NAOS Emerging Opportunities Company (NCC)

MONTHLY INVESTMENT REPORT AND NTA UPDATE

October 2017

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KEY CHARACTERISTICS

1. Genuine Exposure to Undervalued Emerging Companies with an Industrial Focus

Regardless of market capitalisation and/or liquidity, NCC seeks to provide investors with exposure to high quality, undervalued emerging companies (market capitalisation generally <$250 million) in a transparent and concentrated structure that has the competitive advantage of being a nimble closed ended structure with no liquidity constraints.

2. Sustainable Growing Fully Franked Dividends

NCC's dividend has grown every year since inception with dividends usually paid on a six-monthly basis. To date all dividends have been fully franked.

3. Focus on Quality of Companies Not Quantity or Size

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 in order to capitalise on our 'long term information advantage' & 'liquidity advantage'. We target an Internal Hurdle Rate of 20% p.a. over a rolling three-year period for all our investment holdings.

4. Portfolio Flexibility with a Benchmark Unaware Approach

This means we are not forced holders of stocks with large benchmark/index weightings that we are not convinced are attractive investment propositions. NCC can also hold up to 100% cash. It has been proven that holding cash offers the 'best hedge' during times of crisis.

5. Significant Alignment of Interests with Shareholders

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

6. Environmental, Social and Governance (ESG)

NAOS adopts an ESG Screen across all our investments.

Net Tangible Asset Value Breakdown as at 31 October 2017

Pre Tax NTA:	$1.38
Post Tax & Pre Unrealised Gains Tax NTA:	$1.36
Post Tax NTA:	$1.29
Share Price:	$1.44
Historical Fully Franked Dividend Yield	4.86%

Investment Portfolio Performance & Market Insight

The NCC Investment Portfolio produced a positive return of +2.32% compared to the Benchmark Small Ordinaries Accumulation Index which increased by a staggering +6.02%. This brings the performance since inception of 4 years and 8 months to +127.10% vs. the Benchmark which has returned +27.93%.

Making our way through October, and then into November, in our view brings with it an increasingly important period for domestic equity investors due to Annual General Meetings which are generally held at this time of year, and the insights they can give investors into a Company's strategic progress. A noteworthy AGM held in October for the NCC portfolio was Enero Group (ASX: EGG), as for the first time in many years EGG released a number of medium term financial targets, a dividend policy, as well as a qualitative strategy on how the EGG client offering will remain relevant and at the forefront of an everchanging advertising landscape.

The first of two main financial metrics was a $140 million revenue target within three years, which is a significant increase from the current $100 million base; and the second was the expectation of two further acquisitions within the financial year. The Company also stated that both an interim and final dividend will be declared without providing any specific payout ratio. EGG provided some useful colour around their current client offering, including appraising their relative strengths and weaknesses. Going forward, EGG's offering will be based around three key pillars of creative, research and strategy, and public relations; this is then divided up across three key geographies, namely the EU, Asia Pacific and North America. Over time, we would expect EGG to ensure all three pillars are offered in each key market, which should then lead to EGG working for larger multinational businesses due to the global applicability of their capability set.

An investment opportunity which has developed over the past few months has been packaging manufacturing and distribution business, Pro-Pac Limited (ASX: PPG). PPG has been closely followed by the NAOS Investment Team but due to management instability and numerous profit downgrades it has never been an investee company within NCC. Within the past few months PPG acquired a business of similar size to itself, with an industry leading position within the flexible packaging market. This acquisition provides a significant re-set for PPG for many reasons including: it gives the business much required scale, a clear strategy to grow within the flexible packaging space, and also brings with it a stable management team that has many years of experience within the packaging industry. Such large and transformational acquisitions can often be inherently risky but if PPG can deliver on guidance on both revenue growth and synergy targets, as well as de-leveraging the balance sheet through organic cash flow, PPG may well represent an interesting investment opportunity in the future. Industry tailwinds within the flexible packaging space such as plastic wrapping of bottles (instead of cardboard) and packaging for pre-made salads to increase shelf life may strengthen the investment case further.

	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*	+2.32%	+7.27%	+23.49%	+15.26%	+12.75%	+19.17%	+127.10%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+6.02%	+14.58%	+14.73%	+10.48%	+6.87%	+5.41%	+27.93%
Outperformance Relative to Benchmark	-3.70%	-7.31%	+8.76%	+4.78%	+5.88%	+13.76%	+99.17%

*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. Returns compounded for periods greater than 12 months.

