

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 MARCH 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
\$1.38	\$1.38	\$1.29	\$1.085	11	\$0.303	4.93%

*Pre-tax NTA is after the payment of \$250k (0.56 cents per share) in tax during the month.

Market Insight

The month of March saw the NAC Investment Portfolio increase by +2.11%, slightly underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAL) which increased by +4.10% but outperforming its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which increased by +0.79%. This brings portfolio performance since inception to +15.68% p.a. outperforming the benchmark index which has returned +7.47% p.a. over the same period.

March was a significantly quieter month for the investment portfolio with no announcements or significant news flow after a highly eventful February. From a contribution perspective the two major positive contributors to performance were Over The Wire Holdings (ASX: OTW) and Eureka Group Holdings (ASX: EGH) following no specific news but arguably stronger than expected 1H FY21 results. The only major detractor to performance was Experience Co. (ASX: EXP), again on no specific news flow, although concerns around the short Brisbane lockdown directly before Easter (following a COVID-19 outbreak) didn't help.

Investment Portfolio Performance Monthly and FY Returns*

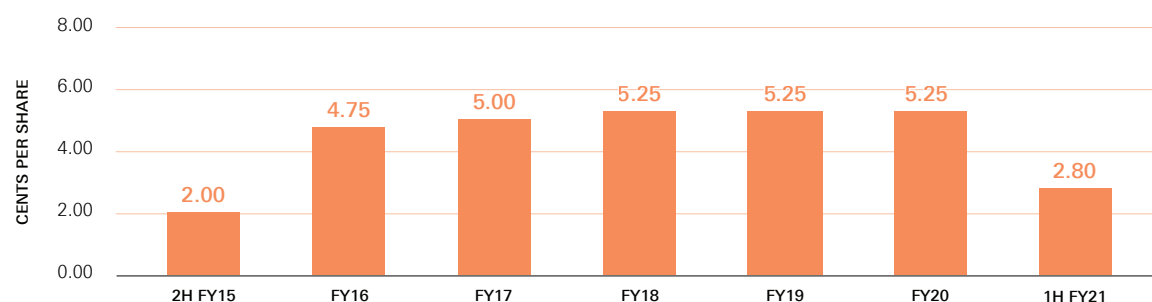
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY21	+5.04%	+11.43%	+3.96%	+5.24%	+5.41%	-5.38%	-2.24%	+10.04%	+2.11%				+40.30%
FY20	+0.50%	+8.14%	+6.58%	+1.99%	+0.98%	+0.87%	+2.31%	-13.80%	-22.22%	+8.81%	+18.84%	+4.15%	+11.16%
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%	-4.57%	+5.20%	+0.10%	-0.10%	+3.65%	-4.74%	+2.29%	-2.86%
FY18	-0.54%	+0.76%	+1.22%	+2.28%	+6.69%	+3.18%	-0.27%	-1.99%	+0.23%	-2.05%	+0.85%	-0.25%	+10.25%
FY17	+3.81%	+5.01%	+3.84%	-0.22%	-0.63%	-1.98%	+0.35%	-2.56%	+1.48%	-2.78%	-0.11%	+0.65%	+6.69%
FY16	+0.31%	-1.35%	+1.98%	+3.38%	+3.63%	+7.93%	-2.39%	-1.02%	+5.97%	+4.48%	+4.83%	-0.51%	+30.16%
FY15					+0.54%	-1.66%	+2.77%	+0.88%	+2.73%	+0.43%	+4.87%	-1.54%	+9.21%

*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.

One of the businesses which we did not address in our February update was Eureka Group Holdings (ASX: EGH), which has been one of the best performing NAC investments with a total return (including dividends) of +180% in 24 months. Clearly the market has re-rated EGH from what we have said for some time were undervalued levels based on basic metrics such as a FCF yield and asset capitalisation rates. Even after this re-rating we firmly believe that the future for EGH has never been more promising, and hence we expect EGH to remain a core part of the NAC portfolio going forward. The asset class in which EGH operates remains one of the last real-estate sub-classes that has not been institutionalised. This provides EGH with a significant first mover advantage from an industry consolidation perspective to acquire and build new assets, and a potential opportunity to implement a scalable strategy such as the funds management model employed by large real-estate players such as Dexus and Charter Hall, to generate scale in an efficient manner. If EGH can execute on such a model then in our view the runway for future growth could last for at least another 5-7 years.

Fully Franked Dividend Profile (Cents Per Share)

NAC aims to deliver shareholders a sustainable growing stream of fully franked quarterly dividends.



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

Over the 3rd quarter of FY21 the price volatility of the market increased significantly. This volatility was caused by the sharp rotation away from so-called growth stocks and into more value orientated stocks. This rotation was driven by the recent increases we have seen in government bond yields as global growth expectations increase. As we have repeatedly said, we do not purport to be macro experts and as such the macro backdrop does not drive our long-term investment decisions. However, changes in the macro backdrop can, from time to time, throw up some excellent investment opportunities due to short-term pricing movements. As a result of these movements, we have recently seen a small number of opportunities arise including businesses that we have owned previously and sold for valuation reasons. Interestingly, some of these businesses could be considered growth-style investments which as many of our investors know tend not to feature prominently across our LICs. Even so, we believe that there are a number of growth-type companies that have a clear business moat and operate in industries with clear positive structural trends that will assist them in driving earnings growth not just over the next 2-3 years, but potentially for 7+ years. As we have seen with investments such as Objective Corporation (ASX: OCL), they can be very fruitful investments over the longer term.

Core Investment Portfolio Examples

Objective

Objective Corporation
ASX: OCL

Objective is a founder led enterprise software company providing specialist software for regulated industries such as government, councils and financial services. Objective has mission critical software, built on providing improved governance, service delivery and workflow/process efficiency. OCL is a global leader in this space, with over 1000 customers and 10 product offerings across many countries.



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.



Experience Co
ASX: EXP

Experience Co is the largest operator of tandem skydives within Australia and New Zealand with over 150,000 tandem jumps per year. EXP also operates a number of cruise and diving experiences in far north Queensland (Cairns and Port Douglas) that generally accommodate over 250,000 customers per year.

Investment Portfolio Performance

	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	6 Years (p.a.)	Inception (p.a.)	Inception (Total return)
NAC Investment Portfolio Performance	+2.11%	+88.95%	+14.28%	+14.20%	+15.75%	+15.68%	+153.31%
S&P/ASX 300 Industrials Accumulation Index	+4.10%	+34.46%	+8.57%	+8.45%	+5.80%	+7.47%	+58.41%
Outperformance Relative to Benchmark	-1.99%	+54.49%	+5.71%	+5.75%	+9.95%	+8.21%	+94.90%

*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. Since inception (P.A. and Total Return) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months.

Key Metrics – Summary Data

Weighted Average Market Capitalisation of the Investments	\$372.8 million
Cash Weighting	0.57%
Standard Deviation of Returns (NAC)	18.07%
Standard Deviation of Returns (XKIAI)	14.60%
Downside Deviation (NAC)	11.27%
Downside Deviation (XKIAI)	10.00%
Shares on Issue	44,520,316
NAC Directors Shareholding (Ordinary Shares)	8,099,202
NAC Options Closing Price (ASX: NACOA)	\$0.084
NAC Options on Issue	23,204,130
Fully Diluted pre-tax NTA	\$1.26
Fully Diluted post-tax NTA	\$1.20

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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