

NAOS Emerging Opportunities Company (NCC)

NAOS

MONTHLY INVESTMENT REPORT AND NTA UPDATE

April 2017

KEY CHARACTERISTICS

1. Genuine Exposure to Undervalued Emerging Companies

Regardless of market capitalisation and/or liquidity, NCC seeks to provide investors with exposure to high quality, undervalued emerging companies in a transparent and concentrated structure that has the competitive advantage of being a nimble closed ended fund with no liquidity constraints.

2. Focus on Quality of Companies Not Quantity or Size of Companies

Our primary focus is on developing a deep understanding and appreciation of the companies in our portfolio. We believe the best way to achieve this is to focus on a select number (target 0-15) of high quality investment ideas. By developing a deep understanding of these companies we believe we are well positioned to capitalise on our 'long term information advantage' & 'liquidity advantage'.

3. Focus on Meaningful Long Term Performance

We target an Internal Hurdle Rate of 20% p.a. over a rolling three-year period for all our investment holdings.

4. Portfolio Constructed Utilising a Benchmark Unaware Approach

Being benchmark unaware means we are not forced holders of stocks with large benchmark weightings that we are not convinced are attractive investment propositions.

5. Significant Alignment of Interests with Shareholders

NAOS & NCC employees/directors own >10 million NCC shares, providing shareholders with a significant alignment of interests.

Net Tangible Asset Value Breakdown as at 30 April 2017

Pre Tax NTA:	\$1.30
Post Tax & Pre Unrealised Gains Tax NTA:	\$1.27
Post Tax NTA:	\$1.20
Share Price:	\$1.49

*The above NTA Values are exclusive of the \$0.035 Dividend (Ex-Dividend Date 3 April 2017) and do not take into account the issue of 7,114,740 shares at \$1.36 which were issued on 9 May 2017.

Investment Portfolio Performance & Market Insight

The NCC Investment Portfolio produced a negative return of -3.69% compared to the Benchmark Small Ordinaries Accumulation Index which fell by -0.25%. This brings the performance since inception of 4 years and 2 months to +104.72% vs. the Benchmark which has returned +15.69%. Whilst the performance for April was disappointing it is important to highlight the fact that there were no stock specific events that led to the share price reductions experienced in a small number of our key positions.

Although none of the following will be expanded on within this month's report it is worth highlighting some major announcements and events within the portfolio which have occurred in the first week or two of May. Firstly, Big River (ASX: BRI), our first new core position over the last 12-18 months, listed successfully on 2 May. Consolidated Operating Group (ASX: COG) announced the acquisition of a large finance broker which will be funded through a 1 for 4 rights issue. Wingara (ASX: WNR) announced the acquisition of a large piece of land in Horsham, Victoria, which will form the base for their new hay exporting facility with a capacity for 200,000 tonnes per annum, increasing their current capacity five-fold. Biotech Capital (ASX: BTC), one of our lesser known holdings announced it has secured a licencing deal to distribute a medical device which assists in the treatment of chronic wounds within the Asia Pacific region. Finally, although not stock specific, the Forbes 500 business Accenture acquired unlisted creative advertising agency The Monkeys, which is a direct comparable to Enero's (ASX: EGG) Australian agency BMF. This further highlights the consolidation taking place in the agency industry, driven by the likes of global giants Deloitte, Accenture and KPMG.

Finally it is worth referring to the recently completed placement and Share Purchase Plan (SPP) that just opened to all shareholders. Many of our investors will be aware that the NCC portfolio has been fully invested for approximately 2 years. All but one of our core positions have remained constant over this period of time and the Investment Team continues to have a high level of conviction in the current portfolio. Due to the recent volatility within small caps a number of opportunities have arisen, and this capital raising will give the investment team the flexibility required to potentially capitalise on these opportunities without needing to sell out of existing positions that we believe represent good risk adjusted value over the longer term. It is also worth highlighting that the Directors of NCC, and staff members of the Investment Manager are significant shareholders of NCC, and we remain steadfastly committed to maintaining a high conviction portfolio of 0-15 stocks with a pure long term exposure to industrial focused small/micro-cap companies regardless of size or liquidity. Over the long term we believe that this investment strategy will provide our fellow shareholders with the greatest potential for significant, sustainable, outperformance. With this in mind we remain committed to the soft close target of ~\$125 million and due to this, this current capital raising may very well be the last.

