

The background of the slide is a photograph of a rugged, rocky landscape, likely in Cappadocia, Turkey. Several hot air balloons with various patterns and colors (including orange, blue, and red) are floating in the sky. The sky is filled with soft, grey clouds, suggesting a dawn or dusk setting. The foreground shows dark, jagged rock formations and a winding path.

NAOS

QUARTERLY INVESTOR BRIEFING  
4TH QUARTER FY-2017

NAOS EMERGING OPPORTUNITIES  
COMPANY LIMITED (ASX: NCC)



## CALL DETAILS

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1. Date	Wednesday 19 July 2017	
2. Time	11.30am 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 <a href="mailto:enquiries@naos.com.au">enquiries@naos.com.au</a> prior to the allotted call time	



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## 1. NCC Q4 FY17 Review

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

## 2. Market Outlook

- Portfolio Update for Q4 FY2017
- Market Outlook: FY2017 Year in Review
- Market Commentary
- NAOS Investment Philosophy

## 3. Keeping Up to Date

- Investor Awareness and Communications
- NAOS Team and NCC Directors



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# 1. NCC 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



# NCC: PERFORMANCE & PORTFOLIO CHARACTERISTICS SUMMARY

AS AT 30 JUNE 2017

NAOS

	3 Month	1 Year	2 Year (%p.a.)	3 Year (% p.a.)	4 Year (% p.a.)	Inception (% p.a.)	Inception (% Nom.)
NCC Investment Portfolio Performance*	-2.59%	+12.39%	+18.41%	+12.46%	+16.96%	+18.26%	+107.06%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	-0.35%	+7.01%	+10.64%	+7.13%	+8.60%	+3.39%	+15.57%
Outperformance Relative to Benchmark	-2.24%	+5.38%	+7.77%	+5.33%	+8.36%	+14.87%	+91.49%

\*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.

Portfolio Weighted Average Market Capitalisation	\$135.1 Million
Percentage of Positive Months (NCC)	71%
Percentage of Positive Months (XSOAI)	54%
Standard Deviation of Returns (NCC)	11.07%
Standard Deviation of Returns (XSOAI)	13.68%
Correlation of Returns to XSOAI	0.56
Sortino Ratio	2.71
Downside Deviation (NCC)	5.85%
Downside Deviation (XSOAI)	7.29%
Current Estimated Portfolio Beta	0.45



# NCC: POSITIVE STOCK ATTRIBUTION SUMMARY (SINCE INCEPTION)

## AS AT 30 JUNE 2017

### Positive Stock Contribution Analysis

(Contribution is what has attributed to NCC's performance since inception) (1 March 2013 to 30 June 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.

