The background of the slide is a photograph of a hot air balloon festival. Numerous colorful balloons are floating in a sky filled with soft, grey clouds. The ground is a rugged, rocky landscape with winding paths. In the distance, a town and more mountains are visible under the dawn or dusk light.

NAOS

QUARTERLY INVESTOR BRIEFING 4TH
QUARTER FY-2017

NAOS Absolute Opportunities Company Limited
(ASX: NAC)

CALL DETAILS

1. Date	Wednesday 19 July 2017	
2. Time	9.30am AEST	
3. Telephone	Within Australia: 1800 857 029 New Zealand: 0800 449 288	Outside Australia: +61 3 8687 0635
4. Guest Access Code	1084 2873#	
5. Questions	Please email all questions to enquiries@naos.com.au prior to the allotted call time	

1. NAC Q4 FY17 REVIEW

- Performance & Risk Summary
- Stock Contribution (Since Inception)
- Return Profile, Positive v Negative Return Months
- Capital Analysis: Addressing the Discount
- Dividend Profile
- Director/Shareholder Alignment
- Historical Net Equity & Cash Exposure
- Industry/Sector Exposure
- Company Meetings

2. Market Outlook

- Market Outlook: FY2017 Year in Review
- Market Commentary
- NAOS Investment Philosophy

3. Keeping Up to Date

- Shareholder Communications
- NAOS Team and NAC Directors

1. NAC Review

“ESTABLISHING AND MAINTAINING AN UNCONVENTIONAL INVESTMENT PROFILE REQUIRES ACCEPTANCE OF UNCOMFORTABLY IDIOSYNCRATIC PORTFOLIOS, WHICH FREQUENTLY APPEAR DOWNRIGHT IMPRUDENT IN THE EYES OF CONVENTIONAL WISDOM.” – DAVID SWENSEN

NAC: PERFORMANCE & PORTFOLIO CHARACTERISTICS SUMMARY

AS AT 30 JUNE 2017

	1 Month	3 Month	1 Year	2 Year (p.a.)	Inception (p.a.)	Inception (Nom.)
NAC Investment Portfolio Performance*	+0.65%	-2.26%	+6.69%	+17.83%	+17.15%	+51.66%
Benchmark (RBA Cash Rate + 250bps)	+0.35%	+1.07%	+4.39%	+4.84%	+4.73%	+12.94%
Relative Performance	+0.30%	-3.33%	+2.30%	+12.99%	+12.42%	+38.72%

*Investment Portfolio Performance is **pre fees and tax and post all operating expenses**.

Performance has **not been grossed up for franking credits received by shareholders**. Inception is 12 November 2014

Total Number of Equity Holdings (Long & Short)	17
Total Number of Income/Debt Instruments*	0
Portfolio Weighted Market Capitalisation (AUD)	\$351.4m
Percentage of Positive Months (NAC)	63%
Percentage of Positive Months (XAOAI)	56%
Standard Deviation of Returns (NAC)	9.53%
Standard Deviation of Returns (XAOAI)	11.72%
Correlation of Returns to XAOAI	0.39
Sortino Ratio	5.65
Downside Deviation (NAC)	3.04%
Downside Deviation (XAOAI)	6.91%
Current Estimated Portfolio Beta	-0.05

NAC: POSITIVE STOCK ATTRIBUTION SUMMARY (SINCE INCEPTION)

AS AT 30 JUNE 2017

Positive Stock Contribution Analysis

(Contribution is what has attributed to NAC's performance since Inception of 12 November 2014)

