

# 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+

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### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 JULY 2018

#### NET TANGIBLE ASSET VALUE BREAKDOWN

PRE TAX NTA	POST TAX & PRE UNREALISED GAINS TAX NTA	POST TAX NTA	SHARE PRICE	PREMIUM/ (DISCOUNT) TO NTA (PRE TAX)	HISTORICAL FULLY FRANKED DIVIDEND YIELD
\$1.11	\$1.12	\$1.09	\$0.97	(12.61%)	5.41%

#### MARKET INSIGHT

The NAC Investment Portfolio returned +0.24% for the month of July compared to the recently revised NAC benchmark (being the S&P/ASX 300 Industrials Accumulation Index) which returned +1.62% over the same period. This brings the inception return for 3 years and 8 months to +67.60%, with the benchmark returning +34.08% over the same period. July is typically a quiet month due to the blackout period for most publicly listed businesses in advance of the release of their full year financial results in August. Even so there were two significant changes made to the investment portfolio, both of which are outlined upon below.

Following their acquisition of US based MORSCO, Reece (ASX: REH) was added to the portfolio as a new core long position in July. Reece is well known to the Naos investment team as it was a large core position within the portfolio shortly after the inception of NAC. We believe Reece has one of the best management teams we have seen in any listed company, and their track record of consistent growth and margin improvement is evidence of this. The acquisition of MORSCO is significant in scale and is Reece's first foray into the even larger US market. Given the management team and the similarity of the business model to Reece, we believe the chance of success is considerably enhanced. The MORSCO business looks similar in a lot of ways to Reece's core business of plumbing supplies, however operates in a much larger market, and in our view, we consider the company to have a longer runway for growth. Further to this, MORSCO currently has EBITDA margins of ~6% compared with Reece at 14%, so we see scope for margin improvement down the line. It is also worthwhile noting that the founders of Reece invested a further \$360 million in the recent capital raising to help fund the acquisition of MORSCO.

The other major change to the portfolio was the removal of Elders (ASX: ELD). We have owned Elders since the beginning of 2017, and it has been a significant positive contributor to NAC, as evidenced by the close to 100% share price increase over that time, as MD Mark Allison and his management team have been successfully driving a turnaround of the business. Following the recent half year result we reduced our position in Elders, as we saw the tough climatic conditions beginning to take their toll on livestock prices and agricultural inputs, from where Elders derives the bulk of its earnings. In early July, the company released a trading update confirming that near term earnings would suffer as a result of the dry weather conditions. We are still attracted to the Elders business and will continue to monitor the company, but in the interest of capital preservation we believe it is prudent to sit on the sidelines for now.


#### INVESTMENT PORTFOLIO PERFORMANCE


	1 MONTH	6 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (NOM.)
NAC Investment Portfolio Performance*	+0.24%	-2.98%	+11.11%	+6.58%	+15.22%	+14.91%	+67.60%
S&P/ASX 300 Industrials Accumulation Index	+1.62%	+5.07%	+10.83%	+7.81%	+6.47%	+8.21%	+34.08%
<b>Outperformance Relative to Benchmark</b>	<b>-1.38%</b>	<b>-8.05%</b>	<b>+0.28%</b>	<b>-1.23%</b>	<b>+8.75%</b>	<b>+6.70%</b>	<b>+33.52%</b>


\*Investment Portfolio performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Since inception (p.a. and nom.) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months.

#### INVESTMENT BELIEFS

VALUE WITH LONG TERM GROWTH 


SUSTAINABLE GROWING DIVIDEND STREAM 


QUALITY OVER QUANTITY 

INVEST FOR THE LONG TERM 

PERFORMANCE V LIQUIDITY FOCUS 

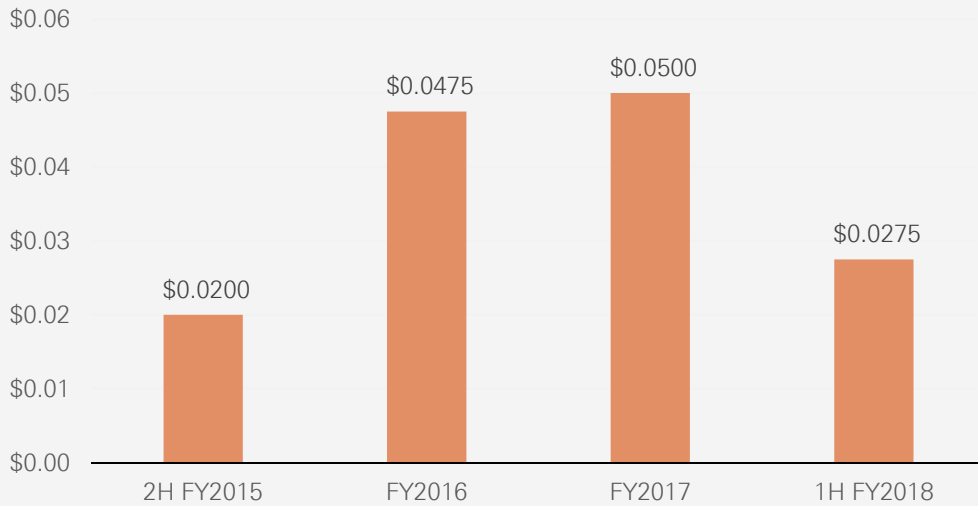
IGNORE THE INDEX 

PURE EXPOSURE TO INDUSTRIALS 

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) 

MANAGEMENT ALIGNMENT 

HISTORICAL FULLLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)



OUR TEAM

**Chairman**  
David Rickards (Independent)

**Directors**  
Warwick Evans  
Sebastian Evans

**Company Secretary/Senior Legal Counsel**  
Rajiv Sharma

**Chief Investment Officer**  
Sebastian Evans

**Portfolio Managers**  
Robert Miller  
Ben Rundle

**Investment Analysts**  
Rachel Folder  
Chadd Knights

**Chief Financial/Operating Officer**  
Richard Preedy

**Business Development Manager**  
Julia Stanistreet

**Communications & Marketing**  
Megan Walker

**Distribution & Sales Manager**  
Scott Hildebrand

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
MNF Group Limited (ASX: MNF)	+8.79%
BSA Limited (ASX: BSA)	+6.61%
Smartgroup Corporation Limited (ASX: SIQ)	+6.50%
Elders Limited (ASX: ELD)	+5.47%
Event Hospitality & Entertainment Limited (ASX: EVT)	+5.39%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$893.7 million
Number of Holdings	12 Long Positions
Cash Weighting	6.39%
Standard Deviation of Returns (NAC)	9.07%
Standard Deviation of Returns (XKIAI)	11.08%
Downside Deviation (NAC)	2.86%
Downside Deviation (XKIAI)	5.98%
Percentage of Positive Months (NAC)	62%
Percentage of Positive Months (XKIAI)	64%
Shares on Issue	52,536,889
NAC Directors Shareholding (Ordinary Shares)	3,871,889

ENQUIRIES

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