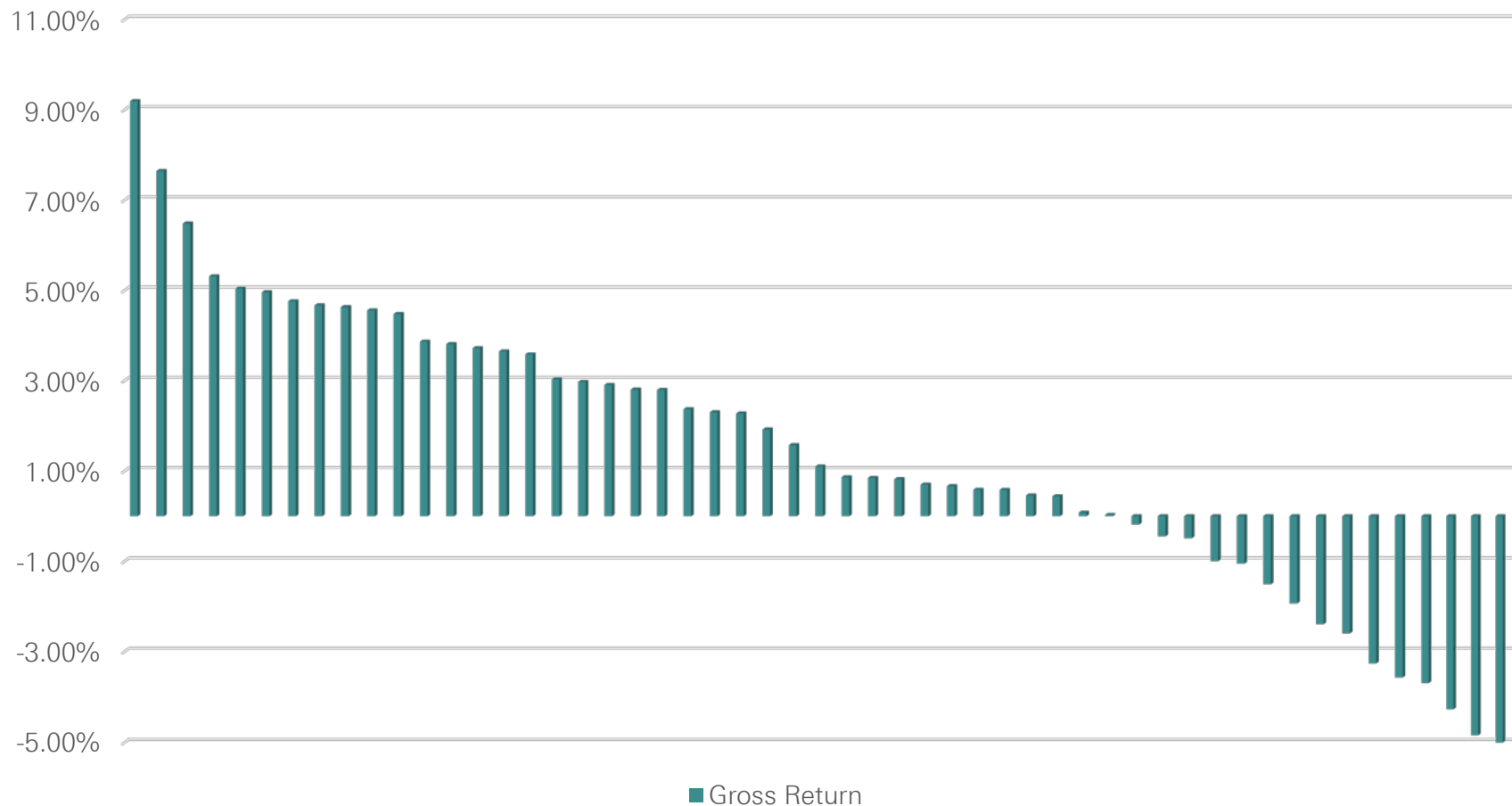
Investment	Contribution to Return (% NAV)	Investment	Contribution to Return (% NAV)
BSA Limited	+24.53%	Tamawood Limited	+8.41%
Consolidated Operations Group	+16.04%	Village Roadshow	+7.95%
Calliden Group	+15.10%	Sirtex Medical Limited	+7.93%
Capitol Health Ltd	+14.68%	RHG Limited	+6.86%
Lindsay Group	+9.74%	Gage Roads Brewing	+6.03%