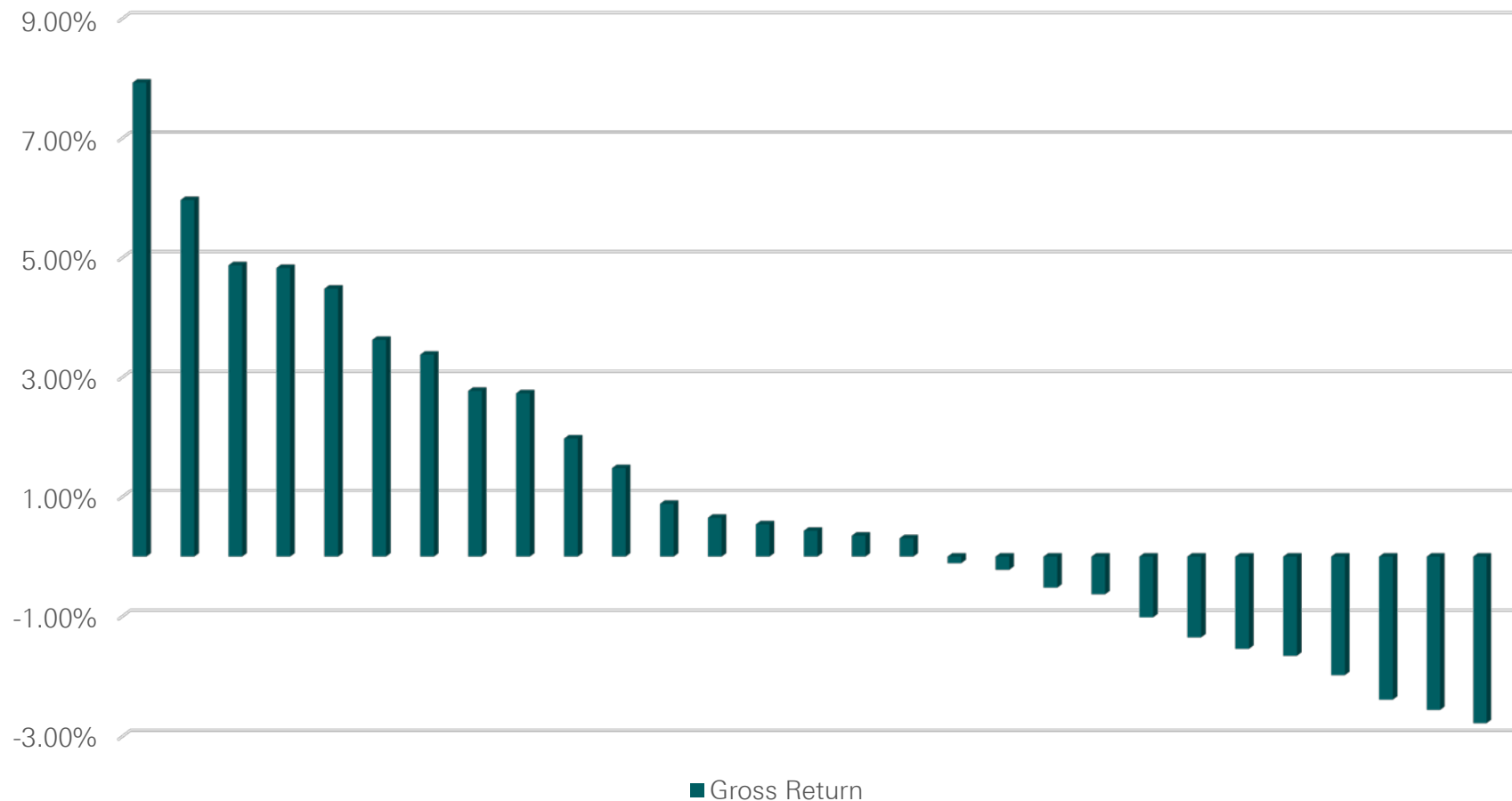
Below is a table listing the top positive contributors to NAC's total return since inception. The purpose of the table is to illustrate that the performance the investment team derive over time is not simply from one or two positions, but from a variety of positions, even with a concentrated portfolio of investments that is generally limited to 0-40 securities at any one time. Positions in the table below may have been held **either as a long position or short position at any given point in time.**

Investment	Contribution to Return (% NAV)	Investment	Contribution to Return (% NAV)
US Dollar	+9.21%	SmartGroup Ltd	+4.24%
Event Hospitality	+4.84%	1- Page Ltd	+3.71%
BSA Limited	+4.47%	Bellamy's Australia	+3.33%
MNF Group	+4.28%	Enero Group	+2.81%

