

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 31 JULY 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	\$1.49	\$1.38	\$1.22	8	\$0.317	4.43%

*Pre-tax NTA is after the provision for tax of \$949k (2.13 cents per share) for the 2021 financial year.

Market Insight

The month of July saw the NAC Investment Portfolio decrease -4.12%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which decreased by -0.27% and also its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which increased by +0.68%. This brings portfolio performance since inception to +16.74% p.a., outperforming the benchmark index which has returned +8.38% p.a. over the same period. The July performance was driven by three of the NAC core holdings producing negative returns, namely Over The Wire Holdings (ASX: OTW), Experience Co. (ASX: EXP), and Objective Corp (ASX: OCL). OTW's share price following the release of a trading update at the end of June, and Experience Co. (ASX: EXP) fell by almost -7% due to the current COVID-19 outbreak that has resulted in lockdowns of numerous states. Finally Objective Corp (ASX: OCL) fell by almost -4% in July, albeit from record highs, after releasing profit guidance for FY21 in early July. With regards to substantial news flow items in July, Urbanise.com (ASX: UBN) released its quarterly activities report for Q4 FY21, and as mentioned above OCL provided FY21 profit guidance.

Investment Portfolio Performance Monthly and FY Returns*

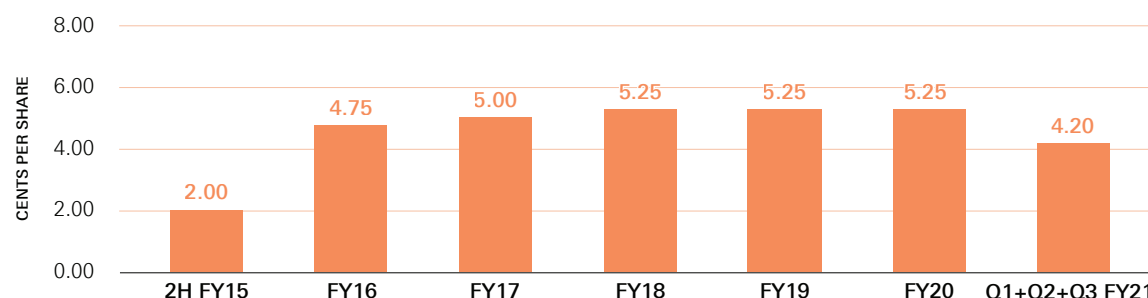
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY22	-4.12%												-4.12%
FY21	+5.04%	+11.43%	+3.96%	+5.24%	+5.41%	-5.38%	-2.24%	+10.04%	+2.57%	+4.55%	+4.27%	+6.33%	+63.36%
FY20	+0.50%	+8.14%	+6.58%	+1.99%	+0.98%	+0.87%	+2.31%	-13.80%	-22.22%	+8.81%	+18.84%	+4.15%	+11.16%
FY19	+0.24%	+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.

UBN released its quarterly report for Q4 FY21 and reported a 19.2% increase in overall group revenue for the year to just over \$11 million. Again, there was no disclosure around what the Annual Recurring Revenue (ARR) and backlog values were at the end of Q4. UBN did state that both statistics will be released at the FY21 result, together with further clarity around the growth strategy going forward. We hope that this update provides more granularity on how UBN's respective products stack up relative to their peers and how UBN can grow its share of wallet in both the facilities maintenance and strata markets. We will also be looking for any commentary around how UBN can make the sales process more effective and efficient, we believe opportunities exist to optimise the deployment process or to use channel partners to achieve this. From an investment standpoint we continue to believe that UBN is suffering from its somewhat chequered history (under previous management) as well as what may be considered slightly opaque transparency. Both of these issues can be resolved as the business

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

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

matures and continues to grow at a reasonable rate, as the information UBN will be able to provide to the market should be of a higher quality and have a more direct correlation to the performance and future potential of the business. The FY21 result is an ideal opportunity to demonstrate progress on this front.

OCL released a trading update and profit guidance for FY21, with headline figures such as revenue, EBITDA and NPAT up 36%, 49% and 45% respectively, in what was again another stellar result. It is worth pointing out that from a broker/analyst perspective there are no current broker estimates for OCL, even though it now has a market capitalisation of over \$1.6 billion. What really caught our attention was that the cash balance increased by +48% even after the payment for the iTree business, and dividends paid over the course of the year. A cash movement such as this can potentially be a lead indicator for the year ahead as subscription clients often pay in advance for the upcoming year. In our view this provides significant weight to the outlook commentary provided by the CEO in the update, who stated that OCL expect the momentum of the business to drive a continued material uplift in revenue and profitability in FY22.

Core Investment Portfolio Examples

 <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/laaS, 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>
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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*	-4.12%	+49.10%	+19.04%	+13.90%	+17.12%	+16.74%	+182.79%
S&P/ASX 300 Industrials Accumulation Index	-0.27%	+28.09%	+8.58%	+8.27%	+7.52%	+8.38%	+71.66%
Outperformance Relative to Benchmark	-3.85%	+21.01%	+10.46%	+5.63%	+9.60%	+8.36%	+111.13%

*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	\$411.8 million
Cash Weighting	5.45%
Standard Deviation of Returns (NAC)	17.93%
Standard Deviation of Returns (XKIAI)	14.30%
Downside Deviation (NAC)	11.08%
Downside Deviation (XKIAI)	9.79%
Shares on Issue	44,647,166
NAC Directors Shareholding (Ordinary Shares)	8,123,267
NAC Options Closing Price (ASX: NACOA)	\$0.190
NAC Options on Issue	22,609,576
NAC Convertible Notes Closing Price (ASX: NACGA)	\$107.95
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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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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