

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 28 FEBRUARY 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
\$1.22	\$1.22	\$1.19	\$1.01	10	\$0.3645	6.09%

The above NTA figures are inclusive of the 1.60 cents per share fully franked Q2 FY22 dividend, which went ex-dividend on 7 March 2022 and will be paid on 25 March 2022. *Pre-tax NTA is after the payment of \$272k (0.60 cents per share) in tax during the month.

Market Insight

The month of February saw the NAC investment portfolio decrease by -7.95%, underperforming both the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which increased by +0.65% and also its smaller counterpart the S&P/ASX Small Ordinaries Accumulation Index which decreased -0.01% in another extremely volatile month for equity markets. This brings portfolio performance since inception to +13.72% p.a., outperforming the benchmark index which has returned +7.22% p.a. over the same period. The major detractors to performance for the month were Gentrack Group (ASX: GTK), Step One Clothing (ASX: STP) and Urbanise.com (ASX: UBN). As expected given half-year reporting, there was a significant amount of news flow in February with the most notable events coming from GTK who provided a trading update at their AGM, STP which released their 1H FY22 results and finally Experience Co. (ASX: EXP), which provided some granularity on the potential earnings power of the business going forward.

Investment Portfolio Performance Monthly and FY Returns*

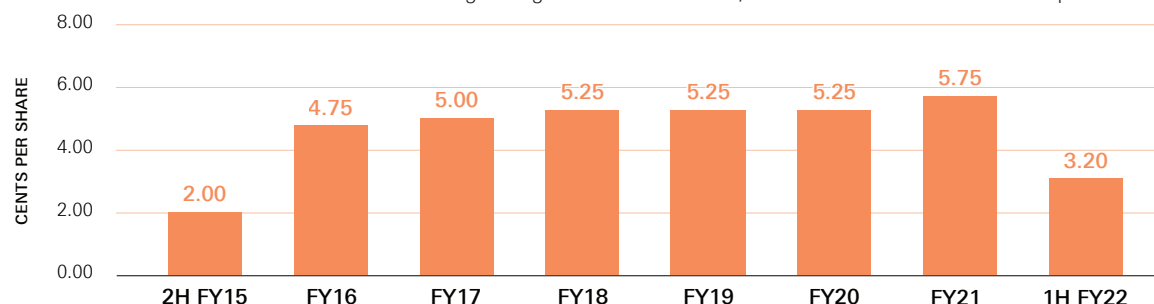
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY22	-4.12%	+1.05%	+7.06%	+4.21%	-3.57%	-1.26%	-8.56%	-7.95%					-13.37%
FY21	+5.04%	+11.43%	+3.96%	+5.24%	+5.41%	-5.38%	-2.24%	+10.04%	+2.57%	+4.55%	+4.27%	+6.33%	+63.36%
FY20	+0.50%	+8.14%	+6.58%	+1.99%	+0.98%	+0.87%	+2.31%	-13.80%	-22.22%	+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.

It was somewhat surprising that GTK was one of the major detractors for the month, as the company provided a strong trading update at their AGM. GTK's initial guidance for FY22 was for "revenue growth" though this was amended to revenues of "around \$115 million" with EBITDA expected to be in the low single digits (\$'m). This guidance implies revenue growth of circa 10% even though management have previously disclosed that there is a \$5-10 million headwind from a customer who announced they were leaving GTK some time ago. Taking this into account the true revenue growth of the business is closer to +15-20%. On face value the EBITDA generated could be considered low for a business of GTKs' scale, but it should be noted that all research & development is expensed. If GTK were to capitalise a majority of this (as most Australian technology companies do) then EBITDA could be closer to \$10 million. We continue to believe that GTK remains extremely undervalued and that its growth prospects are more tangible than the wider market appreciates. With an EV/Revenue multiple of just over 1x, in our view GTK has the potential to be valued over 2-3 times higher especially if the current management team's track record of under promising and overdelivering continues.

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

STP released their inaugural half-year results as a listed entity and to their credit the quality of the information was excellent. The financial result was in line with the guidance issued in November but in our view, of more interest, was the revenue composition we believe is required for STP to achieve their FY22 guidance, as well as the prospects of marketing spend increasing going forward. Regarding the FY22 guidance, we believe there will need to be a large increase in sales for the recently launched women's underwear range to offset the slower growth experienced in the UK market. Initial demand for these products has been excellent but we believe there could be a timing risk regarding stock availability considering the volumes required to have a meaningful impact on group revenue. Secondly, the advertising and marketing spend was maintained at ~40% of group revenue. As the group embarks on a global expansion the marketing campaigns that were used successfully in Australia may require significant tailoring to ensure effectiveness across the new geographies. As such, we believe there is potential risk for marketing spend to further increase as a percentage of revenue, despite the projected top-line growth. Given the material impact such an increase would have on the long-term valuation of the STP business, we will be closely watching this metric in future market updates.

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*	-7.95%	+3.00%	+16.64%	+10.82%	+12.95%	+13.72%	+155.53%
S&P/ASX 300 Industrials Accumulation Index	+0.65%	+9.26%	+7.60%	+6.87%	+8.66%	+7.22%	+66.26%
Outperformance Relative to Benchmark	-8.60%	-6.26%	+9.04%	+3.95%	+4.29%	+6.50%	+89.27%

*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	\$170.3 million
Cash Weighting	1.04%
Standard Deviation of Returns (NAC)	18.18%
Standard Deviation of Returns (XKIAI)	14.31%
Downside Deviation (NAC)	11.31%
Downside Deviation (XKIAI)	9.83%
Shares on Issue	45,679,641
NAC Directors Shareholding (Ordinary Shares)	8,160,357
NAC Options Closing Price (ASX: NACOA)	\$0.07
NAC Options on Issue	19,995,545
NAC Convertible Notes Closing Price (ASX: NACGA)	\$104.55
NAC Convertible Notes on Issue	175,000
Fully Diluted pre-tax NTA	\$1.16
Fully Diluted post-tax NTA	\$1.14

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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