# NCC: RETURN PROFILE, POSITIVE V NEGATIVE MONTHS

AS AT 30 JUNE 2017

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## NCC: CAPITAL ANALYSIS

AS AT 30 JUNE 2017

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### NTA Analysis

Pre Tax - \$1.31

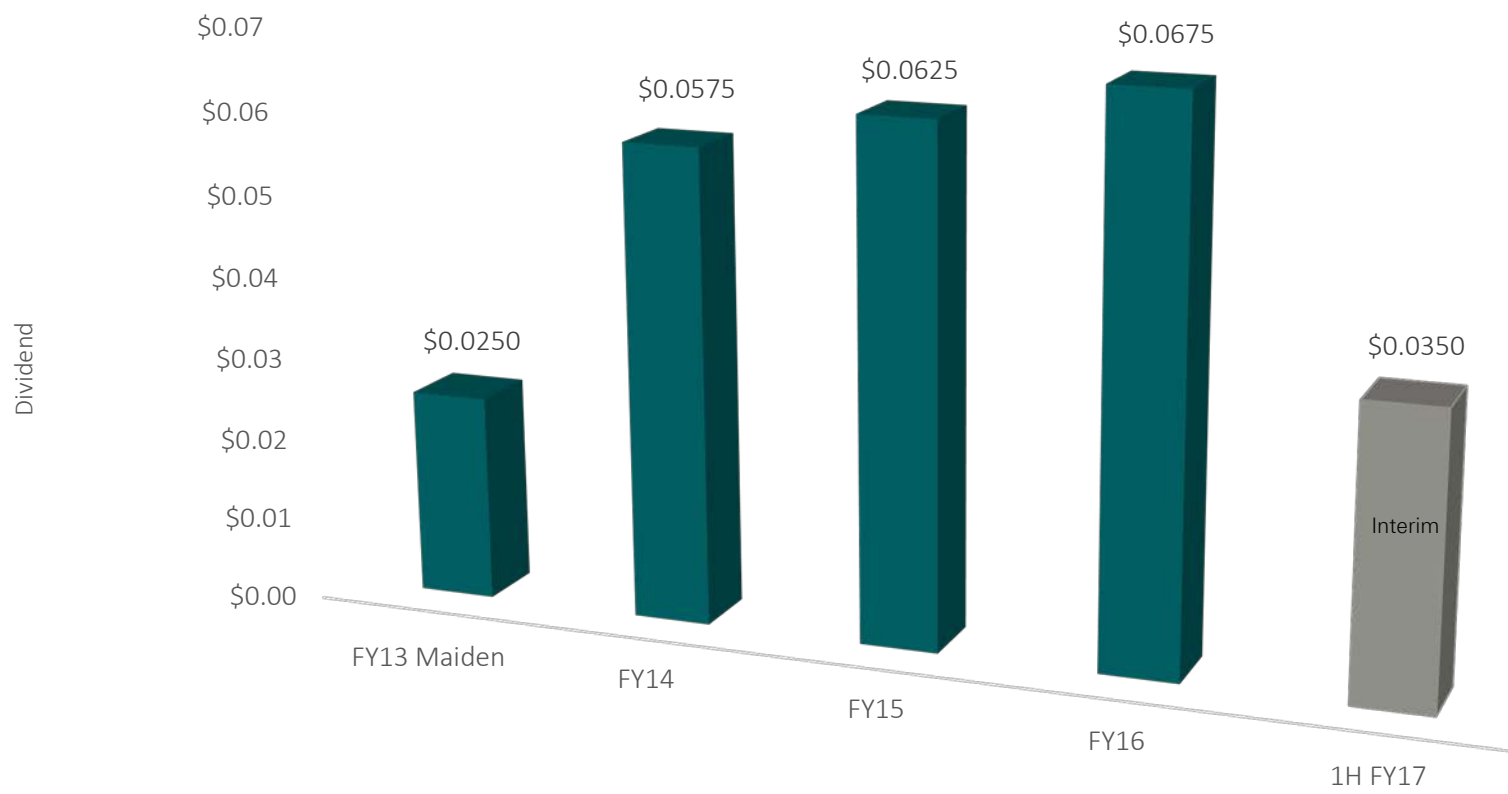
Post Tax & Pre Unrealised Gains Tax – \$1.29

Post Tax - \$1.24

Share Price	\$1.33
Premium to NTA (Pre-Tax)	1.53%
Fully Franked Dividend Yield	5.26%
Shares on Issue	59,173,393
Directors Shareholding	3,829,879