NAC: RETURN PROFILE, POSITIVE V NEGATIVE MONTHS

AS AT 30 JUNE 2017

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NAC: CAPITAL ANALYSIS

AS AT 30 JUNE 2017

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NTA ANALYSIS

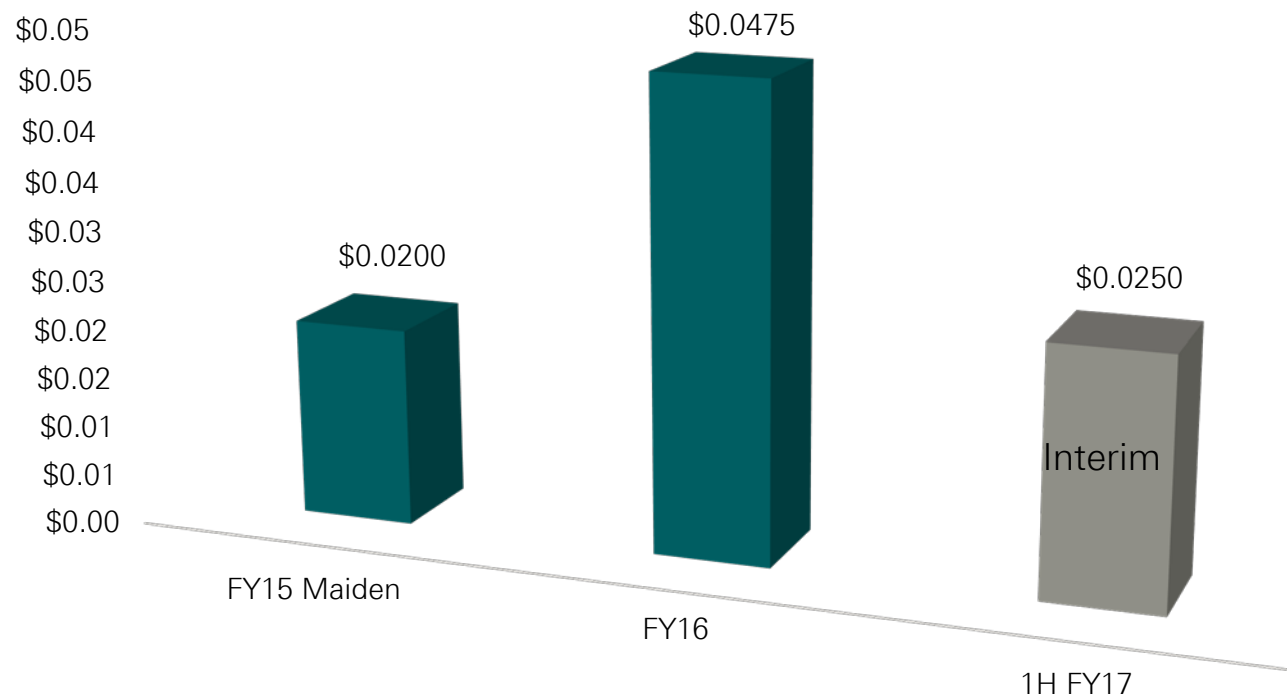
Pre Tax - \$1.08