Positive Stock Contribution Analysis

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

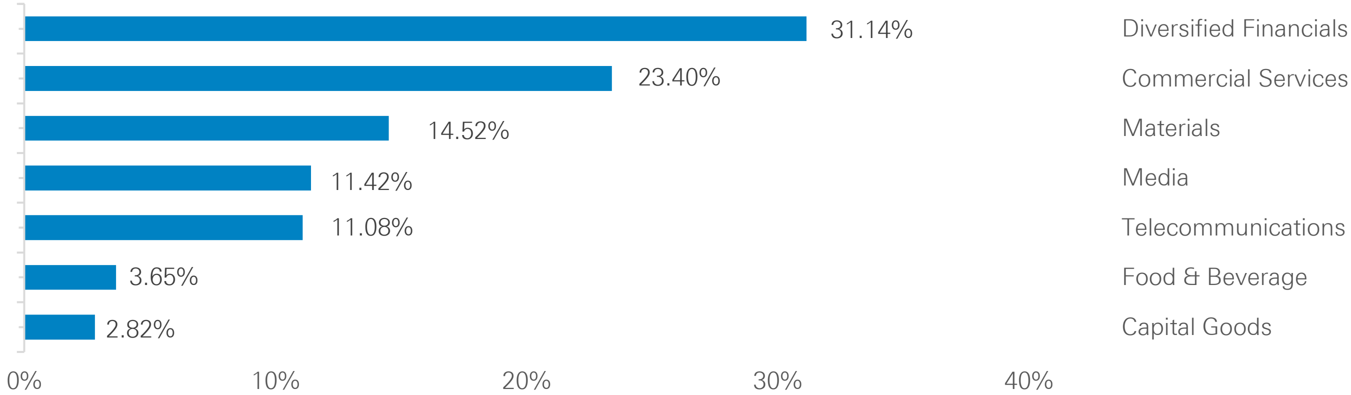
The table below lists the top positive contributors to NCC's total return since inception. The purpose of the information is to illustrate that the performance the investment team derive over time is not simply from one or two positions but from a variety of positions, even with a highly concentrated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

Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
BSA Limited	+27.88%	Tamawood Limited	+9.16%
Consolidated Operations Group	+16.68%	Village Roadshow	+8.66%
Calliden Group	+16.45%	Sirtex Medical Limited	+8.64%
Capitol Health Limited	+15.99%	CML Group Limited	+7.54%
Lindsay Australia	+10.61%	RHG Limited	+7.47%
MNF Group Limited	+10.26%	Gage Roads Brewing	+6.56%

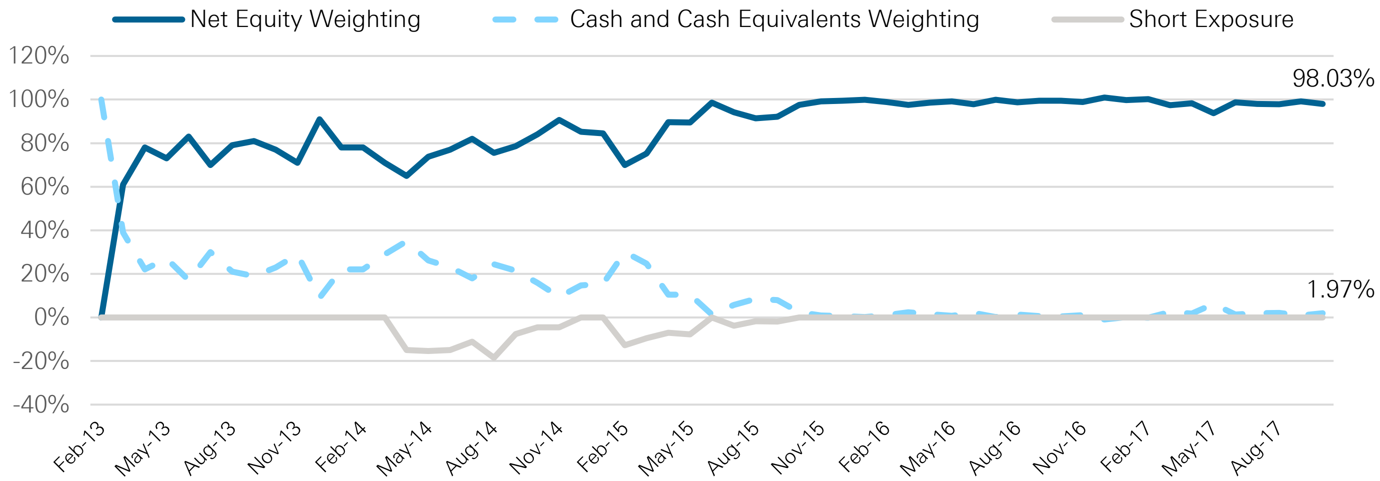
Portfolio Positioning as at 31 October 2017

