

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 JANUARY 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
\$1.37	\$1.33	\$1.29	\$1.13	11	\$0.3485	5.27%

Market Insight

The month of January saw the NAC Investment Portfolio decrease by -8.56%, outperforming both the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which fell by -8.64% and its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which decreased by -9.00% in an extremely volatile month for equity markets. This brings portfolio performance since inception to +15.19% p.a., outperforming the benchmark index which has returned +7.20% p.a. over the same period. From a stock specific standpoint, it was a relatively quiet month with just three companies in the NAC investment portfolio providing any significant announcements. The first of these came from Step One Clothing (ASX: STP), which formally launched its first underwear product for women in both Australia and the UK. Objective Corp (ASX: OCL) released its preliminary guidance for its 1H FY22 result and pleasingly it was another rock-solid result. Finally, after a tumultuous December with the sudden resignation of their CEO, Urbanise.com (ASX: UBN) released their Q2 FY22 update which we believe went some way to calming investor nerves about any perceived business issues.

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%						-5.89%
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%

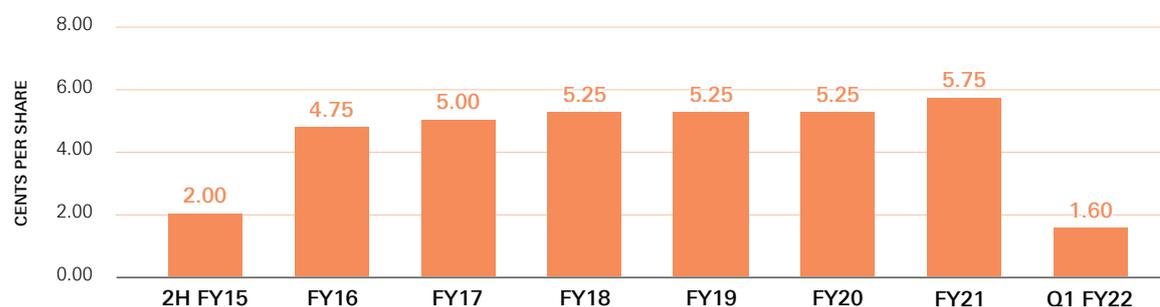
*Investment portfolio performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders.

STP formally launched its first women's underwear product, which we believe will provide the company with a significant runway of growth for the foreseeable future, particularly given the strong initial take-up. For context, the women's underwear market is worth circa 2 times the male underwear market which is worth ~\$590 million in Australia. STP currently has a 6% market share of the men's underwear market domestically, so if they can capture a 3% market share of the women's market this has the potential to almost double their current revenue base. Based on initial feedback and stock availability the product has been very well received with most sizes and colours sold out after just 2 weeks in both the UK and Australian markets. As STP increases their women's range over the next few months this will provide a useful indicator as to whether the sales trajectory of the women's range will follow that of the men's product, which has grown to ~\$70 million of sales in under 5-years.

OCL provided another very strong trading update for its upcoming 1H FY22 results. In our view, the two key points were the continued strong growth in Annual Recurring Revenue (ARR) which now stands at ~\$80 million (a 13% YOY increase), and

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

the growth in EBITDA margins which rose to ~29% despite the fully expensed research and development increasing to 24% of revenue. The cash balance also increased significantly to over \$50 million, with CEO Tony Walls stating that “the outlook for the remainder of FY22 remains very positive”. Even after providing such a strong update the share price of OCL was down ~20% for the month of January as the market grappled with the prospect of higher interest rates in the short term and the valuation effect on technology-related businesses regardless of how profitable they may or may not be.

Finally, UBN released its Q2 FY22 Activities Report just a month after the sudden resignation of the previous CEO. Pleasingly both the strata and facilities management divisions both grew their ARR with the combined group finishing with an ARR value of almost \$11 million at the end of December, which equates to 22% YOY growth. UBN announced that they intend to take a significant amount of cost out of the business to ensure that the business has enough funding to achieve a cash breakeven level, which we believe is imperative to ensure that all cost centres are achieving a sound return. We estimate that the current annualised cost base is circa \$16 million, therefore if UBN can grow ARR at 25% p.a. then within circa 1.50 years the business should be able to achieve cash flow breakeven on ARR alone.

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)
NAC Investment Portfolio Performance*	-8.56%	+23.13%	+19.94%	+12.09%	+14.31%	+15.19%	+177.58%
S&P/ASX 300 Industrials Accumulation Index	-8.64%	+8.52%	+9.40%	+7.44%	+7.99%	+7.20%	+65.19%
Outperformance Relative to Benchmark	+0.08%	+14.61%	+10.54%	+4.65%	+6.32%	+7.99%	+112.39%

*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	\$196.8 million
Cash Weighting	0.37%
Standard Deviation of Returns (NAC)	17.96%
Standard Deviation of Returns (XKIAI)	14.39%
Downside Deviation (NAC)	11.10%
Downside Deviation (XKIAI)	9.88%
Shares on Issue	46,325,916
NAC Directors Shareholding (Ordinary Shares)	8,160,357
NAC Options Closing Price (ASX: NACOA)	\$0.10
NAC Options on Issue	19,997,270
NAC Convertible Notes Closing Price (ASX: NACGA)	\$105.50
NAC Convertible Notes on Issue	175,000
Fully Diluted pre-tax NTA	\$1.27
Fully Diluted post-tax NTA	\$1.21

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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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

Chief Financial/ Operating Officer

Richard Preedy

Head of Legal and Compliance

Rajiv Sharma

Marketing & Communications Manager

Angela Zammit

NAOS

Enquiries

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

www.naos.com.au