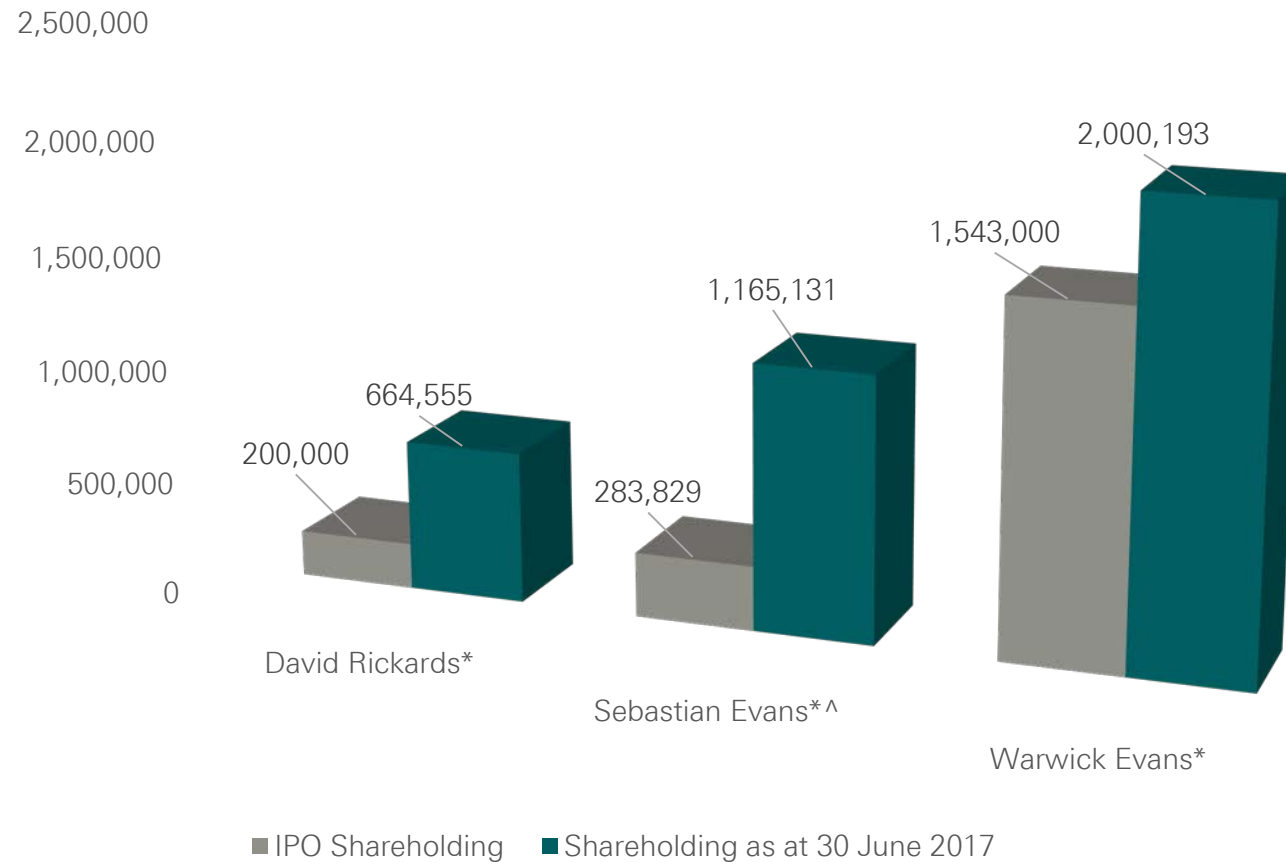


NCC: HISTORICAL FULLY FRANKED DIVIDEND PROFILE  
AS AT 30 JUNE 2017





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