Post Tax & Pre Unrealised Gains Tax – \$1.10

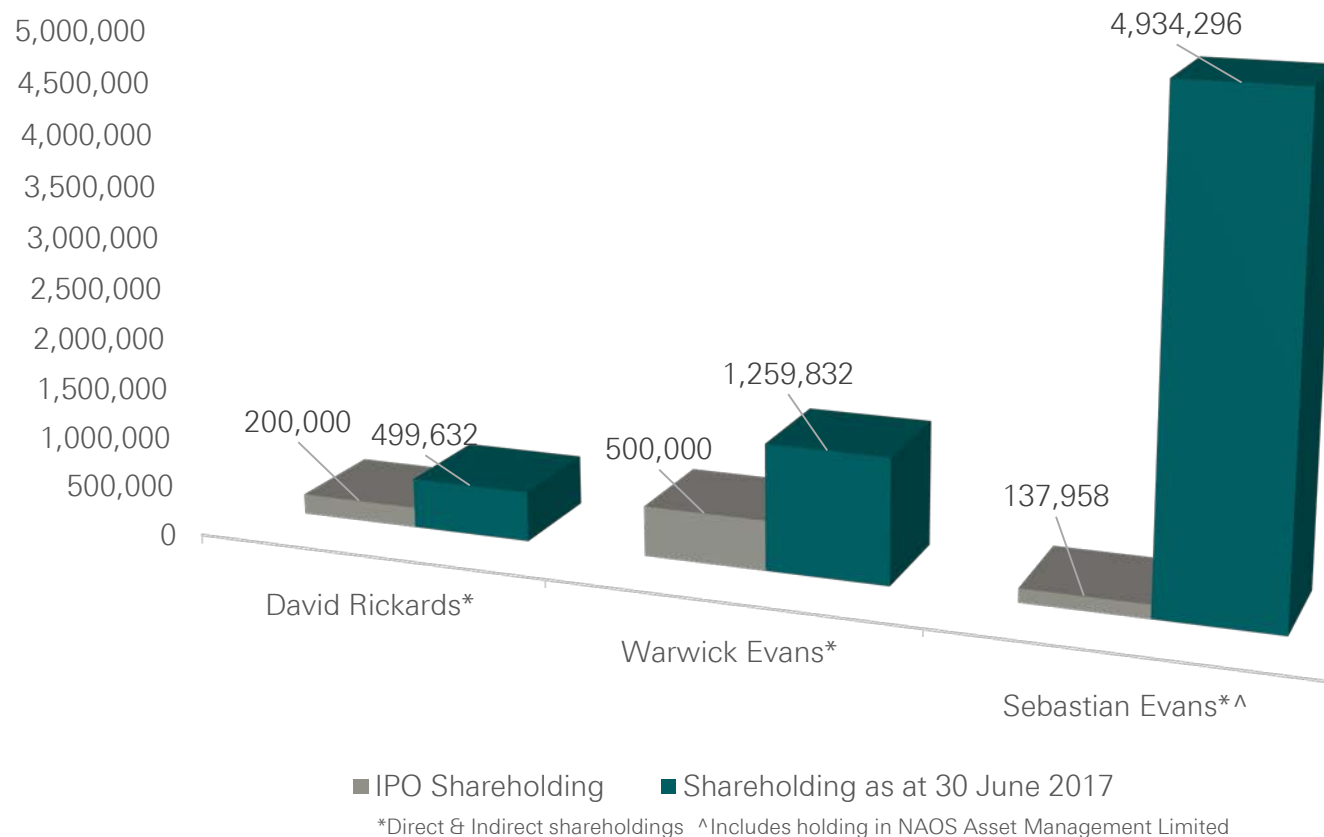
Post Tax - \$1.07

Share Price	\$1.035
Share Price (Discount)/Premium to Pre-Tax NTA	(-4.17%)
Fully Franked Dividend Yield	4.83%
Shares on Issue	52,536,889
Directors Shareholding	6,693,760

