

# 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 JULY 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
\$0.88	\$0.88	\$0.86	\$0.79	8	\$0.2245	6.58%

### Market Insight

The NSC investment portfolio returned to positive performance in July, delivering a return of +3.46%. From an absolute standpoint this was a pleasing outcome, but in a relative sense the portfolio did not keep up with the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which had a very strong month, returning +11.43%. As the majority of the companies within the NSC investment portfolio will be releasing their full year results in August they are in a blackout period, so there was little news flow of significance in July. COG Financial Services (ASX: COG) released their unaudited FY22 results, and Eureka Group Holdings (ASX: EGH) also updated their FY22 profit expectations. Gentrack Group (ASX: GTK) also made some pleasing progress regarding their international expansion strategy, which we will elaborate on below.

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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY23	+3.46%												+3.46%
FY22	-0.68%	-0.18%	-0.77%	+4.15%	-2.17%	+3.89%	-6.51%	-2.96%	-1.21%	+9.32%	-9.24%	-7.91%	-14.72%
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.

COG released their unaudited FY22 results, reporting NPATA of \$25.0 million in excess of their previously released guidance in May. In our view, this is an outstanding result and again reinforces the multiple organic and in-organic growth levers that COG has at its disposal. Based on feedback from the business post the release of their unaudited results, the demand for COG's services remains strong. This is despite the recent significant interest rate rises, and in our view is due to the significant amount of demand that remains within the economy in addition to the long lead times that remain for equipment orders to be fulfilled. Importantly, from a finance broking standpoint, COG brokers do not book revenue until the equipment has been financed and received by the customer. So given the significant backlog of unfulfilled orders, COG should have excellent visibility over their short-term revenue pipeline. Management also stated that their insurance broking division continues to gain traction, and further updates on this division will be provided to the market in due course.

However, it was not all good news in July, with Eureka Group Holdings (ASX: EGH) releasing their 2nd downgrade to FY22 earnings within the last 4 months. This time much of the downgrade was driven by the closure of the Lismore facility, following the tragic natural disaster events that occurred in the region recently. At this stage, we do not expect this facility to be a contributor to the EGH group earnings profile over the medium term and potentially not at all. Disappointingly, the remainder of the downgrade was due to the delayed settlement of recent acquisitions as well as an increase in operational

### 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

expenditure. The company maintains the view that the drivers of the FY22 downgrade outside of the Lismore facility will not affect earnings into FY23. Whilst we believe that the effect on earnings will be minimal, in our view this downgrade brings a level of uncertainty around FY23 earnings. Thankfully, the industry tailwinds for EGH remain strong which should see occupancy levels remaining in the high 90 percentiles, but if a further downgrade were to occur in the near-term, we believe the market's confidence in EGH would be significantly shaken.

Although not released to the ASX, Gentrack Group (ASX: GTK) released a PR statement that they had won a contract from one of Singapore's largest and most established energy generators and retailers as part of a consortium which includes Accenture and Smart Energy Water. Although the contract is not material in its own right, we view this as another tick for management's strategy to not only reinvest into GTK's systems to maintain their current client base, but also expand into new geographies and potentially adjacent market opportunities.

## Core Investment Portfolio Examples



**Move Logistics Group**  
NZX: MOV

MOVE Logistics Group is a New Zealand based logistics company with its origins dating back to 1869 when it first started operations in New Plymouth. Today MOVE has three key operating segments, these include; freight both domestic and international, logistics and warehousing and finally, specialist lifting and transport with capability to serve more than 3,500 customers. Originally listed on the New Zealand stock exchange, the business dual listed on the ASX on 1st July 2022.



**Eureka Group**  
ASX: EGH

Eureka Group Holdings Limited is a provider of quality and affordable rental accommodation for independent seniors living within a community environment. The company's portfolio comprises approximately 2,250 owned and managed units across 41 villages in Queensland, Tasmania, South Australia, Victoria and New South Wales.



**Big River Industries**  
ASX: BRI

Big River Industries Limited was established in the late 1800s and is a large-scale distributor and high-value manufacturer of timber and building material products across 23 sites in Australia and New Zealand. Big River's integrated business operates across the full continuum of raw materials procurement through to the sale of finished products to customers, including professional builders, form workers, construction companies and building contractors operating in the residential, non-residential and infrastructure markets.

## 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)
<b>NSC Investment Portfolio Performance*</b>	+3.46%	-9.38%	-11.17%	+17.34%	+12.82%	+5.75%	+3.99%	+20.04%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	+11.43%	-6.63%	-10.93%	+8.56%	+2.55%	+3.79%	+4.73%	+24.09%
<b>Performance Relative to Benchmark</b>	-7.97%	-2.75%	-0.24%	+8.78%	+10.27%	+1.96%	-0.74%	-4.05%

\*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	\$205.3 million
Cash Weighting	0.26%
Standard Deviation of Returns (NSC)	18.66%
Standard Deviation of Returns (XSOAI)	20.14%
Downside Deviation (NSC)	11.62%
Downside Deviation (XSOAI)	13.68%
Shares on Issue	143,516,106
NSC Directors Shareholding (Ordinary Shares)	2,447,915
NSC Options Closing Price (ASX: NSCOA)	\$0.015
NSC Options on Issue	50,874,164

## 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

### ESG Officer

Julie Coventry

### Chief Financial/Operating Officer

Richard Preedy

### Head of Legal and Compliance

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### Marketing & Communications Manager

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