	1 Month	1 Year	2 Years (p.a.)	3 Years (p.a.)	4 Years (p.a.)	Inception (p.a.)	Inception (nom.)
NCC Investment Portfolio Performance*	-3.69%	+20.51%	+16.56%	+12.60%	+17.61%	+18.73%	+104.72%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	-0.25%	+10.04%	+7.55%	+6.80%	+5.60%	+3.55%	+15.69%
Outperformance Relative to Benchmark	-3.44%	+10.47%	+9.01%	+5.80%	+12.01%	+15.18%	+89.03%

*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 February 2013.

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Positive Stock Contribution Analysis

(Contribution is what has attributed to NCC's performance since inception)

(1 March 2013 to 30 April 2017)

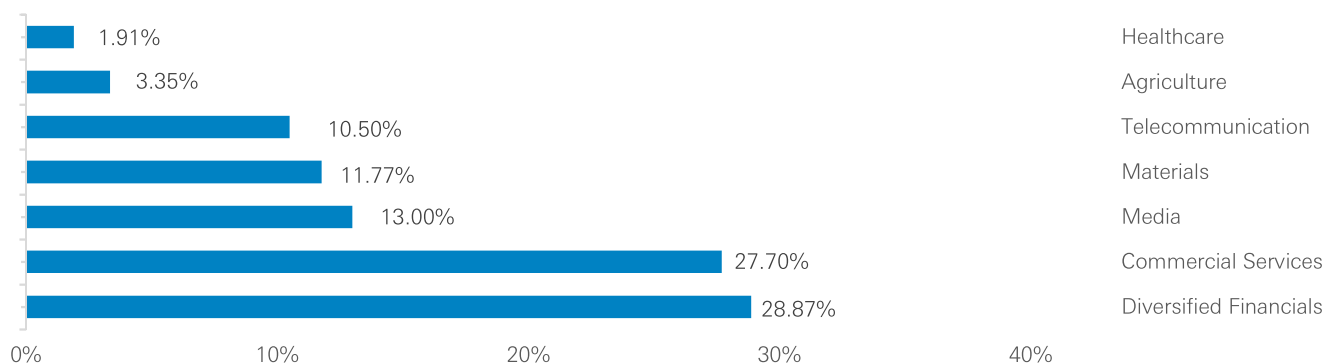
The table below lists the top positive contributors to NCC's total return since 1 March 2013. The purpose of the information is to illustrate that the performance the investment team derive over time is not simply from one or two positions but from a variety of positions, even with a highly concentrated portfolio of investments that is often 0 -15 securities at any one time. We will disclose securities in which the Company has a current substantial holding, or when we have exited the position. All of the below have either been a long or short position in the portfolio at some point in time.

Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
BSA Limited	+24.71%	Village Roadshow	+7.88%
Consolidated Operations Group	+17.21%	Sirtex Medical Limited	+7.86%
Calliden Group	+14.97%	RHG Limited	+6.80%
Capitol Health Limited	+14.56%	Gage Roads Brewing	+5.98%
Lindsay Australia	+9.66%	MNF Group Limited	+5.48%
Tamawood Limited	+8.34%	AMA Group	+4.22%