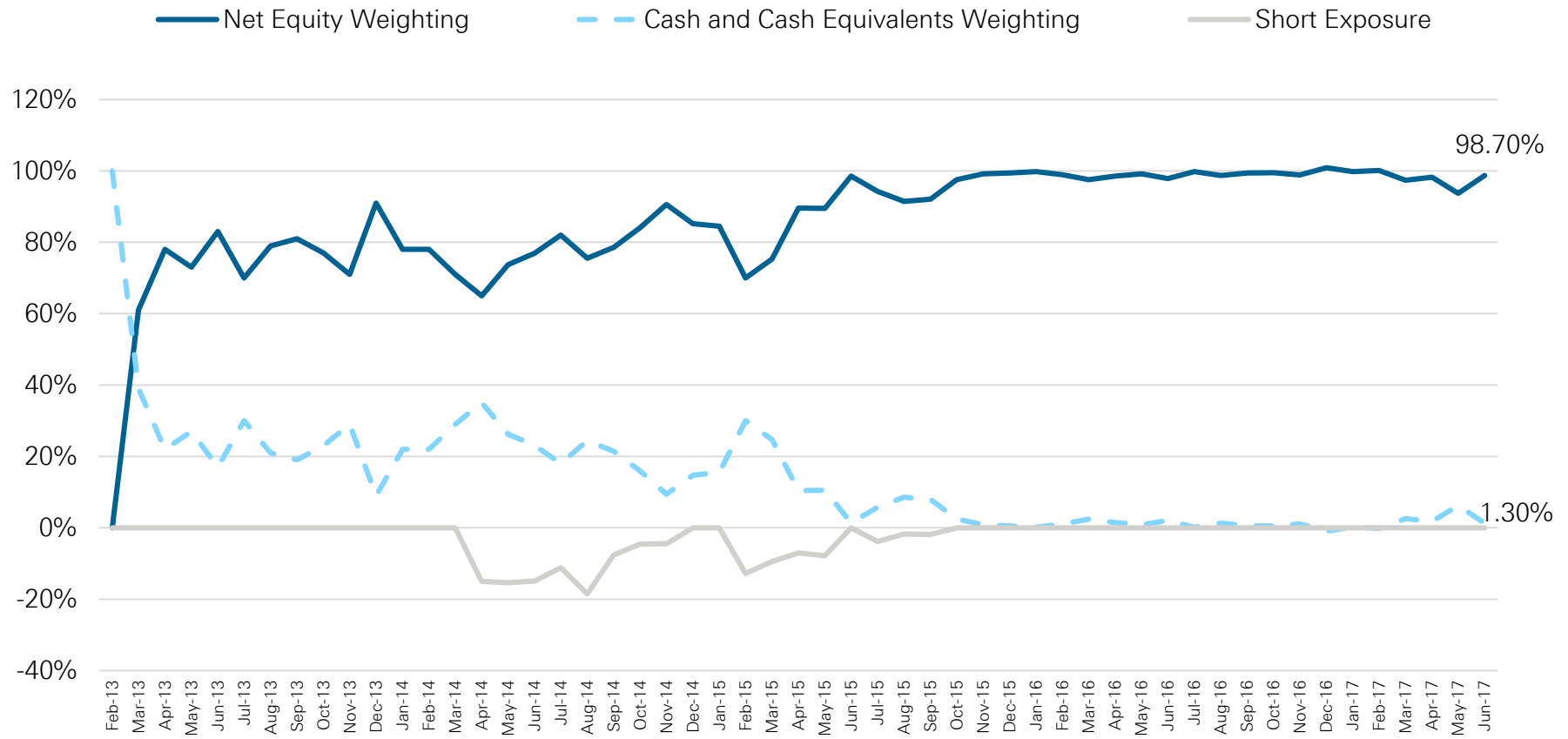


\*Direct & Indirect shareholdings ^Includes holding in NAOS Asset Management Limited



