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# QUARTERLY INVESTOR BRIEFING Q2 FY2018

WEDNESDAY, 31 JANUARY 2018 10:30 AM AEDT  
WITHIN AUSTRALIA: 1800 804 595  
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# NAOS INVESTMENT BELIEFS

We believe success is achieving returns for our investors, over a three to five year period, better than and without correlation to the broader market with less risk of permanent capital loss.

We see value in the sharing of ideas with our investment community via open and transparent communication to ensure investors are able to make informed decisions.



VALUE  
FOCUSED



QUALITY OVER  
QUANTITY



INVEST FOR  
THE LONG TERM



IGNORE  
THE INDEX



PURE EXPOSURE  
TO INDUSTRIALS



ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE (ESG)



MANAGEMENT  
ALIGNMENT

# OUR LISTED INVESTMENT COMPANIES

NAOS EMERGING  
OPPORTUNITIES  
COMPANY LIMITED

ASX: NCC

Emerging /Microcap  
Industrial Companies

Target Market Cap \$10M -  
\$250M

NAOS SMALL CAP  
OPPORTUNITIES  
COMPANY LIMITED

ASX: NSC

Small Cap  
Industrial Companies

Target Market Cap \$20M  
- \$1B

NAOS ABSOLUTE  
OPPORTUNITIES  
COMPANY LIMITED

ASX: NAC

Small/Mid Cap  
Industrial Companies

Target Market Cap \$400M  
-\$1B+



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# 1. Review

“ You don't have to be brilliant, only a little bit wiser than the other guys, on average, for a long time.”

Charlie Munger



# PERFORMANCE

AS AT 31 DECEMBER 2017

NAOS

<b>NCC*</b>	\$1.40 Pre Tax NTA	\$1.46 Share Price	+4.91% 3 month Performance	+13.69% 3 month Performance XSOAI <sup>#</sup>
<b>NSC<sup>^</sup></b>	\$1.04 Pre Tax NTA	\$0.935 Share Price	+1.09% 1 month Performance	+3.20% 1 month Performance XSOAI <sup>#</sup>
<b>NAC*</b>	\$1.17 Pre Tax NTA	\$1.055 Share Price	+12.59% 3 month Performance	+1.06% 3 month Performance Benchmark (RBA cash rate + 250BPS)

<sup>#</sup> XSOAI refers to the S&P/ASX Small Ordinaries Accumulation Index.

<sup>\*</sup>Investment 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 and returns are compounded for periods greater than 12 months.

<sup>^</sup>Investment performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders.

