

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 AUGUST 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
\$0.91	\$0.92	\$0.89	\$0.745	8	\$0.235	6.71%

The above NTA figures are exclusive of the 1.05 cents per share fully franked Q4 FY22 dividend, which went ex-dividend on 31 August 2022 and will be paid on 21 September 2022.

Market Insight

The August reporting season saw all bar one of the NSC investments report their full-year FY22 results. Pleasingly there were no negative surprises, which resulted in the NSC Investment Portfolio returning +4.41% for the month, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which returned +0.58%. The standout results came from Big River Industries (ASX: BRI) and COG Financial Services (ASX: COG), with plenty of longer-term promise found in the Maxisparts (ASX: MXI) and Move Logistics (NZX: MOV) results. The major disappointment, which had already been pre-released, came from Eureka Group Holdings (ASX: EGH) which has suffered from growing pains and issues related to the severe weather events in Northern NSW. As has been the case over the past two reporting seasons much of the focus was on current trading conditions as well as the potential for significant market deterioration with an ever-changing and increasingly challenging macro backdrop. Many of the NSC investments will not be immune from such challenges. However, the core investments across the investment portfolio operate in industries which we believe should provide a level of earnings support over the medium term. These investments also generally have a balance sheet structure that is of a more flexible nature to supplement their earnings over the medium-term and in some cases the resources to internally fund growth initiatives or acquisitions.

Investment Portfolio Performance Monthly and FY Returns*

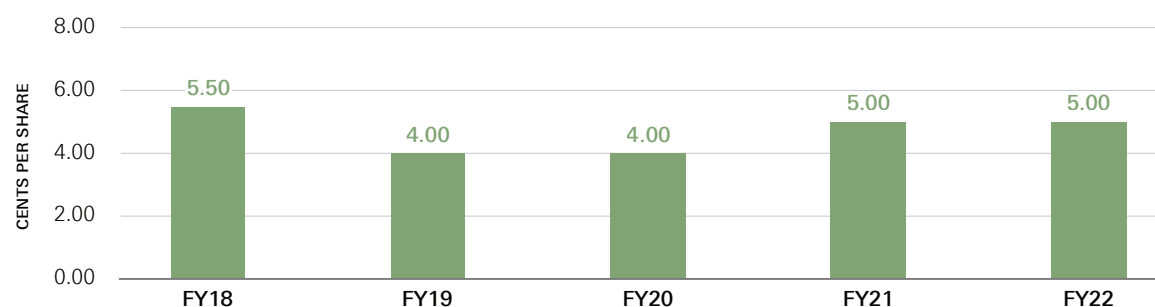
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY23	+3.46%	+4.41%											+8.02%
FY22	-0.68%	-0.18%	-0.77%	+4.15%	-2.17%	+3.89%	-6.51%	-2.96%	-1.21%	+9.32%	-9.24%	-7.91%	-14.72%
FY21	+1.53%	+3.17%	-0.09%	+2.38%	+6.19%	+4.25%	+1.05%	+11.30%	+4.51%	6.33%	+6.52%	+0.32%	+58.40%
FY20	-0.18%	+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.

MXI and MOV produced results and commentary on their longer-term strategies that were rather similar and which in our view show the significant potential of these businesses. MXI released a set of results which contained a 2-month contribution from their divested trailer business which resulted in the financial statements being somewhat convoluted. However, there were a number of green shoots evident with low double digit revenue growth expected in FY23 and a clear strategy around increasing EBITDA margins from the current <10% to a figure closer to those of its listed peer over a 3-year period. MOV is following a similar path, albeit with a greater degree of complexity due to its scale. Again, some green shoots were seen at the profit margin level but more pleasingly was the qualitative progress with regards to the new management team, client churn, client pricing, a new ERP system and the onboarding of new equipment (namely their first bulk/cargo haulage vessel), all of which form the basis of a more efficient, productive, and profitable business.

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

BRI produced the strongest result of FY22 reporting season across the NSC investment portfolio. Revenue, EBITDA and NPAT were up +45%, 113% & 191% respectively, demonstrating just how strong the result was. Importantly, and unlike many of its peers, cash conversion was excellent which brought net debt levels down to \$21 million and resulted in a record 10cps final dividend being declared. BRI now trades on a historical P/E of just ~9 times. Clearly, many investors are unsure of the outlook for construction generally and how changes in the wider operating environment will affect the earnings of BRI over the short to medium term. In our view, BRI operates in a very large addressable market and should be well-placed to win work regardless of market conditions. BRI has arguably only just achieved a profit margin that is on par with some of its unlisted peers, and with the scale that BRI has, this should only continue to improve. We continue to believe that over the longer-term there is a significant consolidation opportunity for BRI in a market dominated by baby boomer owners. We see no reason why BRI cannot double its revenue base over the next 5 years and continue to grow its market share as its size and scale give it a significant competitive advantage over smaller operators.

Core Investment Portfolio Examples

MOVE

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

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)
NSC Investment Portfolio Performance*	+4.41%	-2.50%	-7.09%	+18.04%	+9.92%	+5.84%	+4.87%	+25.33%
S&P/ASX Small Ordinaries Accumulation Index	+0.58%	-6.08%	-14.66%	+5.13%	+4.10%	+3.30%	+4.78%	+24.80%
Performance Relative to Benchmark	+3.83%	+3.58%	+7.57%	+12.91%	+5.82%	+2.54%	+0.09%	+0.53%

*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	\$231.4million
Cash Weighting	0.22%
Standard Deviation of Returns (NSC)	18.58%
Standard Deviation of Returns (XSOAI)	19.96%
Downside Deviation (NSC)	11.55%
Downside Deviation (XSOAI)	13.58%
Shares on Issue	142,619,362
NSC Directors Shareholding (Ordinary Shares)	2,447,915
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.



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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