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

NAOS

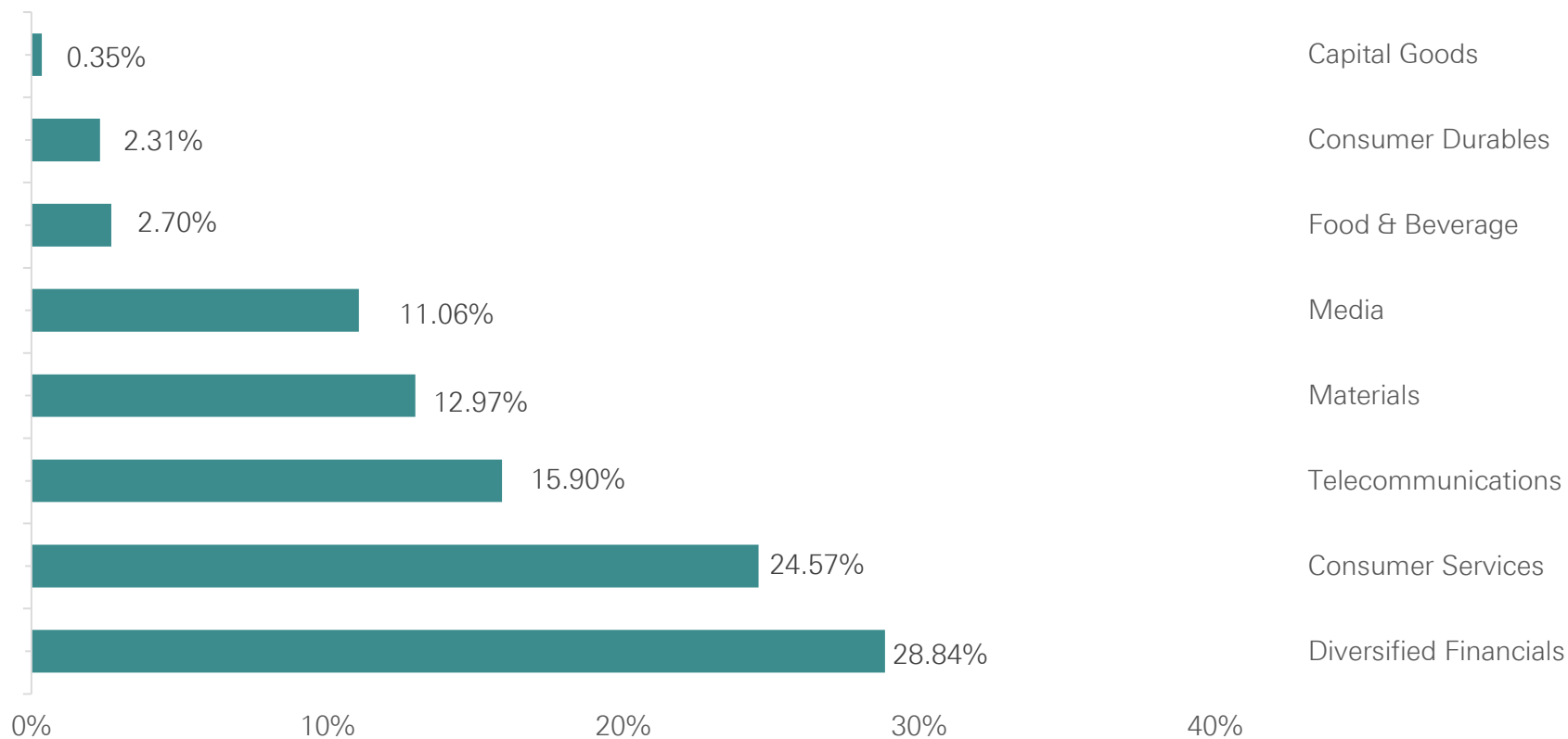




# NCC: PORTFOLIO STRUCTURE ALLOCATION BY INDUSTRY/SECTOR (NET)

AS AT 30 JUNE 2017

NAOS





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.

• Tempo Australia Ltd (TPP AU)	• DWS Ltd (DWS AU)
• Kogan.com Ltd (KGN AU)	• Contango Asset Management Ltd (CGA AU)
• Over the Wire Ltd (OTW AU)	• SurfStitch Group (SRF AU)
• Capilano Honey Ltd (CZZ AU)	• Afterpay Holdings (AFY AU)
• Godfreys Group (GFY AU)	• Vita Life Sciences (VSC AU)
• Paragon Care Ltd (PGC AU)	• Big River Group (BRI AU)



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## 2. Market Outlook

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



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## Enero Group (ASX: EGG)

- Enero Group announced a capital readjustment, which paved the way for the first special dividend (\$0.05 fully franked) since NAOS has been a shareholder - over 4 years.
- EGG still holds a substantial net cash balance sheet, which we expect will be used to fund complimentary acquisitions and also allow the business to continue to pay fully franked dividends.
- The next challenge for EGG is to show the market that it can stabilise and grow the revenue base organically.
- Accenture recently acquired The Monkeys, a direct unlisted competitor with circa \$4 million EBITDA, for \$63 million, highlighting the value in EGG's portfolio of assets which include BMF, Hotwire and The Leading Edge.





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## Biotech Capital (ASX: BTC)

- New addition to the NCC investment portfolio with a market cap of \$20 million.
- Long term value play led by Richard Treagus, the former CEO of Acrux (ASX: ACR)
- BTC is a Pooled Development Fund (PDF) which means all capital gains and dividends paid are tax free to the investor.
- BTC will partner with overseas health care businesses who have approved medical devices and to a lesser extent drugs. Many global pharmaceutical companies do not view the Asia Pacific region as a key focus for their sales and marketing teams, thus providing opportunity for BTC (as per the deal signed with Swedish Healthcare Company RLS Global in May).

**Biotech Capital.**



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## Notable Positive Outcomes

- CML Group (ASX: CGR) – Lower cost of funds through the establishment of a big-4 bank funding facility, coupled with a focus on organic growth and margin expansion.
- Enero Group (ASX: EGG) – The resolution of the legacy earnout liability is a significant development both from a capital management point perspective and also the ability to grow the business through acquisitions such as the Eastwick acquisition completed in FY2017.
- Majority of the funds from the placement and share purchase plan have been invested within just 2 months. Funds have been invested into newer positions such as Wingara AG (ASX: WNR), Biotech Capital (ASX: BTC) and Big River Industries (ASX: BRI). NCC portfolio took advantage of the recent selloff in MNF Group (ASX: MNF) post a substantial shareholder being forced to sell out due to fund redemptions.