As at 31 October 2017, the portfolio's net equity exposure was ~98.03% with a subsequent cash weighting of +1.97%. 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 short positions. There were also no income instruments in the portfolio.

Net Industry Exposure



Net Equity Exposure



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 the team had contact with during the month were as follows:

- Wingara Ag Ltd (WNR AU)
- Vault Intelligence Ltd (VLT AU)
- Managed Accounts Group (MGP AU)
- Justkapital Ltd (JKL AU)
- Enero Group Ltd (EGG AU)
- People Infrastructure Ltd (PPE AU)
- BSA Limited (BSA AU)
- Saunders International Ltd (SND AU)
- Consolidated Operations Group (COG AU)
- Tandem Corp Ltd (IPO)

Portfolio Characteristics – Summary Data as at 31 October 2017

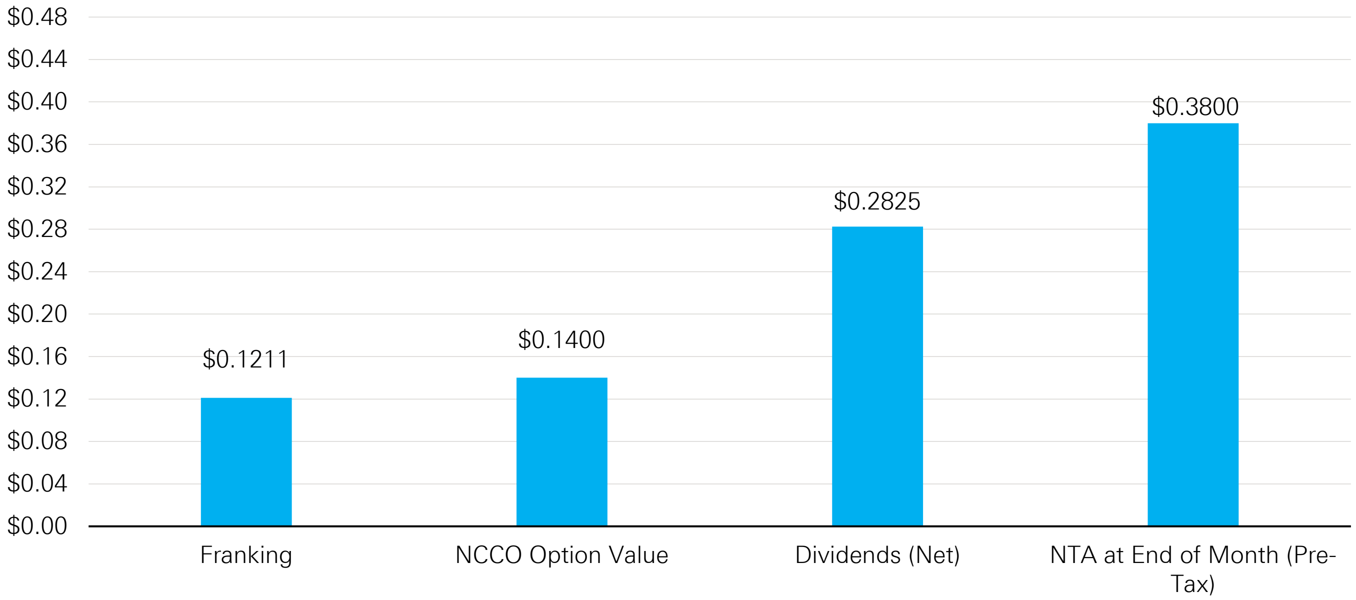
Below are a number of historical portfolio risk measures. Our aim in providing these metrics is to demonstrate to investors how NCC is placed from a risk adjusted basis to meet its objective, being to outperform the benchmark over the long term, and to also preserve investors' capital. A glossary of 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	$138.10 million
Percentage of Positive Months (NCC)	71%
Percentage of Positive Months (XSOAI)	57%
Standard Deviation of Returns (NCC)	10.91%
Standard Deviation of Returns (XSOAI)	13.49%
Correlation of Returns to XSOAI	0.55
Sortino Ratio	2.92
Downside Deviation (NCC)	5.76%
Downside Deviation (XSOAI)	7.29%
Current Estimated Portfolio Beta (6 Month Historical)	0.01

