

12 November 2020

NAOS Ex-50 Opportunities Company Ltd (ASX: NAC) – Chief Investment Officer's AGM Investor Update

Good morning fellow Shareholders,

Pleasingly, the NAC Investment Portfolio has made a sound start to FY21, returning +28% for the first four months of the financial year¹. As many shareholders would rightly assume, we believe that a significant majority of the investments in NAC remain significantly undervalued when taking a long-term view. In saying this, all our investments carry a significant amount of risk as would be expected when you invest in ASX-listed small-cap and mid-cap companies. Within the NAC portfolio, we aim to mitigate these risks by investing in businesses that have large net cash balance sheets, a diverse customer base, and a history of generating significant returns compared to their smaller counterparts.

Looking forward, I believe there are several key value inflection points that may eventuate over the remainder of the financial year, potentially driving a re-rating of these positions by the wider market. I have briefly touched on those which I believe are the most significant for the continued performance of the NAC Investment Portfolio over the remainder of FY21.

Over The Wire Holdings (ASX: OTW) has started FY21 with a pleasing amount of momentum after posting a solid FY20 result. After completing two sizeable acquisitions, we will be looking for OTW to deliver a respectable organic growth profile of at least 10%, and for EBITDA margins to increase back to historical levels after a year of significant investment. We will also be looking for the OTW interconnect to be completed which will give them a national voice network (just one of 7), and off this platform we expect OTW to deliver wholesale client wins with tier-one technology companies.

MNF Group (ASX: MNF) has been a core holding for a number of years. Over the years the valuation multiple applied to MNF has slowly reduced even though in our view the earnings of the business have increased in quantum and predictability. We firmly believe that the key reason for this is due to the increasing complexity of the MNF business which we would argue is not necessary, especially when this complexity is due to a number of small business units that contribute a minority of the earnings. Over the next 8 months we will be looking for the board of MNF to address this via a divestment or demerger of the two operating divisions. MNF's Singapore network launches commercially in March 2021 and we will be keen to see the type of clients that MNF has been able to sign up, which will provide the market with a view of the long-term potential of the Singapore business.

People Infrastructure Limited (ASX: PPE) has entered FY21 in a very strong capital position, together with a significant amount of momentum across their businesses which have exposure to healthcare, technology and social services. We will be watching closely for PPE to effectively deploy this capital to cement their position as the leading provider in their respective markets, together with increasing their exposure to high growth industries such as at home care.

Finally, considering all of Experience Co's (ASX: EXP) operations were closed during the height of the COVID-19 pandemic, the business has reached this point in FY21 in excellent shape. Over the next 8 months the outlook for EXP could be significantly brighter especially once the QLD borders are re-opened with NSW and VIC, and also if EXP are able to execute on highly complementary acquisitions of businesses that have not been able to sustain themselves due to the significant upheaval in the tourism industry.

As always, myself and the whole team at NAOS are very grateful for the support of all shareholders in NAC and we remain as aligned as ever through our NAC shareholdings.

I look forward to providing you with another detailed update at the end of 1H FY21.

Sebastian Evans

Chief Investment Officer

NAOS Asset Management Limited

¹ Investment Portfolio performance is post all operating expenses, before fees and taxes. Figures as at 31 October 2020.