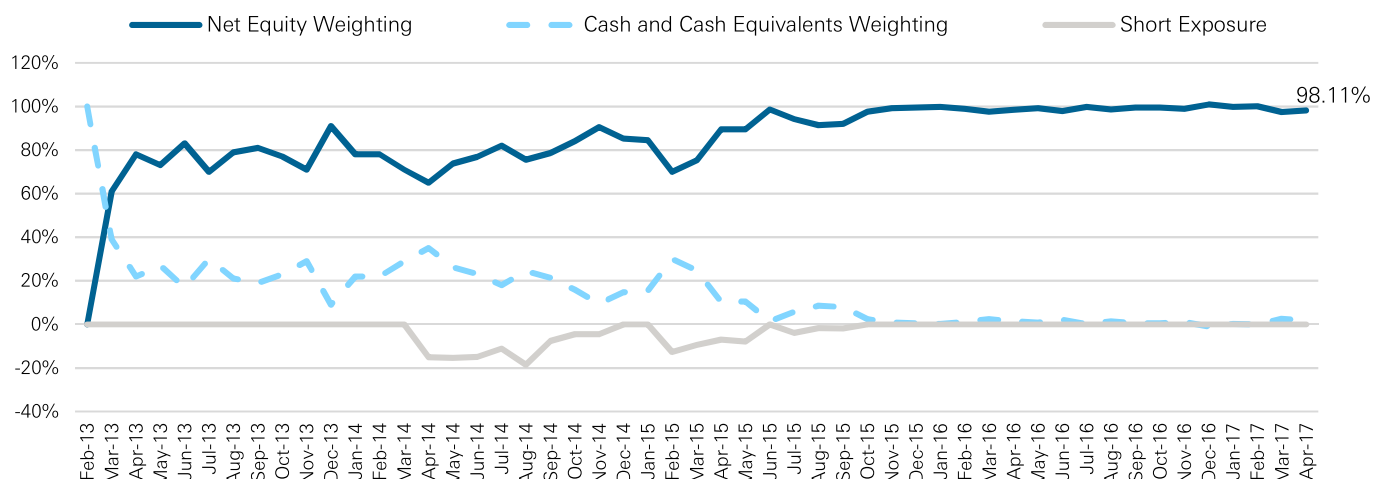
Portfolio Positioning as at 30 April 2017

As at April month end, the portfolio's net equity exposure was ~98.11% with a subsequent cash weighting of +1.89%. The core holdings in the portfolio did not change over the course of the month. As at month end, the portfolio was comprised of 10 long positions and no shorts. There were also no income instruments in the portfolio.

Industry Exposure



Net Equity Exposure



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Company Meetings

The NAOS investment philosophy is based around the belief that for an emerging company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. This is why the NAOS Investment Team has direct contact with many listed and unlisted emerging companies across a wide range of industries. A selection of the companies we met with during the month of April is provided below.

- Big River Group (BRI AU)
- SurfStitch Group (SRF AU)
- Skydive the Beach SKB AU)
- UCW Limited (UCW AU)
- Vita Life Sciences (VSC AU)
- Consolidated Operations Group (COG AU)
- HGL Limited (HNG AU)
- ITL Limited (ITD AU)
- LandMark White (LMW AU)
- 3P Learning Ltd (3PL AU)
- MNF Group (MNF AU)
- Afterpay Holdings (AFY AU)

Portfolio Characteristics – Summary Data

Below are a number of historical portfolio risk measures. Our aim in providing these metrics is to demonstrate to investors how NCC is placed from a risk adjusted basis to meet its objective, being to outperform the benchmark over the long term, and also to preserve investor's capital. A glossary of the terms used below and the method used for calculating them can be found on the last page of this report.

Portfolio Weighted Average Market Capitalisation	\$121.5 Million
Percentage of Positive Months (NCC)	70%
Percentage of Positive Months (XSOAI)	54%
Standard Deviation of Returns (NCC)	11.29%
Standard Deviation of Returns (XSOAI)	13.88%
Correlation of Returns to XSOAI	0.56
Sortino Ratio	2.77
Downside Deviation (NCC)	5.88%
Downside Deviation (XSOAI)	7.41%
Current Estimated Portfolio Beta (6 Month Historical)	0.32