NAC: HISTORICAL FULLY FRANKED DIVIDEND PROFILE
AS AT 30 JUNE 2017

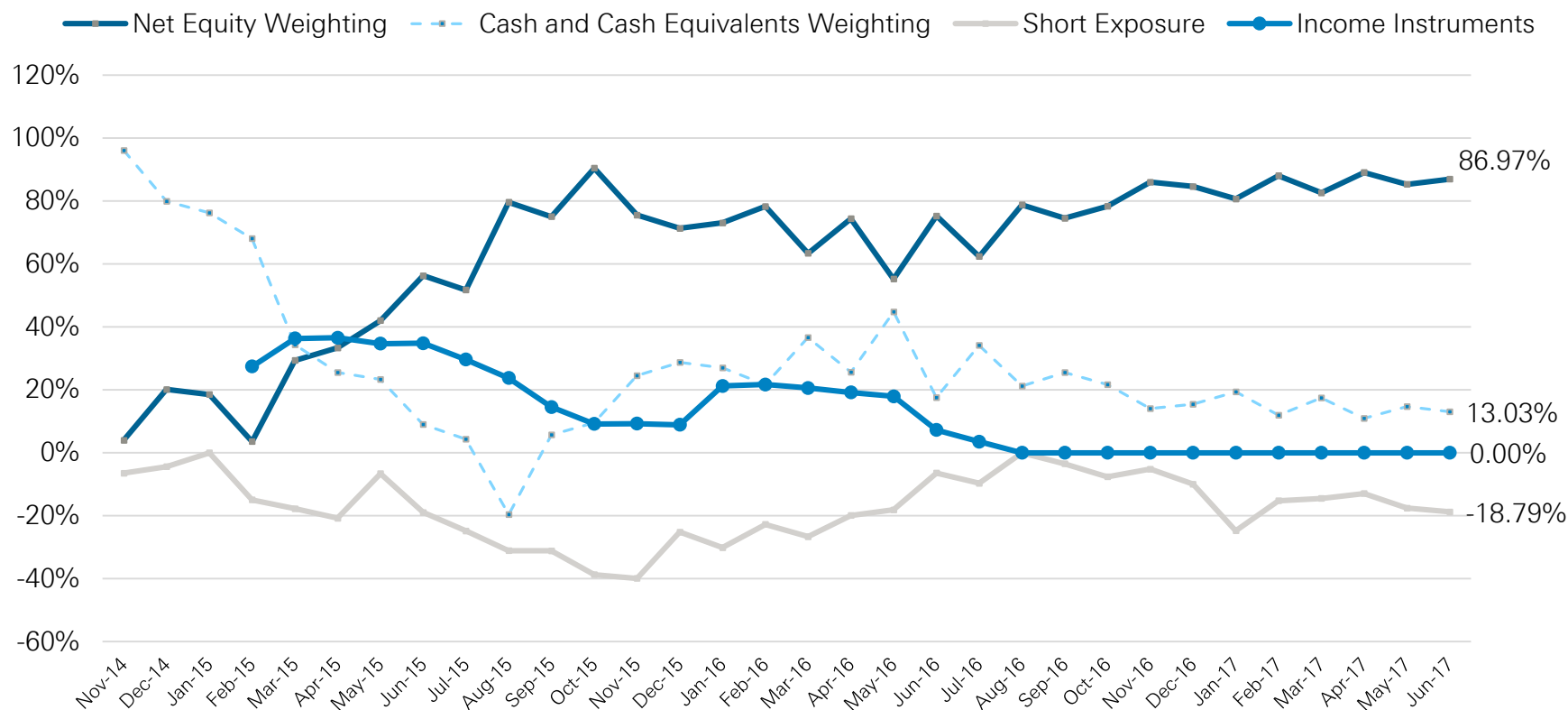


NAC: DIRECTORS INCREASING ALIGNMENT WITH SHAREHOLDERS SINCE IPO AS AT 30 JUNE 2017



NAC: PORTFOLIO STRUCTURE HISTORICAL NET EQUITY AND CASH WEIGHTINGS AS AT 30 JUNE 2017

NAOS

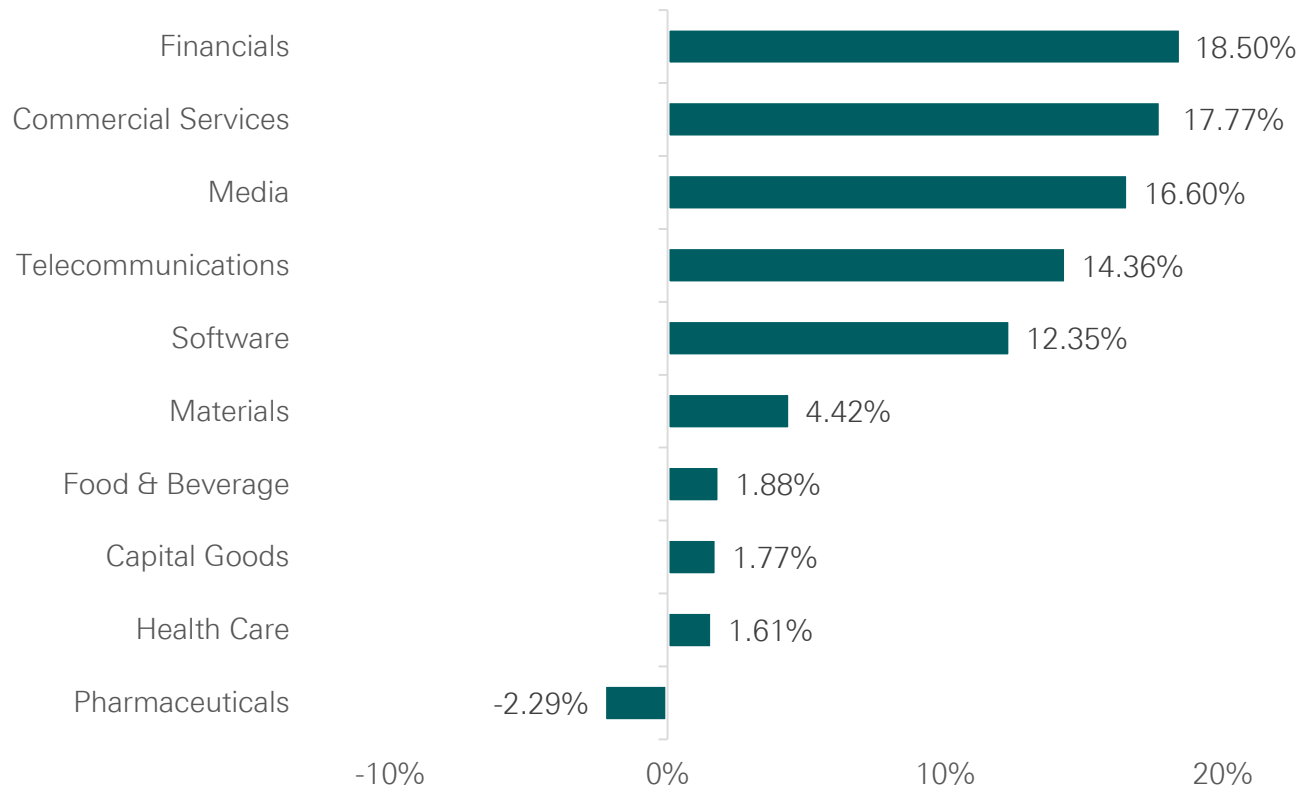


NAC: PORTFOLIO STRUCTURE

AS AT 30 JUNE 2017

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Net Industry Exposure



The NAOS investment philosophy is based around the belief that for a company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. The NAOS' Investment Team has direct contact with many listed and unlisted companies across a wide range of industries. The table below provides an insight into the types of companies NAOS has engaged with over the last quarter.

• Billabong International Ltd (BBG AU)	• Consolidated Operations Group (COG AU)
• Bingo Industries Ltd (BIN AU)	• Amaysim Australia Group (AYS AU)
• Collins Foods Ltd (CKF AU)	• Blackmores Ltd (BKL AU)
• Pengana Capital Ltd (PCG AU)	• Steadfast Group (SDF AU)
• Lovisa Holdings (LOV AU)	• NIB Holdings (NHF AU)
• Elders Ltd (ELD AU)	• MNF Group (MNF AU)

2. Market Outlook

“THE MARKET CAN REMAIN IRRATIONAL LONGER THAN
YOU CAN REMAIN SOLVENT.” – JOHN MAYNARD KEYNES

Notable Positive Outcomes

- Gentrak Group (ASX: GTK) – One of the leading positive contributors to the NAC portfolio, GTK was able to exhibit excellent cash flow conversion (all R&D expensed), strong organic revenue growth of +10% p.a., and executed on a key strategic acquisition in the UK.
- Elders (ASX: ELD) – One of the key positions in the NAC portfolio over the past 6-12 months. New management team has been able to implement a capital light model, de-gear and simplify the balance sheet, whilst also taking advantage of industry tailwinds.
- Importantly all of the funds raised in the recent placement and share purchase plan (SPP) have been fully utilised. These funds were used to acquire new positions in recent opportunities as well as increasing flexibility to opportunistically short certain stocks.

