

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 AUGUST 2021

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	\$1.08	\$1.00	\$0.95	7	\$0.185	5.26%

The above NTA figures are exclusive of the 1.25 cents per share fully franked Q4 FY21 dividend, which went ex-dividend on 31 August 2021 and will be paid on 20 September 2021.

Market Insight

As was the case in July the NSC Investment Portfolio produced a largely flat return, delivering a slight negative return of -0.18%, underperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased sharply by +4.98%. It is worth noting that none of the holdings within the NSC investment portfolio form any part of the XSOAI as they are too small and/or too illiquid to be included. August was a very eventful month with all but one of the NSC portfolio companies reporting their FY21 full-year results. All results were broadly in line with our expectations, and importantly we believe the holdings across the NSC investment portfolio are well-placed for growth in FY22 assuming the domestic economy is in an improved position by the end of CY21. From a contribution perspective there were surprisingly few notable movements, with COG Financial Services (ASX: COG) being the only investment to contribute more than 1% to monthly performance, and Over The Wire Holdings (ASX: OTW) the only investment to detract more than 1% to monthly performance over the course of August.

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%											-0.85%
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 a record result with NPATA growing by over +132%, and pleasingly the result had increased transparency compared to previous years along with excellent cash generation, which is what many would expect from a capital light distribution focused business. The quality of the result led to a record final fully franked dividend of 6cps being declared, representing an increase of +295% on the prior year and a payout ratio of 62%. More transparency was also provided around COG's insurance broking strategy which is now starting to be implemented. COG have stated that their ambition is to grow this to 50% of the earnings of the FB&A division. If this target can be achieved, then we believe the insurance broking business could potentially contribute \$15 million of EBITDA in 5 years' time.

BSA Limited (ASX: BSA) produced a result consistent with what we have seen for a number of years, in that it was a credible underlying result, particularly in a trying business environment, but it was masked by numerous one-off costs. There was plenty of commentary provided regarding laying the foundations for the future and as underlying margins increased in

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

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

FY21 this may prove accurate. The lack of any meaningful comments on capital management as well as a lack of tangible progress around M&A was disappointing as we firmly believe that BSA has a sound foundation to build on which could lead to significant compounding returns for shareholders over time, and we are hopeful that this potential will start to be realised in FY22. Interestingly, management confirmed they were on track to hit their FY24 targets of \$750 million revenue and increased EBITDA margins of 6-8%.

Eureka Group Holdings (ASX: EGH) reported a result that confirmed the momentum that the business has been building off over the past 24 months. Underlying EBITDA was up by ~22% and all key metrics such as occupancy levels remain robust. The only slight negative in our view was that greater detail was not provided on a capital management strategy that will enable EGH to scale significantly going forward. As we have said for some time, we believe the opportunity exists for EGH to develop into a much larger business but whether it needs to own 100% of all assets on its own balance sheet remains debatable. With Greg Paramor on the board, who has significant experience at Folkestone Limited and more recently Charter Hall Group (ASX: CHC) the option to launch a funds management model is clear and is a strategy we believe could be very beneficial for EGH shareholders over the longer term.

Core Investment Portfolio Examples



Over The Wire
ASX: OTW

Over The Wire is a founder led B2B provider for IT & telecommunication systems. OTW's purpose is to simplify technology to empower business through service offerings such as a national voice network, public cloud, PaaS/ IaaS, cyber security services and on demand cloud connectivity.



Eureka Group
ASX: EGH

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.



Big River
ASX: BRI

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.

Investment Portfolio Performance

	1 Month	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Inception (p.a.)	Inception (Total Return)
NSC Investment Portfolio Performance*	-0.18%	+17.73%	+49.93%	+19.55%	+10.53%	+8.31%	+34.90%
S&P/ASX Small Ordinaries Accumulation Index	+4.98%	+15.58%	+29.51%	+14.96%	+10.09%	+10.67%	+46.25%
Performance Relative to Benchmark	-5.16%	+2.15%	+20.42%	+4.59%	+0.44%	-2.36%	-11.35%

*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	\$196 million
Cash Weighting	1.16%
Standard Deviation of Returns (NSC)	18.41%
Standard Deviation of Returns (XSOAI)	19.29%
Downside Deviation (NSC)	11.48%
Downside Deviation (XSOAI)	13.06%
Shares on Issue	152,145,690
NSC Directors Shareholding (Ordinary Shares)	2,316,956
NSC Options Closing Price (ASX: NSCOA)	\$0.056
NSC Options on Issue	50,906,542

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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