## Areas for Improvement

- Timing the entry point into a position and the significant effect it can have on performance through opportunity cost.
- Do not underestimate the time it can take for the wider market to gain an understanding of smaller businesses and the subsequent effect it can have on a share price and long term valuation.
- Understanding the pressure on management execution and increasing capital expenditure requirements especially on smaller companies.

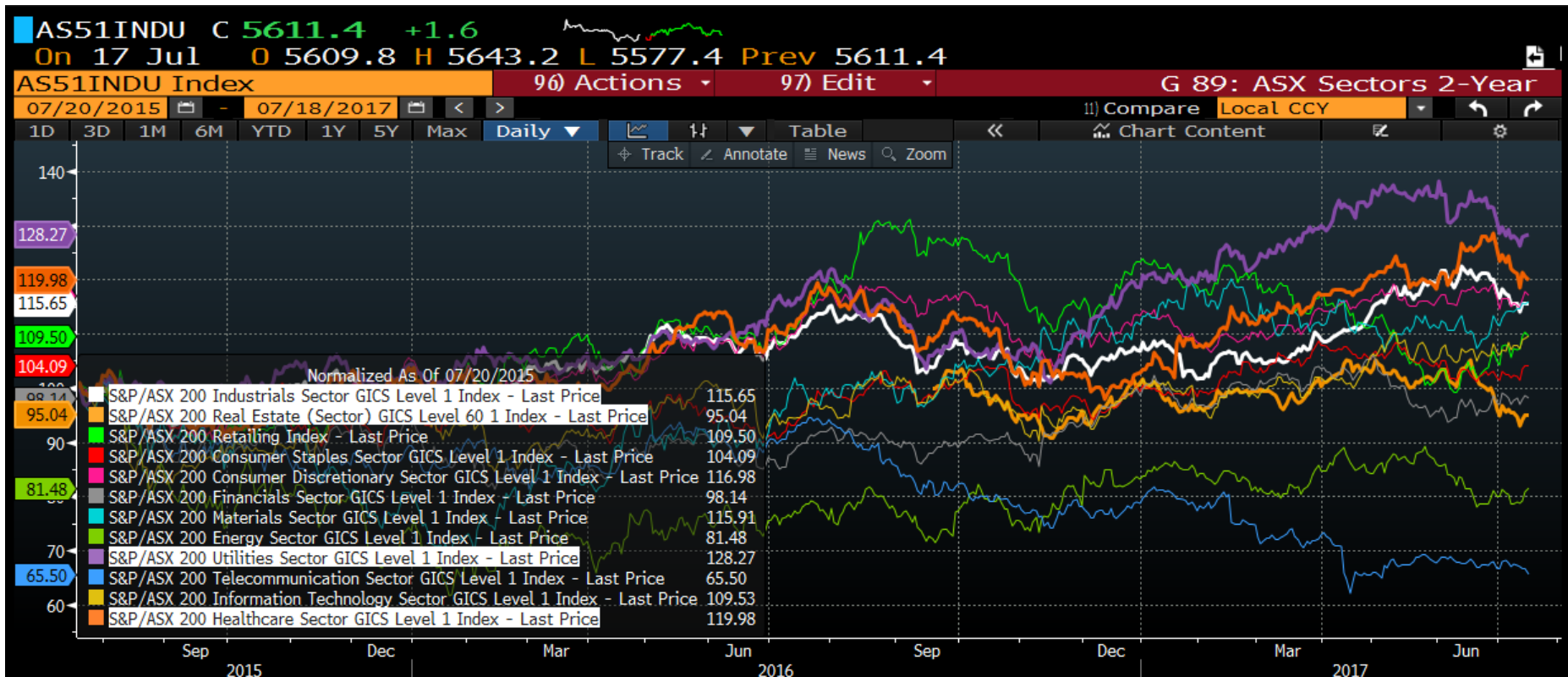


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### Notable Change in Industry Performance & Divergence

- 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.