Areas for Improvement

- Clearly NAC was not a beneficiary of the strong ASX-100 performance especially within the big-4 banks and the large resource companies in FY2017. This is due to the mid-cap focus of NAC but regardless some opportunities within the lower tier of the ASX-100 were missed.
- A number of key shorting opportunities were also missed through the year, many which exhibited the key hallmarks of excellent prospects such as high debt, lumpy earnings, and poor cash flow conversion. The need to be patient in such positions was highlighted through the year.

Notable Change in Industry Performance & Divergence

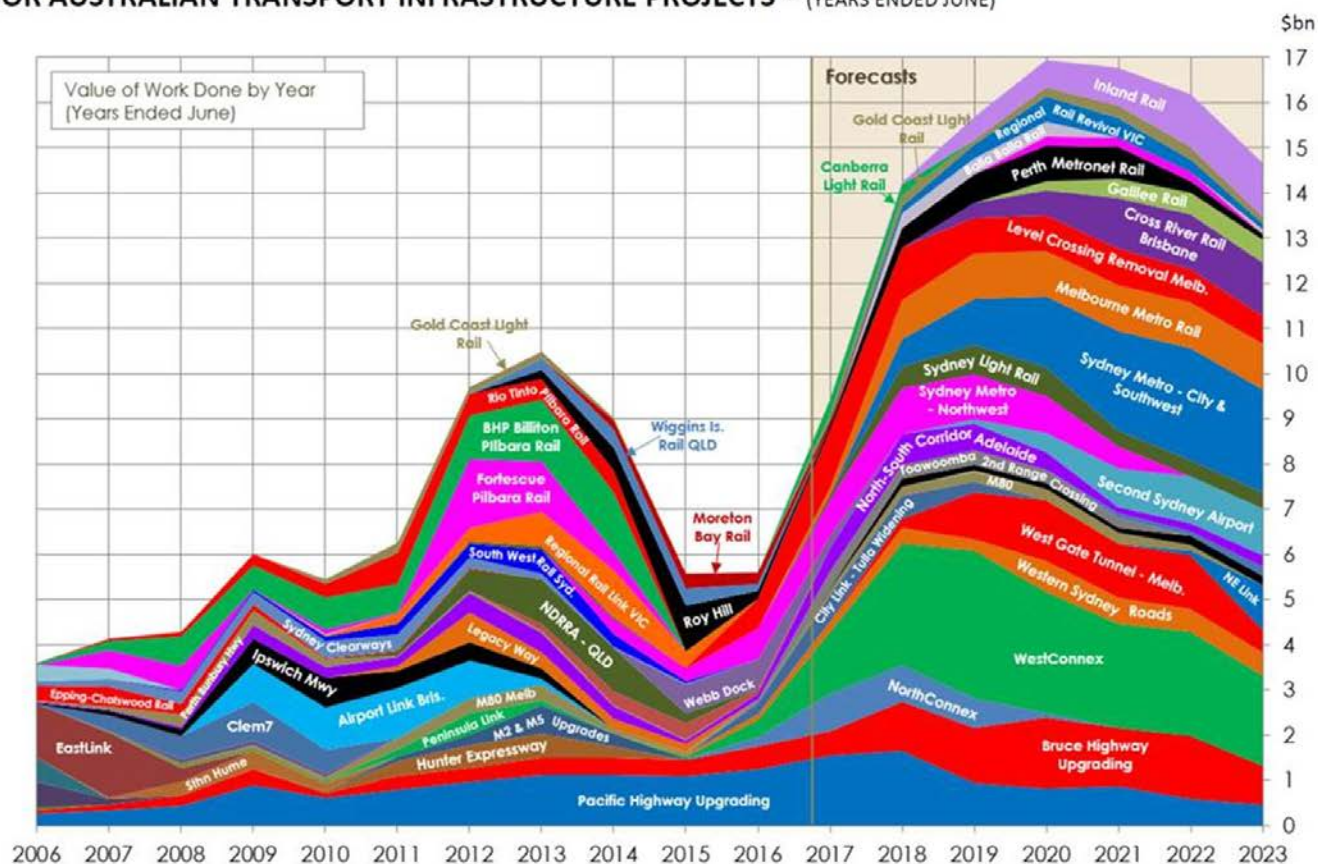
- Over the past quarter there has been increased focus on the “reflation” trade and what effect the potential for higher inflation and therefore higher interest rates will have on specific industries.
- The chart on the following slide highlights the underperformance of the Utilities, Real Estate, Industrials and Healthcare industries.
- There have been a number of false starts in regards to the above scenario but it is key for investors to understand both the negative and positive aspects of such events occurring and the subsequent earnings and valuation scenarios.
- Such impacts include but are not limited to: higher debt servicing costs (for corporates and consumers), increasing wage costs, increasing bond yields and the potential for lower asset prices as other asset classes become more competitive from a yield perspective.
- The other significant qualitative factor is the effect of increased risk free rates on P/E contraction or expansion.
- The other side to this argument is whether or not raising rates will be used as an offset to strengthening economic growth.



