

### MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 JUNE 2020

#### 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)	FULLY FRANKED DIVIDEND YIELD
\$1.06	\$1.09	\$1.05	\$0.790	(25.47%)	6.65%

#### MARKET INSIGHT

The month of June saw the NAC Investment Portfolio increase by +4.15%, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which increased by +2.66%, as well as its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which decreased by -1.95%. This brings portfolio performance since inception to +11.06% p.a., outperforming the benchmark index which has returned +5.41% p.a. over the same period. Pleasingly, for FY20 NAC produced an Investment Portfolio return of +11.16% compared to the Benchmark which fell by -7.75%. NAC has now delivered a positive return in 5 of its 6 years financial years of operation with the only negative return of -2.86% occurring in FY19. Regarding stock-specific news, it was a quiet month for the portfolio with only Smartpay Holdings (ASX: SMP) releasing their FY20 results towards the end of the month.

#### 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 

#### INVESTMENT PORTFOLIO PERFORMANCE MONTHLY AND FY RETURNS\*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
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, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders.

As mentioned above, Smartpay Holdings released their FY20 results as they have a financial year-end of 31 March. SMP operate in two geographies, being New Zealand and Australia. The New Zealand business is mature and stable but low growth, and therefore it is SMP's Australian business that is capturing investor's attention given the impressive growth it has shown to date. When reviewing the KPIs of SMP Australia in the full-year results, the majority of these showed significant progress despite the COVID-19 disruption that occurred in the final month of SMP's financial year. The Australian acquiring revenue grew to \$9.50 million from \$2.50 million in the prior year, and revenue per terminal continues to increase significantly even as the number of terminals increases. Looking forward, SMP are experiencing record lead generation and they are well placed to accelerate their growth trajectory in new terminal numbers having recently raised equity capital to strengthen their balance sheet.

#### FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NAC aims to deliver shareholders a sustainable growing stream of fully franked quarterly dividends.



## MARKET INSIGHT CONTINUED

Taking a longer-term view, we also believe that given the data analytics that SMP can access via merchant sales patterns, they may have an opportunity to add more value to their growing customer base via new products and services.

Objective Corporation Ltd (ASX: OCL) has been a long-term provider of software solutions to the Australian Government, and recently entered the second 3-year term of their 6-year contract with the Department of Defence. OCL originally announced they had won this contract with the Department of Defence for the FY18 - FY23 period back in July 2018. We believe one of the hallmarks of a high-quality software business is the ability to generate organic revenue growth within the existing customer base through increasing customer usage as well as expanding the product/service set to these customers. In our view, OCL has been able to demonstrate this over time, and pleasingly, the abovementioned contract has increased in value since commencement in FY18.

At their FY18 Annual General Meeting (AGM), OCL provided clarity on what the current Annualised Recurring Revenue (ARR) of the business was, (at that stage \$40.5 million) and what OCL believed the long-term potential of the business to be (\$127.1 million). With a majority of OCL's clients operating in some form of government/regulated environment and with a significant amount of emphasis being put on cloud migration, governance, transparency, collaboration and ease of use, we continue to firmly believe that OCL has the ability to achieve this ARR figure over the long term. With a cash balance of close to \$40 million we believe there is potential opportunity for further strategic acquisitions, as funding for smaller private businesses in the current economic climate has become significantly more challenging.

## STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, November 2014. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
MNF Group Limited (ASX: MNF)	32.04%
Service Stream Limited (ASX: SSM)	6.85%
BSA Limited (ASX: BSA)	6.66%
Objective Corporation (ASX: OCL)	6.06%
Elders Limited (ASX: ELD)	5.73%

## INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	5 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NAC Investment Portfolio Performance*	+4.15%	+11.16%	+3.91%	+5.99%	+10.57%	+11.06%	+80.55%
S&P/ASX 300 Industrials Accumulation Index	+2.66%	-7.75%	+0.98%	+3.29%	+5.02%	+5.41%	+34.55%
Performance Relative to Benchmark	+1.49%	+18.91%	+2.93%	+2.70%	+5.55%	+5.65%	+46.00%

\* 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 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	\$298.8 million
Number of Holdings	12 Long Positions
Cash Weighting	1.75%
Standard Deviation of Returns (NAC)	17.82%
Standard Deviation of Returns (XKIAI)	14.76%
Downside Deviation (NAC)	11.79%
Downside Deviation (XKIAI)	10.52%
Percentage of Positive Months (NAC)	65%
Percentage of Positive Months (XKIAI)	63%
Shares on Issue	47,181,404
NAC Directors Shareholding (Ordinary Shares)	7,966,337

## OUR TEAM

### Chairman

David Rickards (Independent)

### Directors

Warwick Evans

Sebastian Evans

Sarah Williams (Independent)

### Chief Investment Officer

Sebastian Evans

### Portfolio Managers

Robert Miller

Ben Rundle

### Chief Financial/

### Operating Officer

Richard Preedy

### Business Development

### Manager

Julia O'Brien

### Compliance Officer

Julie Coventry

### Marketing & Communications

### Manager

Angela Zammit

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