Capital Structure – Summary Data as at 31 October 2017

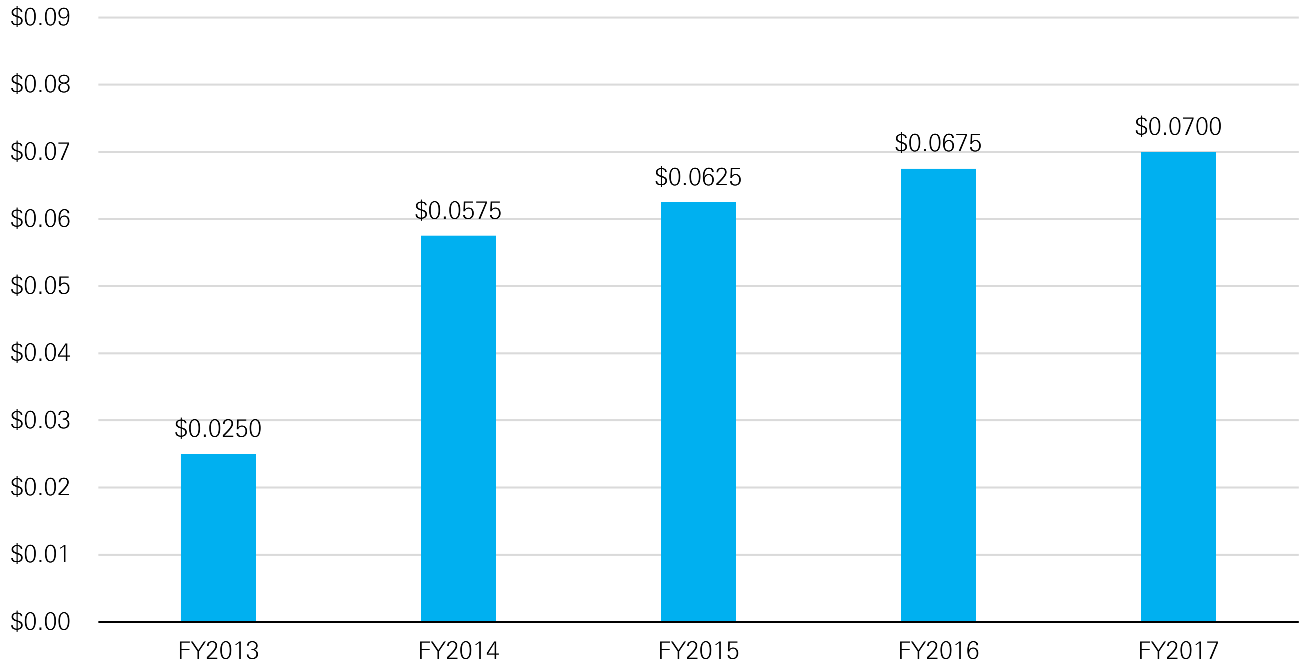
Share Price	$1.44
Premium/(Discount) to NTA (Pre-Tax)	4.35%
Shares on Issue	59,173,393
NCC Directors Shareholding (Ordinary Shares)	3,829,879

Historical Shareholder Return Breakdown



*Assumes an intrinsic NCCO value of $0.14 cents per option at expiry (1 February 2015), based on pre-tax NTA on this date diluted for remaining options.

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

CORPORATE DIRECTORY

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

Company Secretary
Rajiv Sharma

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

Senior Legal Counsel
Rajiv Sharma

Business Development Manager
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