

## MONTHLY INVESTMENT REPORT &amp; NTA UPDATE

AS AT 31 MAY 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	\$1.01	\$1.03	\$0.930	8	\$0.3805	6.83%

## Market Insight

The month of May saw the NAC Investment Portfolio decrease by -8.22%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which decreased by -3.82% and its smaller counterpart, the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) also decreasing by -7.01%. This brings portfolio performance since inception to +11.53% p.a., outperforming both the benchmark index and the XSOAI which have returned +7.24% p.a. and +5.92% respectively over the same period.

## 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%	+1.05%	+7.06%	+4.21%	-3.57%	-1.26%	-8.56%	-7.95%	-1.13%	-1.74%	-8.22%		-22.76%
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.

May capped off what can only be described as a horrible 2HFY22 to date and again the underperformance came with little negative news flow from the core investments and one pleasingly from Gentrack (ASX: GTK) with a strong 1HFY22 result. There was just one major contributor to performance in May being Urbanise (ASX: UBN) as it bounced back from very oversold levels. This was more than offset by the two major detractors to performance, which combined resulted in >-7% for May alone. These two investments are Eureka Group (ASX: EGH) and Experience Co (ASX: EXP), neither releasing news of any significance.

Clearly, investors are reducing their exposure to emerging companies (small and micro-cap businesses) and at a very high level, which can be seen by the ~-7% decline in XSOAI compared to the S&P ASX-100 Accumulation Index which fell by just by -2.19%. Based on our past experiences, this may continue for some time especially as many institutional investors seek to maintain high levels of liquidity to fund any current or potential investor redemptions together with emerging companies no longer forming part of their investment strategy due to their overall small exposure to such investments as well as the perceived high-risk nature of such investments. We can't control such events but as an investment team we can control the type of investments that we make and position the Investment Portfolio in a manner that we consider will best maximise performance in times where significant macro events may occur. To highlight how NAOS puts this into action, set out on the following page are some key investment metrics:

## 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

- FY22 EBIT: \$6.88 million
- Net Debt: \$17.99 Million (Net Cash \$3.8 Million if 1 property focussed investment is removed)
- FCF Yield Post Capex: 5.02%

- Insider Ownership: 8.55%
- EBIT Growth FY22: 12.9%
- Dividend Yield: 1.05%

\*Figures are based on NAOS' internal estimates and views.

Finally, GTK released a result that was in line with their previous guidance provided over six months ago. The highlight in our view was the underlying growth rate of ~24% when factoring in customers lost due to the "Supplier of Last Resort" process. Gary Miles (CEO), and his team have only had 12-18 months to implement their strategy so to see such top line traction should, in our view, give investors confidence that they can continue to successfully execute on their stated strategy. Many onlookers of GTK remain sceptical of their margin ambition but in our view, this is more than priced in and if the FY2024 goals prove correct, we believe that GTK has the potential to be >\$3.50 compared to \$1.52 at the end of May. As we are currently witnessing, energy markets are dynamic and what users of energy and similar utility services will require in regard to information, flexibility etc. will put greater demand on the information technology systems of many utility companies. We believe this provides GTK with a significant runway for growth not only with its 3 core markets but also in potential new geographies such as Germany and Spain.

## Core Investment Portfolio Examples



**Gentrack Group Limited**  
ASX: GTK

Gentrack provides leading utilities across the world with innovative cleantech solutions. Working with some of the world's biggest energy and water companies, as well as innovative challenger brands, they help companies reshape what it means to be a utilities business.



**Experience Co**  
ASX: EXP

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.



**Urbanise.com Limited**  
ASX: UBN

Urbanise.com Limited is a SaaS business, headquartered in Australia, offering solutions for facilities and strata managers. Their cloud platforms are transformative for users by improving customer service, reducing operational costs, providing key analytics and enabling new revenue streams.

## 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)
<b>NAC Investment Portfolio Performance*</b>	-8.22%	-17.87%	+12.78%	+8.62%	+8.09%	+11.53%	+127.83%
<b>S&amp;P/ASX 300 Industrials Accumulation Index</b>	-3.82%	+1.23%	+6.18%	+6.93%	+7.15%	+7.24%	+69.53%
<b>Outperformance Relative to Benchmark</b>	-4.40%	-19.10%	+6.61%	+1.69%	+0.94%	+4.28%	+58.31%

\*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	\$153.8 million
Cash Weighting	2.04%
Standard Deviation of Returns (NAC)	18.25%
Standard Deviation of Returns (XKIAI)	14.28%
Downside Deviation (NAC)	11.40%
Downside Deviation (XKIAI)	9.73%
Shares on Issue	45,241,308
NAC Directors Shareholding (Ordinary Shares)	8,384,109
NAC Options Closing Price (ASX: NACOA)	\$0.021
NAC Options on Issue	19,948,972
NAC Convertible Notes Closing Price (ASX: NACGA)	\$99.00
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

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