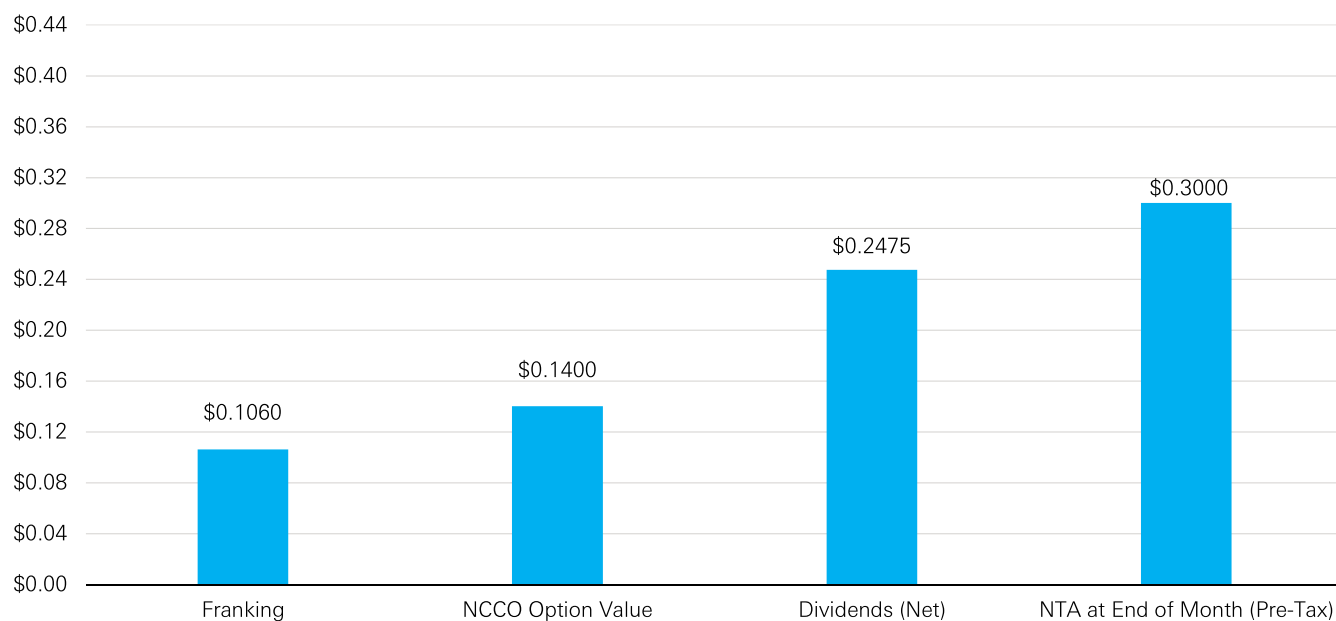
Capital Management – Summary Data as at 30 April 2017

Share Price	\$1.49
Premium/(Discount) to NTA (Pre-Tax)	14.62%
Historical Fully Franked Dividend Yield	4.70%
Historical Gross Dividend Yield	6.71%
Shares on Issue	47,431,604
NCC Directors Shareholding (Ordinary Shares)	3,721,353

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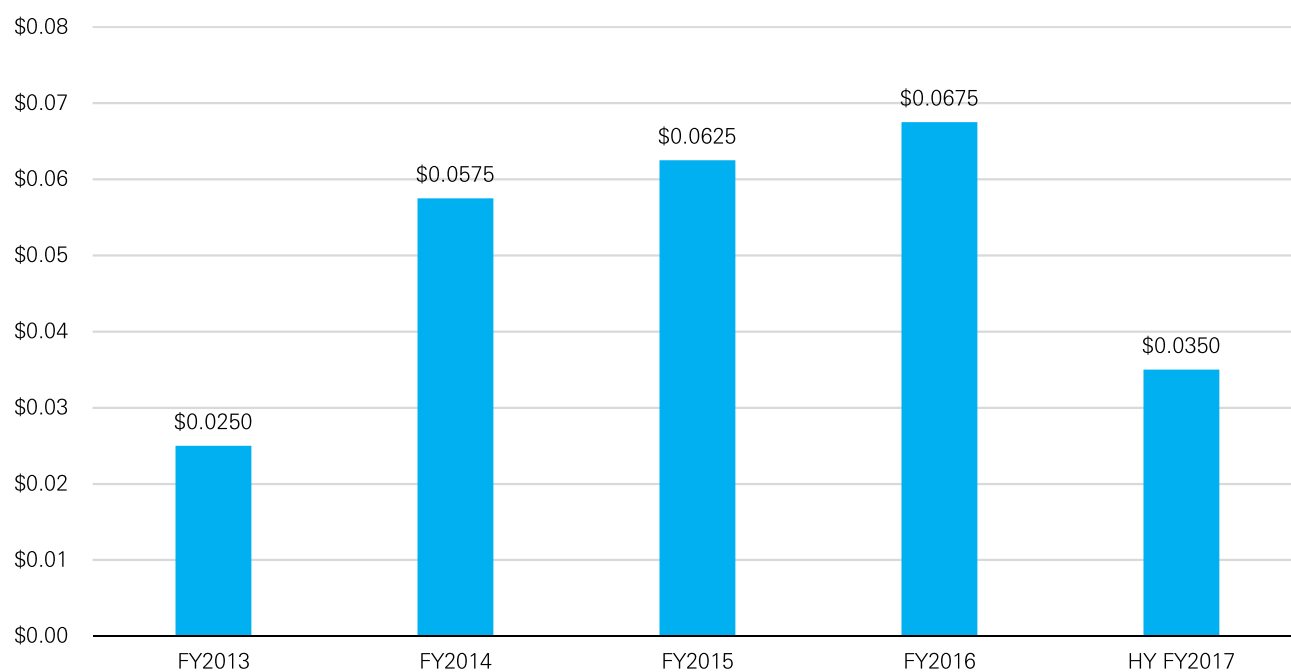
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Historical Shareholder Return Breakdown



