

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 SEPTEMBER 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
\$0.84	\$0.84	\$0.84	\$0.67	7	\$0.235	7.46%

Market Insight

September saw equity markets continue to rebase in the face of continued interest rate increases and inflationary pressures that have not yet shown signs of easing as some may have expected. Emerging companies in particular bore the brunt of investor selling with the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) falling by -11.20%, significantly underperforming the S&P/ASX 200 Accumulation Index (XJOAI) which fell by -6.17%. The NSC investment portfolio fell by -6.07% on low news flow and little market liquidity across many of our core investments. There were just two notable events that occurred across the NSC investment portfolio during the month. The first of these came from Gentrack Group (ASX: GTK) which made a number of notable announcements, including the launch of their updated core operating system called G2, a new large customer win and pleasingly upgrading guidance for their FY22 results which are due to be released in November, due to their September year-end. Finally MOVE Logistics (NZX: MOV) announced that they have terminated the previously announced acquisition of Fluidex Transport.

Investment Portfolio Performance Monthly and FY Returns*

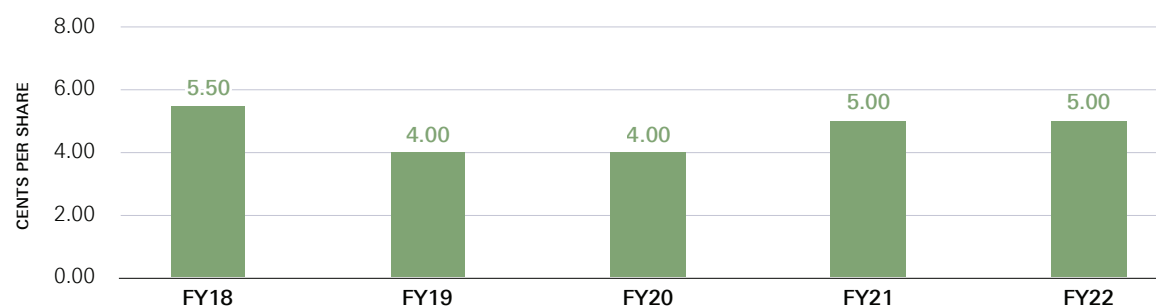
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY23	+3.46%	+4.41%	-6.07%										+1.46%
FY22	-0.68%	-0.18%	-0.77%	+4.15%	-2.17%	+3.89%	-6.51%	-2.96%	-1.21%	+9.32%	-9.24%	-7.91%	-14.72%
FY21	+1.53%	+3.17%	-0.09%	+2.38%	+6.19%	+4.25%	+1.05%	+11.30%	+4.51%	6.33%	+6.52%	+0.32%	+58.40%
FY20	-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.

It was a very eventful month for GTK with the much-anticipated launch of G2, their overhauled operating system. Much of the adverse feedback we have collated on GTK over the past 12-18 months has centred around the technical shortcomings of the core GTK offering and this has been a focus of the new management team. G2 is the culmination of this strategy, and it sees GTK partner with industry-leading service providers Salesforce and Amazon Web Services (AWS) who will provide the respective CRM and cloud capabilities. Management provided some more granularity around the market opportunity with 200 global utility companies with >400 meter points, expected to seek a new customer billing solution by 2025, and also announced a contract had been secured with Mercury Energy in New Zealand, which recently merged with Trust Power. The combined business has selected Gentrack to provide them with an IT system to run across the merged entity and offer numerous services to their customers. Finally, FY22 guidance was upgraded with revenue expected to be circa \$125 million (vs \$105.7 million in FY21) and EBITDA in the high single digit millions. We view this as an exceptional result especially when GTK was facing a significant revenue headwind from customers who had either failed or merged with competitors due to the regulatory issues in the UK energy market. Management remains confident in achieving their ambitious FY24 targets and in our view, they look distinctly achievable following the FY22 upgraded guidance. As we have said since making our initial investment, we believe GTK should trade above \$3 if these targets are achieved.

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
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

Generally, when things look too good to be true, they often are, and in the case of MOVE's previously announced acquisition of private logistics operator Fluidex Transport it appears that the vendor of this business realised this and has subsequently sought to re-negotiate the terms. We commend the MOVE management team for maintaining discipline and walking away from this acquisition. Although this will result in a short-term impact on earnings and reduce the fleet capability, we remain optimistic on both the organic and inorganic opportunities for MOVE, given the logistics industry is dominated by private players which generally have an owner or owners who are >60 years of age with few succession options. These are also businesses which have very few potential acquirers as they require not just the capital, but also significant industry knowledge.

Core Investment Portfolio Examples

 <p>Move Logistics Group NZX: MOV</p> <p>MOVE Logistics Group is a New Zealand-based logistics company that began operating in New Plymouth in 1869. Today, MOVE has three key operating segments; domestic and international freight, logistics and warehousing; and specialist lifting and transport; with capability to serve more than 3,500 customers. Originally listed on the NZX, the business dual listed on the ASX on 1 July 2022.</p>	 <p>Eureka Group ASX: EGH</p> <p>Eureka Group Holdings 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.</p>	 <p>Big River Industries ASX: BRI</p> <p>Big River Industries was established in the late 1800s and is a large-scale distributor and high-value manufacturer of timber and building materials 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.</p>
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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*	-6.07%	-7.30%	-12.06%	+14.45%	+4.89%	+4.54%	+3.43%	+17.72%
S&P/ASX Small Ordinaries Accumulation Index	-11.20%	-20.76%	-22.56%	+0.49%	-0.80%	+0.37%	+2.15%	+10.83%
Performance Relative to Benchmark	+5.13%	+13.46%	+10.50%	+13.96%	+5.69%	+4.17%	+1.28%	+6.89%

*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	\$194.2million
Cash Weighting	0.22%
Standard Deviation of Returns (NSC)	18.66%
Standard Deviation of Returns (XSOAI)	20.49%
Downside Deviation (NSC)	11.62%
Downside Deviation (XSOAI)	14.14%
Shares on Issue	142,309,362
NSC Directors Shareholding (Ordinary Shares)	2,464,925
NSC Options Closing Price (ASX: NSCOA)	\$0.01
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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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.

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