Australian construction outlook



MAJOR AUSTRALIAN TRANSPORT INFRASTRUCTURE PROJECTS – (YEARS ENDED JUNE)



Source: Macromonitor – March 2017

MARKET OUTLOOK: NAOS INVESTMENT PHILOSOPHY

NAOS

Balance sheet
flexibility

Companies valued
based on todays
flat earnings
profile but not
tomorrows
growing earnings
base

Proven
management
teams with strong
shareholder
alignment

Ability to drive
revenue and/or
margin growth

Existing
revenue streams

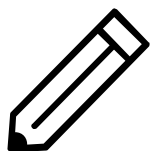
Core
competency



FOCUS ON THE CONTROLLABLE

3. Keeping Up To Date

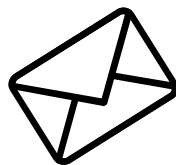
“SUPERIOR RESULTS DON’T COME FROM BUYING HIGH QUALITY ASSETS, BUT FROM BUYING ASSETS – REGARDLESS OF QUALITY – FOR LESS THAN THEY’RE WORTH. IT’S ESSENTIAL TO UNDERSTAND THE DIFFERENCE BETWEEN BUYING GOOD THINGS AND BUYING THINGS WELL.” – HOWARD MARKS



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Weekly NAOS
Newsletter,
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website
naos.com.au/#subscribeform



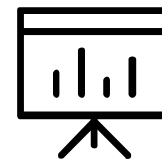
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Investment Report
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The news and
media section of
our website is
updated regularly
naos.com.au



Twice yearly
National
Roadshow register
here
naos.com.au/investor-event-registration/



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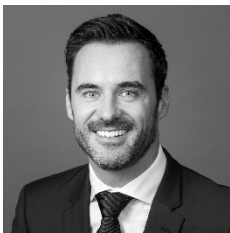


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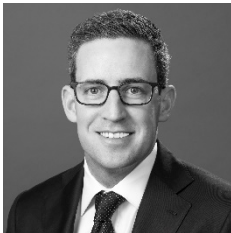
THE NAOS TEAM AND DIRECTORS



Sebastian Evans
Chief Investment Officer/
Managing Director



Richard Preedy
Chief Financial &
Operating Officer



Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



Jeffrey Kim
Portfolio Manager



Julia
Stanistreet
Business Development
Manager



Megan Walker
Marketing and
Communications
Manager



Chadd Knights
Associate Analyst



Julie Coventry
Compliance Officer



Sebastian Evans
Director

Warwick
Evans
Director

David Rickards
Independent
Chairman

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