

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 OCTOBER 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
\$0.81	\$0.84	\$0.89	\$0.83	10	\$0.4055	6.87%

The above NTA figures are inclusive of the 1.40 cents per share fully franked Q1 FY23 dividend, which had an ex-dividend date of 9 November 2022 and a payment date of 30 November 2022.

Market Insight

October saw a continuation of the recent significant market volatility, although this month the volatility was very much to the upside, with the S&P/ASX 300 Industrials Accumulation Index (XKIAL) increasing by +7.69% and its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) returning +6.46%. Put simply it was a very disappointing month for the NAC Investment Portfolio which finished down -7.62%, with not one of the core investments registering a positive return for the month, and Eureka Group Holdings (ASX: EGH), one of the largest investments in the investment portfolio, announcing a discounted capital raising. Annual General Meeting (AGM) season ramped up in October and with it came a number of updates from across the NAC portfolio, including Maxiparts (ASX: MXI), MOVE Logistics (NZX: MOV), and Urbanise.com (ASX: UBN) which we will elaborate on below.

Investment Portfolio Performance Monthly and FY Returns*

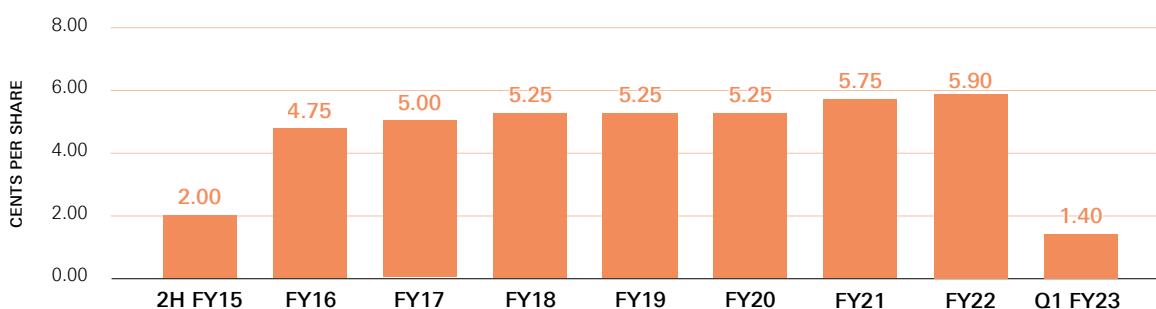
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY23	+8.72%	+0.52%	-6.43%	-7.62%									-5.52%
FY22	-4.12%	+1.05%	+7.06%	+4.21%	-3.57%	-1.26%	-8.56%	-7.95%	-1.13%	-1.74%	-8.22%	-7.25%	-28.36%
FY21	+5.04%	+11.43%	+3.96%	+5.24%	+5.41%	-5.38%	-2.24%	+10.04%	+2.57%	+4.55%	+4.27%	+6.33%	+63.36%
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.

As mentioned above, EGH announced a capital raising totalling \$28 million at an issue price of \$0.47 per share. The reasons for the raising are to fund two acquisitions, the greenfield development of the Brassall village expansion, and to reduce debt and provide financial flexibility. As the largest shareholder in EGH with a 22% shareholding we were disappointed on several fronts with the capital raising and elected not to participate. EGH has been a successful investment over the past 3 years but more recently management have issued two profit downgrades, which is surprising considering the rental nature of the income stream. These downgrades have come in large part due to significant staff turnover within the business as well as slippage around settlement times of announced acquisitions. In our view, we believed that the board and management needed to demonstrate to investors that they can drive consistent organic earnings growth prior to seeking further external capital. Frustratingly, the board and management have also spoken about a capital management plan that would clearly articulate the most efficient way to fund EGH going forward but after two years no details have been released. We were also disappointed that no funding costs have been fixed over the past 6 - 12 months which has resulted in a significant increase in interest expense for the business. The EGH business is by no means broken but clearly the business must scale if it is going to achieve any leverage off its significant \$8 million corporate cost base. EGH may well

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

become the leader in their respective field, but in our view, management will need to demonstrate continued execution of strategy over the longer-term along with improved capital management.

MOV and MXI both held their AGMs in October and we felt they both provided positive updates, albeit slightly lacking in detail. MXI reaffirmed their guidance for revenue growth of low double digits without providing any further quantitative commentary, and MOV stated that they expect profit to increase on the prior year result but again without providing further clarity. MOV did state that they expect most of their current initiatives to have a much greater impact on profitability in FY24 as opposed to FY23, which we believe may also be the case for MXI.

Finally, UBN released their Q1 activities report which showed continued, albeit marginal, growth in both of their business segments. Of particular note was the reference made to the Colliers integration which remains on track for integration in Q2 FY23 with recurring billing to commence thereafter. UBN also announced that they have secured a new tier-1 facilities maintenance client in New Zealand as well as new clients in the Middle East. The company remains in numerous discussions with potential clients across both divisions with annual contract values ranging from \$10,000 - \$600,000 p.a.

Core Investment Portfolio Examples

 <p>Gentrack Group Limited ASX: GTK</p> <p>Gentrack Group 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.</p>	 <p>MaxiPARTS Limited ASX: MXI</p> <p>MaxiPARTS is a supplier of commercial truck and trailer parts to the road transportation industry. In operation for over 30 years, MaxiPARTS is one of the largest operators in Australia, with a unified support and distribution network across 25 sites nationwide.</p>	 <p>Urbanise.com Limited ASX: UBN</p> <p>Urbanise.com 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.</p>
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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*	-7.62%	-37.38%	+1.33%	+4.88%	+8.34%	+9.07%	+99.65%
S&P/ASX 300 Industrials Accumulation Index	+7.69%	-7.39%	+3.23%	+5.82%	+6.90%	+6.65%	+66.96%
Outperformance Relative to Benchmark	-15.31%	-29.99%	-1.90%	-0.94%	+1.44%	+2.42%	+32.69%

*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	\$138.7 million
Cash Weighting	0.70%
Standard Deviation of Returns (NAC)	18.65%
Standard Deviation of Returns (XKIAI)	15.01%
Downside Deviation (NAC)	11.66%
Downside Deviation (XKIAI)	10.07%
Shares on Issue	44,813,899
NAC Directors Shareholding (Ordinary Shares)	8,412,696
NAC Options Closing Price (ASX: NACOA)	\$0.004
NAC Options on Issue	19,948,972
NAC Convertible Notes Closing Price (ASX: NACGA)	\$91.00
NAC Convertible Notes on Issue	175,000
Fully Diluted pre-tax NTA	\$0.81
Fully Diluted post-tax NTA	\$0.89

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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