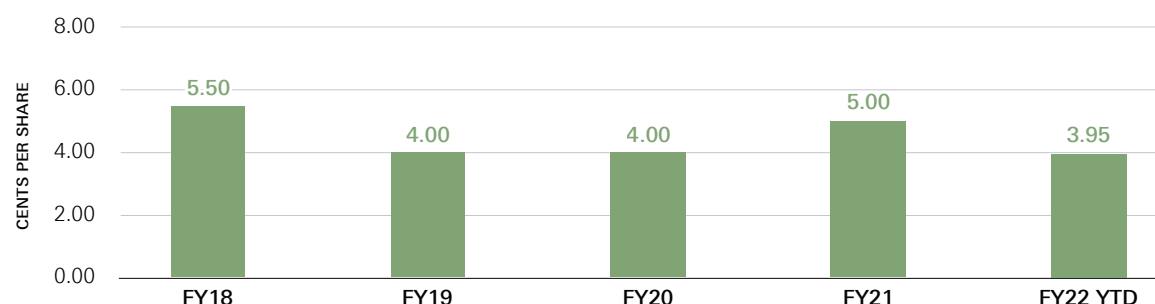
*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes and capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

BSA Limited (ASX: BSA) started its journey to restoring shareholder value in April. The former CEO and Chairman who oversaw the operational issues which led to the weak balance sheet, have now exited the business and a capital raising will subsequently be completed to repair the balance sheet. Management stated that revenue for 2H FY22 will increase to \$240-\$260 million with essentially a breakeven EBITDA forecast for the half-year. It will be a long journey until the business can create sustainable returns for shareholders but there remains a large revenue base of ~\$500 million p.a. as well as a customer base that includes Telstra, NBN Co and Aldi. If the BSA board can recruit a high-quality CEO and execute on the stated efficiency initiatives, then this will go a long way to achieving the desired margins that a business like this should be able to generate.

COG Financial Services (ASX: COG) released their Q3 FY22 trading update. Pleasingly the growth generated in previous quarters shows no signs of abating and if anything, it looks to have accelerated with NPATA increasing +49% on the previous corresponding period. Clearly, this has been assisted by some small acquisitions, but we believe the organic growth in the business continues to be driven by growth in finance broking volumes, traction in insurance broking as well as increased scale in the funds management business. Pleasingly the COG model remains capital light, which in our view should translate into a very strong cash result for FY22.

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, there were two notable small pieces of news that may have positive longer-term implications for the NSC investment portfolio. The first of these relates to Move Logistics (NZX: MOV) which announced that it plans to complete a dual listing on the ASX before the end of June. Although not significant in its own right we believe this suggests that management are satisfied with the progress of the internal strategic initiatives to date and are turning their attention to expanding their profile to provide optionality with regard to future growth initiatives. Secondly, in regard to EXP, Cairns Airport announced that over the Easter Holidays they will exceed 300,000 domestic passengers which is the highest monthly total since the start of the COVID-19 pandemic. Anecdotally, we have also heard that a number of domestic tourism operators are budgeting for FY23 to be not too far away from pre-COVID levels. Both of these data points bode well for EXP over the next 12-18 months.

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> |
|--|--|--|

Investment Portfolio Performance

| | 1 Month | 6 Months | 1 Year | 2 Years (p.a.) | 3 Years (p.a.) | 4 Years (p.a.) | Inception (p.a.) | Inception (Total Return) |
|--|---------|----------|--------|----------------|----------------|----------------|------------------|--------------------------|
| NSC Investment Portfolio Performance* | +9.32% | -0.42% | +9.03% | +37.32% | +16.79% | +9.52% | +7.72% | +38.82% |
| S&P/ASX Small Ordinaries Accumulation Index | -1.50% | -4.61% | +2.91% | +19.95% | +7.63% | +7.52% | +7.53% | +37.78% |
| Performance Relative to Benchmark | +10.82% | +4.19% | +6.12% | +17.37% | +9.16% | +2.00% | +0.19% | +1.04% |

*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 | \$227.5 million |
| Cash Weighting | 0.92% |
| Standard Deviation of Returns (NSC) | 18.10% |
| Standard Deviation of Returns (XSOAI) | 18.61% |
| Downside Deviation (NSC) | 10.95% |
| Downside Deviation (XSOAI) | 12.66% |
| Shares on Issue | 145,353,059 |
| NSC Directors Shareholding (Ordinary Shares) | 2,434,050 |
| NSC Options Closing Price (ASX: NSCOA) | \$0.027 |

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

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

ESG Officer

Julie Coventry

Chief Financial/Operating Officer

Richard Preedy

Head of Legal and Compliance

Rajiv Sharma

Marketing & Communications Manager

Angela Zammit

Marketing Coordinator

Hayley Coy

NAOS

Enquiries

(02) 9002 1576
enquiries@naos.com.au

www.naos.com.au