

## MONTHLY INVESTMENT REPORT &amp; NTA UPDATE

AS AT 31 MAY 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
\$1.04	\$1.05	\$1.03	\$0.97	12	\$0.6125	7.73%

## Market Insight

After posting a positive return against a negative benchmark in April the NCC Investment Portfolio underperformed the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) by -2.07%. The Investment Portfolio has now returned +11.29% p.a. since inception in February 2013, significantly outperforming the XSOAI which has returned +5.92% p.a. over this time.

## 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%	+4.85%	-9.08%		-5.98%
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.

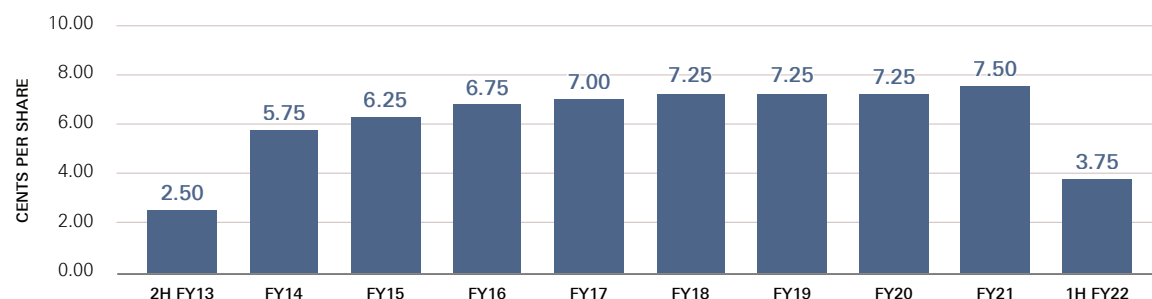
From a news flow perspective, it was a relatively quiet month with the exceptions being Big River Group (ASX: BRI) which updated earnings expectations to be at the upper end of previous guidance, as well as Wingara Ag (ASX: WNR) which posted a commendable FY22 result as well as updating the market on a number of key strategy initiatives. When reviewing the significant detractors to the investment performance for May, notably six of the core investments made a negative contribution of >-1%.

To highlight some of what we believe to be irrational movements in the share prices of our investments that we saw in the month, BRI was the largest detractor to performance even after upgrading FY22 guidance and trading on a price to earnings ratio of <9.50 times FY22 post tax earnings.

Clearly, investors are reducing their exposure to emerging companies (small and micro-cap businesses) and at a very high level, which can be seen by the ~-7% decline in XSOAI compared to the S&P ASX-100 Accumulation Index which fell by just by -2.19%. Based on our past experiences, this may continue for some time especially as many institutional investors seek to maintain high levels of liquidity to fund any current or potential investor redemptions together with emerging companies no longer forming part of their investment strategy due to their overall small exposure to such investments as well as the perceived high-risk nature of such investments. We can't control such events but as an investment team we can control the

## 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

## 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

type of investments that we make and position the Investment Portfolio in a manner that we consider will best maximise performance in times where significant macro events may occur. To highlight how NAOS puts this into action, set out below is a list of some key investment metrics\* across the NCC Investment Portfolio, which are weighted in line with their respective holding weights:


- FY22 EBIT: \$17.04 million
- FCF Yield Pre-Capex: 2.49%
- EBIT Growth FY22: 21.4%
- Net Debt: \$4.36 Million
- Insider Ownership: 13.18%
- Dividend Yield: 2.73%

\*Figures are based on NAOS' internal estimates and views.

As mentioned earlier, BRI announced that trading conditions have been strong with FY22 full year profitability tracking at the upper end of guidance. As 2HFY22 guidance was originally slightly below 1HFY22 EBITDA, we now assume this to mean at least in line or slightly above the 1H22 result. At the NPAT level this could, in our view, imply a FY22 NPAT of ~\$20 million or EPS of ~25cps. This EPS compares to a share price of \$2.27 at the end of May which implies a P/E of just 9.36 times. Clearly, the market is pricing in a deteriorating earnings profile over the next 12-24 months, in theory due to a sharp slowdown in overall building/construction activity together with a potential for a sharp increase in bad debts clients such as new home builders struggling with cost increases and supply change bottlenecks.

However, we do not subscribe to such views for a number of reasons including the diversity of the revenue exposure by industry segment, the significant pipeline of unfinished work and the large number of clients that BRI has which minimises the risk of a significant dollar exposure.

## 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>
---	---	---

## 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>	-9.08%	-4.27%	+11.60%	+5.48%	+8.28%	+11.29%	+169.21%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	-7.01%	-4.56%	+5.50%	+8.49%	+7.54%	+5.92%	+70.31%
<b>Performance Relative to Benchmark</b>	-2.07%	+0.29%	+6.09%	-3.01%	+0.74%	+5.37%	+98.90%

\*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	\$159.7 million
Cash Weighting	0.48%
Standard Deviation of Returns (NCC)	15.96%
Standard Deviation of Returns (XSOAI)	16.27%
Downside Deviation (NCC)	10.88%
Downside Deviation (XSOAI)	10.28%
Shares on Issue	72,952,814
NCC Directors Shareholding (Ordinary Shares)	5,332,207
NCC convertible notes on issue (ASX: NCCGA)	230,000
NCC convertible note price	\$97.00

## 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

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

### Marketing Coordinator

Hayley Coy

NAOS

## Enquiries

(02) 9002 1576

enquiries@naos.com.au

www.naos.com.au