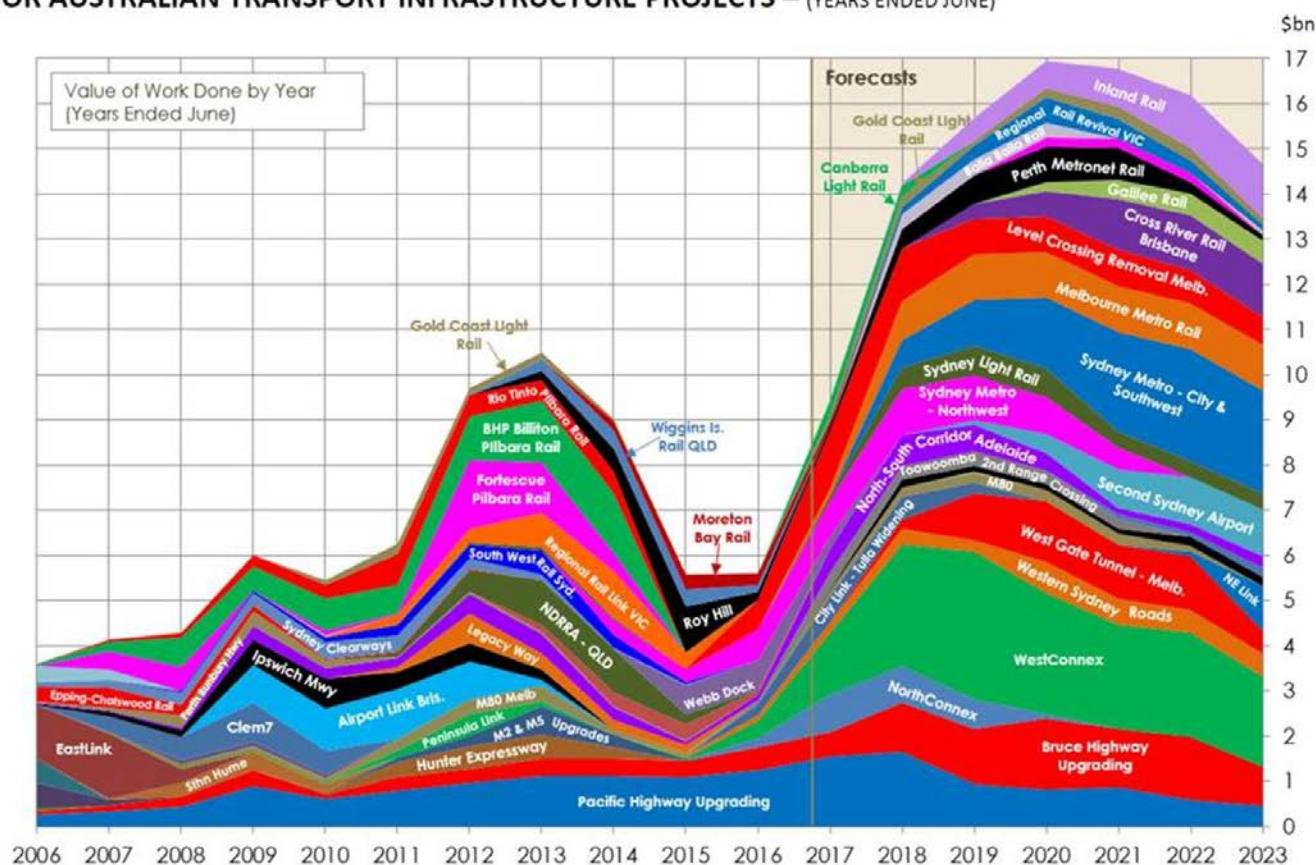




## Australian construction outlook



### 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



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FOCUS ON THE CONTROLLABLE

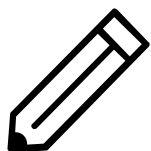


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## 3. Keeping Up to Date

“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

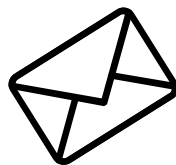




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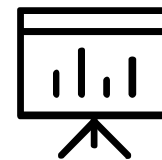
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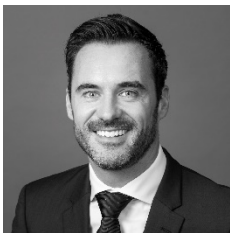
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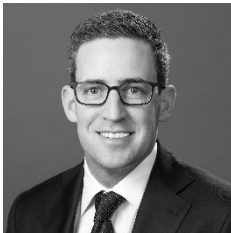
THE NAOS TEAM AND DIRECTORS



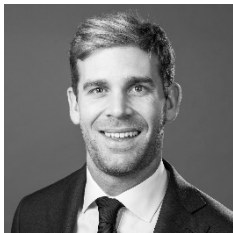
Sebastian Evans  
Chief Investment Officer/  
Managing Director



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



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