

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
\$1.48	\$1.47	\$1.37	\$1.19	9	\$0.3325	4.83%

The above NTA figures are exclusive of the 1.55 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

The month of August saw the NAC Investment Portfolio increase by +1.05%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which increased by a substantial +5.61% and its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which increased by +4.98%. This brings portfolio performance since inception to +16.70% p.a., outperforming the benchmark index which has returned +9.14% p.a. over the same period. August was a very eventful month for the NAC investment portfolio with all but one holding reporting their full year results for FY21. Overall, we felt the results across the portfolio were solid and provide all holdings with a base to further grow their earnings into FY22 and more significantly into FY23 assuming that the domestic economy returns to a slightly more normal rhythm. From a contribution perspective there was surprisingly little movement with only Objective Corporation (ASX: OCL) contributing greater than +1% to the monthly portfolio return, and Over The Wire Holdings (ASX: OTW) being the only detractor of greater than -1% in August.

Investment Portfolio Performance Monthly and FY Returns*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY22	-4.12%	+1.05%											-3.11%
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.

Objective Corporation (ASX: OCL) pre-released their FY21 results in July but provided greater detail in August on release of their audited FY21 results. The key highlight was the outstanding cash conversion as well as the transparency provided around the growth in Annual Recurring Revenue, which was disclosed at a monthly level. At today's valuation OCL is trading on a trailing revenue multiple of >18 times. Although some would argue that OCL is presently over-valued, we believe this is justified considering its dominant market position, a client base that is largely made up of many levels of government, and the optionality around international expansion into a market such as North America which would be many multiples the size of the Australian and New Zealand markets.

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

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

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.

Experience Co. (ASX: EXP), the provider of adventure experiences within Australia and New Zealand, posted a solid FY21 result in line with our expectations and pleasingly reported a stellar balance sheet position considering that FY21 was a year filled with numerous state-wide lockdowns. Significant transparency was provided around the number of customers who either completed a skydive or a great barrier reef experience. We believe this data shows that once the state-wide lockdowns ease and domestic travel returns there is clear ability for volumes to return to 70-80% of pre-COVID levels without any international travel. Interestingly when analysing the average ticket price of each division, there was no evidence of any price discounting and if anything, prices showed evidence of increasing and margins expanding. We continue to believe that EXP is one of the best domestic tourism plays listed on the ASX and that the profitability of the business will surprise many over the next few years.

Core Investment Portfolio Examples

Objective	Over the Wire	Experience Co.
<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>

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*	+1.05%	+35.22%	+17.08%	+13.02%	+17.59%	+16.70%	+185.77%
S&P/ASX 300 Industrials Accumulation Index	+5.61%	+30.54%	+9.53%	+9.87%	+9.98%	+9.14%	+81.29%
Outperformance Relative to Benchmark	-4.56%	+4.68%	+7.55%	+3.15%	+7.61%	+7.56%	+104.48%

*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	\$303.1 million
Cash Weighting	3.20%
Standard Deviation of Returns (NAC)	17.82%
Standard Deviation of Returns (XKIAI)	14.34%
Downside Deviation (NAC)	11.02%
Downside Deviation (XKIAI)	9.74%
Shares on Issue	44,948,160
NAC Directors Shareholding (Ordinary Shares)	8,123,267
NAC Options Closing Price (ASX: NACOA)	\$0.16
NAC Options on Issue	22,273,582
NAC Convertible Notes Closing Price (ASX: NACGA)	\$107.50
NAC Convertible Notes on Issue	175,000
Fully Diluted pre-tax NTA	\$1.30
Fully Diluted post-tax NTA	\$1.24

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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