

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 AUGUST 2022

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
\$1.01	\$1.02	\$1.03	\$0.92	10	\$0.3915	6.41%

The above NTA figures are exclusive of the 1.10 cents per share fully franked Q4 FY22 dividend, which went ex-dividend on 31 August 2022 and will be paid on 21 September 2022.

Market Insight

As ever, the August reporting season was an exceptionally busy month, with the vast majority of listed companies releasing their FY22 results and some providing trading updates for the first two months of FY23. Pleasingly the NAC investment portfolio returned +0.52% for the month, outperforming the benchmark S&P/ASX-300 Industrials Accumulation Index (XKIAI) which fell by -0.45%. This brings portfolio performance since inception to +11.33% p.a., outperforming the benchmark index which has returned +6.87% p.a. over this period. Across the NAC investment portfolio, the results were largely in line with our expectations and those of the wider market, which resulted in the relatively flat return generated in August. We believe the results from Maxiparts (ASX: MXI), Move Logistics (NZX: MOV) and Urbanise.com (ASX: UBN) delivered the most progress towards realising significant profitable growth over the next 3 years. Eureka Group Holdings (ASX: EGH) produced the most disappointing result of the reporting season as the business suffered from growing pains as well as impacts associated with the severe weather events in Northern NSW, although this had already been pre-released.

Investment Portfolio Performance Monthly and FY Returns*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY23	+8.72%	+0.52%											+9.29%
FY22	-4.12%	+1.05%	+7.06%	+4.21%	-3.57%	-1.26%	-8.56%	-7.95%	-1.13%	-1.74%	-8.22%	-7.25%	-28.36%
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.

MXI and MOV produced results and commentary on their longer-term strategies that were rather similar and which in our view show the significant potential of these businesses. MXI released a set of results which contained a 2-month contribution from their divested trailer business which resulted in the financial statements being somewhat convoluted. However, there were several green shoots evident with low double digit revenue growth expected in FY23 and a clear strategy around increasing EBITDA margins from the current <10% to a figure closer to those of its listed peer over a 3-year period. MOV is following a similar path, albeit with a greater degree of complexity due to its scale. Again, some green shoots were seen at the profit margin level but more pleasingly was the qualitative progress with regards to the new management team, client churn, client pricing, a new ERP system and the onboarding of new equipment (namely their first bulk/cargo haulage vessel), all of which form the basis of a more efficient, productive, and profitable business.

UBN delivered its first set of financial results under a new CEO, and we were pleased to see what we view as a step change in transparency and accountability. In what was a slightly tumultuous year internally for UBN, the business was still able to

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

grow revenue by +13%, with recurring revenue increasing by +20% over the period. Importantly we expect the business to reach a cash flow positive level in FY23 as the current backlog of work stands at >\$1 million and the cost base reverts to a more sustainable level. Looking forward, we believe the outlook for new client wins remains solid across both the facilities management and strata offerings. It will continue to be imperative that as UBN improves its service offerings that it can continue to win large clients in both the FM and strata sides of the business and effectively implement them. These larger clients should have an outsized effect on margins given the lower marginal cost to serve compared to a number of smaller clients. Over the longer-term if UBN cements its position as the leading technology provider to strata managers in Australia it will be of high strategic value for many other businesses looking to access strata management businesses and their underlying clients. Partnering with such businesses may prove to be highly capital efficient over the longer term and provides a further growth opportunity for UBN.

Core Investment Portfolio Examples



Gentrack Group Limited
ASX: GTK

Gentrack Group Limited is a technology partner responsible for the design, development, implementation and support of specialist software solutions for energy utilities, water companies and airports. Gentrack's customer and billing focused products and services are mission critical for utility retailing companies across the UK, Australia, New Zealand and Singapore. Gentrack's Veovo airport operations software is used by more than 140 airports and transport authorities globally.



Experience Co
ASX: EXP

Experience Co. Limited is an adventure tourism company founded in 1988 with a wide range of operations across Australia and New Zealand. Experience Co. is the largest tandem skydiving operator with 17 locations and also the number one tree ropes and zip line operator with 14 locations in Australia. Experience Co. also operate a number of far north Queensland cruise and diving experiences as well as walking tours across a number of Australian states.



Urbanise.com Limited
ASX: UBN

Urbanise.com Limited is an Australian headquartered cloud-based software business, providing innovative and integrated solutions for both facilities and strata managers across Asia Pacific and the Middle East. The Urbanise Strata Platform is a market leading accounting & administration used by strata bodies and funds. The Urbanise Facilities Management Platform is used for compliance, maintenance, workflow and administration solution across a wide range of facilities management companies.

Investment Portfolio Performance

	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	Inception (p.a.)	Inception (Total return)
NAC Investment Portfolio Performance*	+0.52%	-19.18%	+9.37%	+8.73%	+11.46%	+11.33%	+130.96%
S&P/ASX 300 Industrials Accumulation Index	-0.45%	-7.39%	+3.97%	+6.81%	+7.31%	+6.87%	+67.89%
Outperformance Relative to Benchmark	+0.97%	-11.79%	+5.40%	+1.92%	+4.15%	+4.46%	+63.07%

*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	\$163.0 million
Cash Weighting	0.97%
Standard Deviation of Returns (NAC)	18.40%
Standard Deviation of Returns (XKIAI)	14.67%
Downside Deviation (NAC)	11.43%
Downside Deviation (XKIAI)	9.91%
Shares on Issue	44,906,821
NAC Directors Shareholding (Ordinary Shares)	8,394,479
NAC Options Closing Price (ASX: NACOA)	\$0.007
NAC Options on Issue	19,948,972
NAC Convertible Notes Closing Price (ASX: NACGA)	\$95.00
NAC Convertible Notes on Issue	175,000
Fully Diluted pre-tax NTA	\$1.01
Fully Diluted post-tax NTA	\$1.03

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 OAM
(Independent)

Directors

Warwick Evans
Sebastian Evans
Sarah Williams
(Independent)

Chief Investment Officer

Sebastian Evans

Portfolio Managers

Robert Miller
Brendan York

Senior Investment Analyst

Jared Tilley

Associate Investment Analyst

Nelson De Mestre

ESG Officer

Julie Coventry

Chief Financial/ Operating Officer

Richard Preedy

Head of Legal and Compliance

Rajiv Sharma

Marketing & Communications Manager

Angela Zammit

Marketing Coordinator

Hayley Coy

N
A
O
S

Enquiries

(02) 9002 1576
enquiries@naos.com.au

www.naos.com.au