

## MONTHLY INVESTMENT REPORT &amp; NTA UPDATE

AS AT 31 JANUARY 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
\$1.23	\$1.22	\$1.18	\$1.035	11	\$0.289	5.12%

## Market Insight

The month of January saw the NAC Investment Portfolio decrease by -2.24%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which increased by 0.57% and the S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which decreased by -0.25%. This brings portfolio performance since inception to +13.96% p.a., outperforming the benchmark index which has returned +6.99% p.a. over the same period. With half year reporting commencing in February a number of businesses pre-released their earnings expectations for 1HFY21. In the case of NAC this included the core holding Objective Corporation (ASX: OCL) which produced a stellar 1H result. Unfortunately, this result was offset by the disappointing result released in late December from Over The Wire Holdings (ASX: OTW) and weak share price of Experience Co. (ASX: EXP), which continues to fall on low volumes due to uncertainty arising from on & off border closures, especially in Queensland.

## 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%						+24.86%
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%

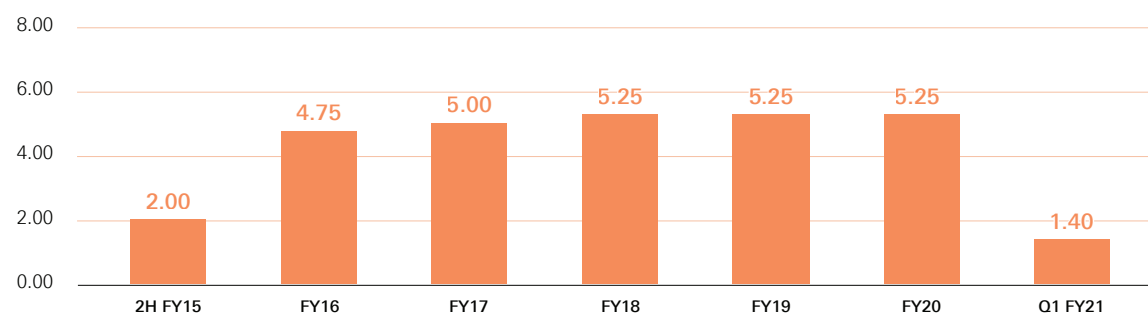
\* Investment portfolio performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

OCL pre-reported a very encouraging 1HFY21 result. Despite the fact that research and development (R&D) spend increased to 24% of revenue, all of which is expensed as incurred, the EBITDA of the business still increased by +74% to \$11.8 million. From an Annual Recurring Revenue (ARR) perspective, ARR increased to \$70.1 million from circa \$65 million at the end of FY20. The quality of the revenue base also continues to increase significantly with perpetual licence revenue now just \$1.7 million. OCL acknowledged that the environment for new business wins has been more challenging than usual but believe their strong momentum will continue into 2H FY21. As we have said numerous times, we believe that OCL remains a very under-owned and little-known company for many fund managers given its market capitalisation of ~\$1.30 billion, organic global growth prospects, and the potential for internally funded M&A given the \$30 million net cash on the balance sheet.

After posting a return of 27.73% for the 1H FY21 several investors have asked us how the NAC portfolio is positioned for the medium term, and more specifically the reasons for both maintaining high weightings in our core positions and the lack of stock turnover. We believe these core holdings exhibit all of the characteristics that we look for in our investments

## 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

that enables us to hold them for the long term. The industry dynamics in which they operate in are conducive to long-term growth, they all possess what we believe is a sustainable competitive advantage, and finally they have proven management teams who have a significant amount of alignment through share ownership. From a capital preservation standpoint these businesses have close to or net cash balance sheets and they generally produce a significant amount of free cash flow after capital expenditure.

Regarding near-term key catalysts across the portfolio which will assist in driving further shareholder value, we will be looking for OTW to deliver a much improved 2H performance relative to the 1H, driven by revenue and margin growth in the recurring division of the business together with a full contribution from the recently completed acquisitions. It is also imperative that OTW can demonstrate that their recurring revenue profile meets the expectations provided in the FY20 result. For MNF Group (ASX: MNF) we believe that an update around the launch of the Singapore network together with any commentary around the Direct division assets will be instrumental to restoring shareholder value. Finally, we expect EXP to be a significant beneficiary from domestic boarders reopening and Australians searching for new domestic travel experiences. We also continue to believe there is significant runway for consolidation in the travel sector with a number of businesses offering unique and scalable business models.

## Core Investment Portfolio Examples

Objective	PEOPLE INFRASTRUCTURE	mnf group
<b>Objective Corporation</b> ASX: OCL	<b>People Infrastructure</b> ASX: PPE	<b>MNF Group</b> ASX: MNF
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.	People Infrastructure is a founder led provider of specialist staffing solutions mainly to the healthcare & IT industries. Growth in the industry is being driven by demand for more flexibility in working hours by both staff and employers. PPE has over 3,000 clients including Wesley Mission, Healthscope and NSW Health.	MNF is a founder led software company, which specialises in proprietary digital network infrastructure for voice communications. With 'next generation' networks in Australia, NZ and Singapore, MNF provides voice carriage and value-added software services to some of the world's largest software companies and wants to expand further into the APAC region.

## Investment Portfolio Performance

	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	Inception (p.a.)	Inception (Total return)
<b>NAC Investment Portfolio Performance*</b>	-2.24%	+12.75%	+9.28%	+12.63%	+13.96%	+125.44%
<b>S&amp;P/ASX 300 Industrials Accumulation Index</b>	+0.57%	-5.18%	+6.05%	+7.89%	+6.99%	+52.22%
<b>Outperformance Relative to Benchmark</b>	-2.81%	+17.93%	+3.23%	+4.74%	+6.97%	+73.22%

\* 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	\$484.9 million
Cash Weighting	0.66%
Standard Deviation of Returns (NAC)	17.97%
Standard Deviation of Returns (XKIAL)	14.72%
Downside Deviation (NAC)	11.40%
Downside Deviation (XKIAL)	10.11%
Shares on Issue	45,335,488
NAC Directors Shareholding (Ordinary Shares)	8,080,379
NAC Options Closing Price (ASX: NACOA)	\$0.076
NAC Options on Issue	23,225,085
Fully Diluted pre-tax NTA	\$1.16
Fully Diluted post-tax NTA	\$1.13

## 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.

## Our Team

### Chairman

David Rickards  
(Independent)

### Directors

Warwick Evans  
Sebastian Evans  
Sarah Williams  
(Independent)

### Chief Investment Officer

Sebastian Evans

### Portfolio Managers

Robert Miller  
Ben Rundle

### Chief Financial/Operating Officer

Richard Preedy

### Business Development Manager

Nina Dunn

### Head of Legal and Compliance

Rajiv Sharma

### Marketing & Communications Manager

Angela Zammit

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