

# 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 28 FEBRUARY 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
\$1.34	\$1.34	\$1.25	\$1.00	11	\$0.303	5.35%

The above NTA figures are exclusive of the 1.40 cents per share fully franked Q2 FY21 dividend, which went ex-dividend on 26 February 2021 and will be paid on 18 March 2021. \* Pre-tax NTA is after the payment of \$167k (0.37 cents per share) in tax during the month.

#### Market Insight

The month of February saw the NAC Investment Portfolio increase by +10.04%, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which decreased by -0.03% and the S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which increased by +1.55%. This brings portfolio performance since inception to +15.52% p.a., outperforming the benchmark index which has returned +6.89% p.a. over the same period. As expected, February was full of significant events with all investments held within the portfolio releasing their 1H FY21 results. With a highly concentrated portfolio it was very pleasing to see significant outperformance against the index during reporting season, when tangible news flow as opposed to momentum tends to drive stock performance. The only notable detractor to fund performance was Objective Corporation (ASX: OCL), who provided a very strong pre-result in January, but the detail within the half-year result potentially did not meet the high expectations of the market. Pleasingly MNF Group (ASX: MNF), Over The Wire (ASX: OTW) Eureka Group Holdings (ASX: EGH) and Experience Co (ASX: EXP) all provided significant positive contributions to performance.

#### Investment Portfolio Performance Monthly and FY Returns\*

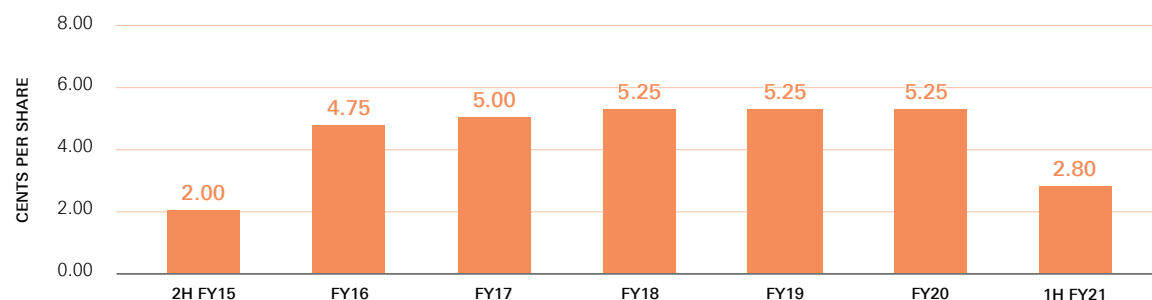
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY21	+5.04%	+11.43%	+3.96%	+5.24%	+5.41%	-5.38%	-2.24%	+10.04%					<b>+37.40%</b>
FY20	+0.50%	+8.14%	+6.58%	+1.99%	+0.98%	+0.87%	+2.31%	-13.80%	-22.22%	+8.81%	+18.84%	+4.15%	<b>+11.16%</b>
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%	-4.57%	+5.20%	+0.10%	-0.10%	+3.65%	-4.74%	+2.29%	<b>-2.86%</b>
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%	<b>+10.25%</b>
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%	<b>+6.69%</b>
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%	<b>+30.16%</b>
FY15					+0.54%	-1.66%	+2.77%	+0.88%	+2.73%	+0.43%	+4.87%	-1.54%	<b>+9.21%</b>

\* 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.

MNF provided what we would describe as its first clean and consistent result for a number of half-year periods, and saw its share price rise by over +11% despite only meeting the expectations of the market. It was refreshing to see a clean result with no one-off financial impacts, and excellent free cash flow generation driven by a growing recurring revenue base. After several years of development, the third MNF network based in Singapore is finally approaching reality with commercial launch due before June and a number of customers already onboarding for the initial test period. MNF also expect that once the Singapore network is commercially launched they will release their plans for further expansion into the South East Asian region, with a one or two country expansion. Looking forward MNF reiterated guidance of an increase in EBITDA of circa 10% for FY21 which we believe is a sound outcome, particularly when considering the operating cost base of Singapore moves

#### 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

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

from the capex line to the opex line. Looking further forward, it will be imperative that MNF manages market expectations around a potentially large increase in capex and/or opex with further international expansion, which will be required prior to a corresponding increase in recurring revenue.

OTW released their 1H FY21 results after providing a trading update in late December which in essence was a downgrade. Within the 1H result there was enough detail to calm any investor nerves that were present post the trading update. The most important part of the release was that the organic revenue growth of the business remains on track for at least 10% by the end of FY21. The cash flow generation of the business was again excellent especially when factoring in the high recurring nature of the revenue and the reasonable amount of capex spend during the half-year. We believe the two growth avenues for OTW outside of its core business will come from Digital Sense (which provides managed cloud services to government and enterprise clients), and from the voice interconnect network, due to be completed in a couple of months. When finished, this network will allow OTW to focus on the domestic wholesale market and target cloud-based service providers that require a voice capability such as Google, Amazon, Ring Central and Twilio. OTW have stated that they will provide detail around the amount of phone numbers hosted on their network which will give the market a good feel to what sort of traction they are gaining in the marketplace, just as competitor MNF have done for many years.

## 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>	+10.04%	+43.93%	+13.58%	+15.05%	+15.52%	+148.09%
<b>S&amp;P/ASX 300 Industrials Accumulation Index</b>	-0.03%	+1.31%	+5.83%	+8.54%	+6.89%	+52.17%
<b>Outperformance Relative to Benchmark</b>	+10.07%	+42.62%	+7.75%	+6.51%	+8.63%	+95.92%

\* 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	\$422.6 million
Cash Weighting	1.93%
Standard Deviation of Returns (NAC)	18.18%
Standard Deviation of Returns (XKIAL)	14.63%
Downside Deviation (NAC)	11.34%
Downside Deviation (XKIAL)	10.06%
Shares on Issue	44,747,918
NAC Directors Shareholding (Ordinary Shares)	8,080,379
NAC Options Closing Price (ASX: NACOA)	\$0.085
NAC Options on Issue	23,207,585
Fully Diluted pre-tax NTA	\$1.24
Fully Diluted post-tax NTA	\$1.18

## 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.

## Our Team

### Chairman

David Rickards  
(Independent)

### Directors

Warwick Evans  
Sebastian Evans  
Sarah Williams  
(Independent)

### Chief Investment Officer

Sebastian Evans

### Portfolio Manager

Robert Miller

### 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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