*Assumes an intrinsic NCCO value of \$0.14 cents per option at expiry (1 February 2015).

Dividend Profile - Historical Fully Franked Dividends (Cents per Share)



A Description of Statistical Terms/Glossary

Portfolio Average Market Capitalisation – The portfolio weight of each individual position multiplied by each company's respective market capitalisation.

Standard Deviation of Returns – A historical analysis of the volatility in monthly returns also known as historical volatility.

Correlation of Returns – A statistical measure of how two variables move in relation to each other. In this case the two variables are NCC and XSOAI. If the correlation is 1 then the two securities should have the same monthly returns and if the correlation is -1 and XSOAI had a return of -1.00% then NCC would be expected to have a return of +1.00%

Sortino Ratio – A modification of the Sharpe ratio that differentiates harmful volatility from general volatility by taking into account the standard deviation of negative asset returns, called downside deviation. A large Sortino Ratio may potentially indicate that there is a low probability of a large capital loss. Returns less than that of the benchmark (Small Ordinaries Accumulation Index - XSOAI) are classified as negative asset returns.

Downside Deviation - A measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR). For our calculations, we use returns negative to zero for the calculation of portfolio downside deviation.

Portfolio Beta – A measure of the volatility, or systematic risk of a portfolio or security. A beta of 1 indicates a portfolio/security's price will move with the market. A beta of less than 1 indicated that a security/portfolio should be less volatile than the market.

XSOAI – Small Ordinaries Accumulation Index

Disclaimer:

This report has been prepared by NAOS Asset Management Limited. Information provided in this report is for general information purposes and must not be construed as investment advice. In preparing this report we have not taken into account the investment objectives, financial situation or needs of any particular investor. Past performance is not a reliable indicator of future performance. Before making an investment decision, investors must read the offer documents and should seek their own financial product advice. Returns are compounded for periods greater than 12 months. The Investment Manager of the Company is NAOS Asset Management Limited (ABN 23 107 624 126, AFSL 273529). NAOS Address: Level 34, MLC Centre, 19 Martin Place, Sydney NSW 2000.

CORPORATE DIRECTORY

Directors

David Rickards (Independent Chairman)
Warwick Evans (Director)
Sebastian Evans (Director)

Company Secretary
Richard Preedy

Investment Team

Sebastian Evans (Chief Investment Officer)
Jeffrey Kim (Portfolio Manager)
Robert Miller (Portfolio Manager)
Ben Rundle (Portfolio Manager)
Chadd Knights (Investment Analyst)

Chief Financial/Operating Officer
Richard Preedy

Business Development Manager
Julia Stanistreet

Communications & Marketing
Megan Walker

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