

ASX:NAC

NAOS EX-50 OPPORTUNITIES COMPANY LIMITED

ABN 49 169 448 837

NAC generally invests in mid-cap industrial companies with a market cap of \$400m-\$1b+

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 30 JUNE 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
\$1.59	\$1.60	\$1.44	\$1.18	14	\$0.317	4.58%

*Pre-tax NTA is after the payment of \$87k (0.20 cents per share) in tax during the month.

Market Insight

The month of June saw the NAC Investment Portfolio increase by +6.33%, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAL) which increased by +2.78% and also its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which increased by +3.08%. This brings portfolio performance since inception to +17.72% p.a., outperforming the benchmark index which has returned +8.53% p.a. over the same period. Pleasingly, FY21 was an exceptionally strong year for the NAC investment portfolio, recording its strongest financial year return since inception in 2014, with the investment portfolio finishing up +63.36%. This was both a strong absolute and relative performance with the benchmark producing a gain of +27.93% for the financial year. This performance was predominantly driven by several of the core long-term investments which have been held for a number of years. As we have always said, business strategies can be successfully implemented and produce excellent tangible results but more likely than not the share price will only recognise this at a later date, and we believe FY21 was a great example of this. Even with the very strong investment performance through FY21 we believe FY22 is shaping up as a year that could produce several significant value-creating catalysts across the core long-term NAC investments. Such examples include how the Experience Co (ASX: EXP) business performs from a margin perspective in a post COVID-19 environment, as well as their ability to scale the business via acquisition. Secondly, Over The Wire (ASX: OTW) will need to prove their doubters wrong by showing they can grow organically at 15% and importantly achieve a degree of margin benefit. We will also be looking for any clarity around large wholesale client wins. Finally, Objective Corporation (ASX: OCL) has had a stellar few years and yet remains a very under-owned business given its market capitalisation of >\$1.50 billion. FY22 should provide some good insights into a number of recent product launches as well as greater understanding of the performance and integration of the FY21 iTree acquisition. As we have been saying for some time we believe the OCL products have significant scale optionality which could be applied to numerous organisations globally i.e. North America or Western Europe. If OCL can develop and implement a strategy that targets this opportunity the total addressable (and realistic) market size for OCL's products could increase significantly.

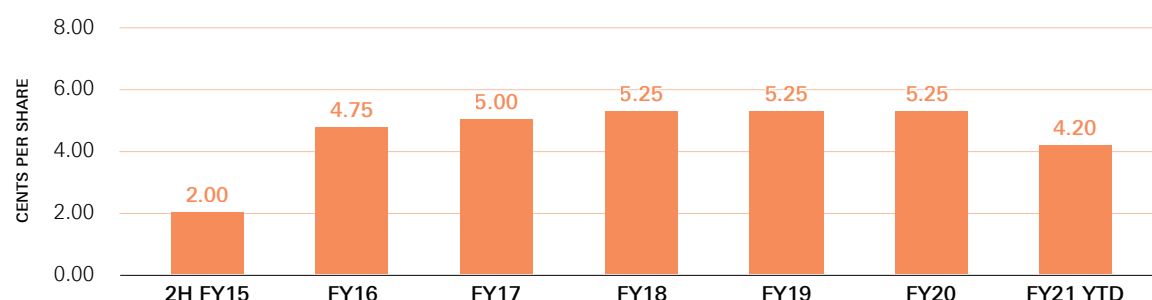
Investment Portfolio Performance Monthly and FY Returns*

	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%	+2.57%	+4.55%	+4.27%	+6.33%	+63.36%
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.

Fully Franked Dividend Profile (Cents Per Share)

NAC 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

Finally, the only significant announcement during the month from the NAC investment portfolio came from OTW. OTW informed the market that they do not expect to meet FY21 consensus expectations due to a hardware supply deal not being delivered until July 2021, and thus not recognised until FY22 (the resultant EBITDA effect was \$1.50 million). Management also made several other notable points; organic revenue growth for 2H FY21 was ~7% (or ~+15% annualised), new recurring revenue signed in Q4 FY21 will exceed \$350,000 contracted monthly recurring revenue (MRR), and 50% of the EBITDA benefit from the Tier 1 Voice Provider project will be realised from 1st July. From our point of view the miss to earnings is a disappointment, mainly because OTW management have made a regular habit of missing expectations solely due to the non-recurring part of the business. Looking through this, the underlying core of the business looks sound and if anything, looks to be expecting stronger growth going forward. The CEO's comments that FY22 is expected to generate +15% organic recurring revenue growth driven by a solid pipeline of opportunities were also reassuring. In the FY21 result we will also be looking for further clarification around large new client wins for wholesale clients who can utilise OTW's Tier-1 voice capability.

Core Investment Portfolio Examples

 <p>Objective Corporation ASX: OCL</p> <p>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.</p>	 <p>Over The Wire ASX: OTW</p> <p>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.</p>	 <p>Experience Co ASX: EXP</p> <p>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.</p>
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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*	+6.33%	+63.36%	+20.82%	+15.72%	+18.00%	+17.72%	+194.95%
S&P/ASX 300 Industrials Accumulation Index	+2.78%	+27.93%	+9.26%	+9.67%	+8.53%	+8.53%	+72.13%
Outperformance Relative to Benchmark	+3.55%	+35.43%	+11.56%	+6.05%	+9.47%	+9.19%	+122.82%

*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	\$541.4 million
Cash Weighting	0.26%
Standard Deviation of Returns (NAC)	17.91%
Standard Deviation of Returns (XKIAL)	14.39%
Downside Deviation (NAC)	11.08%
Downside Deviation (XKIAL)	9.85%
Shares on Issue	44,292,032
NAC Directors Shareholding (Ordinary Shares)	8,123,267
NAC Options Closing Price (ASX: NACOA)	\$0.155
NAC Options on Issue	23,069,287
Fully Diluted pre-tax NTA	\$1.40
Fully Diluted post-tax NTA	\$1.30

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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