

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 MAY 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
\$1.49	\$1.50	\$1.37	\$1.10	7	\$0.317	4.91%

*Pre-tax NTA is after the payment of \$164k (0.37 cents per share) in tax during the month.

Market Insight

The month of May saw the NAC Investment Portfolio increase by +4.27%, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAL) which increased by +2.55% and also its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which increased by +0.27%. This brings portfolio performance since inception to +16.78% p.a. outperforming the benchmark index which has returned +8.19% p.a. over the same period. The monthly performance was driven by Objective Corporation (ASX: OCL) which saw its share price increase by over +15% which we believe was due to the OCL's inclusion into the MSCI Global Small Cap Index, and also Over The Wire Holdings (ASX: OTW) which increased by almost +8%. In a quiet month for portfolio news flow the only notable event came from Urbanise.com (ASX: UBN), a more recent inclusion to the portfolio who released a business update and quarterly activities report. We also discuss our thesis below on another new inclusion in the investment portfolio, the 360 Capital REIT (ASX: TOT).

Investment Portfolio Performance Monthly and FY Returns*

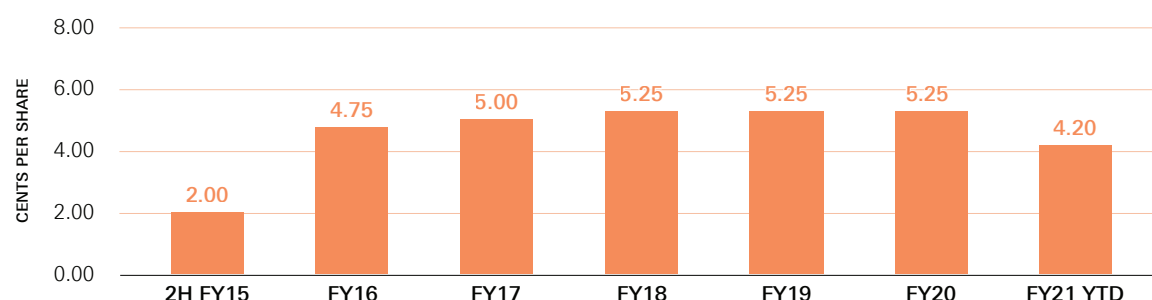
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY21	+5.04%	+11.43%	+3.96%	+5.24%	+5.41%	-5.38%	-2.24%	+10.04%	+2.11%	+4.55%	+4.27%		+52.95%
FY20	+0.50%	+8.14%	+6.58%	+1.99%	+0.98%	+0.87%	+2.31%	-13.80%	-22.22%	+8.81%	+18.84%	+4.15%	+11.16%
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%	-4.57%	+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.

Firstly, as mentioned above UBN released their quarterly activities and cash flow report. Total revenue grew by +15.1% compared to PCP with cash receipts following very closely and pleasingly recurring licensing fees increasing by +17.3%. UBN also provided an update on its rollout with PICA with several branch rollouts completed in NSW and the company stating that they are now close to completing the entire rollout, which has taken a number of years. From a contribution perspective the Strata division contributed the lion's share of the growth with the Facilities Management division growing its licence fees by just +3.9%; although we believe this figure was skewed by the loss of a large legacy contract which when backed out would have resulted in growth of +18%. As expected, no outlook was given though we were disappointed that no order book colour was provided in the update. Regardless of this, we believe the business has a reasonable platform to grow its recurring revenue base from where it stands today. The industry tailwinds are significant and with little competition at present this should provide the company with the ideal environment to grow its recurring revenue base by least ~+20% per annum.

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

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 NAC investment portfolio has been building a position in the 360 Capital REIT. TOT is a company that NAOS has followed for a number of years, as we were also a shareholder a number of years ago. TOT is an investment trust with a focus on property-related investments with the long-term aim of generating positive absolute returns. The reasons why we have revisited TOT as an investment are essentially three-fold. Firstly, after several years of attempting to modify their investment strategy, TOT has returned to its investment roots with a pure focus on property investments in a simple and transparent structure. Secondly, the current discount to NTA is significant with the last reported NTA \$1.14 (as at 31 December 2020) well above a share price that has fluctuated between \$0.95 and \$0.97 over the past month, with assets that we believe are both undervalued and readily saleable if required. Finally, TOT has over 50% of its NTA invested in listed property trust Irongate Group (ASX: IAP) which has a diverse range of metro office assets and industrial assets. The last stated NTA of IAP was \$1.43, which we believe is somewhat conservative especially in relation to industrial assets with similar assets selling for cap rates of 4% or less. As such, over time we believe the IAP NTA may rise in a reasonable way and thus lead to significant returns for TOT shareholders.

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/aaS, 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	+4.27%	+59.30%	+18.10%	+14.09%	+16.41%	+16.78%	+176.15%
S&P/ASX 300 Industrials Accumulation Index	+2.55%	+27.77%	+9.41%	+8.37%	+7.20%	+8.19%	+67.47%
Outperformance Relative to Benchmark	+1.72%	+31.53%	+8.69%	+5.72%	+9.21%	+8.59%	+108.68%

*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	\$449.5 million
Cash Weighting	0.16%
Standard Deviation of Returns (NAC)	17.92%
Standard Deviation of Returns (XKIAI)	14.46%
Downside Deviation (NAC)	11.15%
Downside Deviation (XKIAI)	9.90%
Shares on Issue	44,473,293
NAC Directors Shareholding (Ordinary Shares)	8,123,267
NAC Options Closing Price (ASX: NACOA)	\$0.12
NAC Options on Issue	23,074,723
Fully Diluted pre-tax NTA	\$1.34
Fully Diluted post-tax NTA	\$1.25

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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