# DIVIDEND HISTORY

AS AT 31 DECEMBER 2017

NAOS

## ASX: NCC

**4.79%**

Historical Dividend  
Yield

**100%**

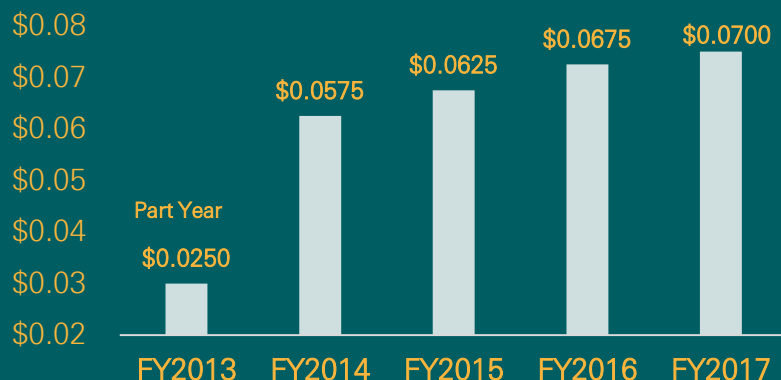
Franking

**\$1.40**

Pre Tax NTA

**7c ▲**

Fully Franked  
Dividend



## ASX: NAC

**4.74%**

Historical Dividend  
Yield

**100%**

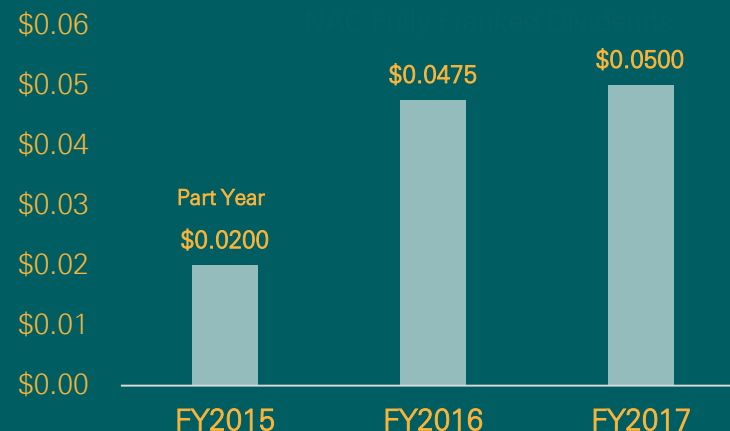
Franking

**\$1.17**

Pre Tax NTA

**5c ▲**

Fully Franked  
Dividend



# KEY EVENTS

## ASX: NCC

- **ASX: COG** Looking for signs of both business and financial progress to be made through CY2019 after a year of consolidation.
- **ASX: BSA and ASX: SND** Revenue and margin expansion from significant industry tailwinds through infrastructure spending.
- **ASX: BRI, ASX: BTC and ASX: WNR** Potential strategic business acquisitions.
- Potential for one or two new strategic long term positions.



# KEY EVENTS

## ASX: NSC

- **ASX: TOT, ASX: TGP, ASX: JHC and ASX: SSM** Add to what we believe are conservatively positioned businesses that offer reasonable (8-15% p.a.) long term returns with lower capital risk.
- **ASX: OTW and ASX: HLO** Selectively invest and increase exposure to more value and growth orientated businesses that will benefit from scale and efficiencies.
- Will not be rushed into deploying the current significant cash position of circa 40% even at the expense of short term underperformance.
- Aim to build a sustainable profit reserve and franking account to enable payment of a growing stream of dividends franked to the maximum extent possible over the longer term.

# KEY EVENTS

## ASX: NAC

- Further build out a small number of strategic long term positions to supplement **ASX: MOE**, **ASX: MNF** and **ASX: CAJ** in the Australian mid-cap space (such strategic positions often account for a significant amount of the portfolio performance i.e. **ASX: ELD** and **ASX: MNF**).
- Expect **ASX: MOE** to continue to use their substantial cash balance and build out a specialised funds management business and increase annuity revenue streams.
- Review the merger of **ASX: CAJ** and **ASX: IDR** and any subsequent synergies and movement in radiologists which may affect the valuation of **ASX: CAJ**.
- Maintain a significant amount of liquidity & therefore flexibility to protect investor capital by increasing cash weightings quickly whilst also creating opportunities to move into new core positions using price volatility to our advantage.

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## 2. Market Outlook

“First, no one really knows what events are going to transpire. And second, no one knows what the market’s reaction to those events will be.”

Howard Marks



## Portfolio Overall | Heightened Awareness

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1. Stock specific valuations of mainly growth companies especially when overlaying potential long term earnings fluctuations.
2. Company balance sheets and the ability to fund acquisitions or reinvestment organically, examples include ASX: MOE, ASX: SND, ASX: COG and ASX: TOT.
3. Focusing on long term themes that are not currently considered flavour of the month i.e. ageing demographics, education and infrastructure spending.

# MANAGING STOCK SPECIFIC RISK

Can these businesses prove themselves over the long term?

	1YR Total Return	Market Cap
Getswift (GSW)	949%	595M
Linus (LNU)	240%	153M
Temple and Webster (TPW)	243%	65M

We prefer to be in these types of businesses

	1YR Total Return	Market Cap
Elders Limited (ELD)	115%	986M
Aust Ethical (AEF)	94%	180M
Smartgroup (SIQ)	89%	1.4B
Cml Group (CGR)	82%	77M

\* Source Bloomberg, figures as at 31 December 2017

## Portfolio Overall | NAOS Focus

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1. Stock specific fundamentals over a 3 year view and not market noise. We will focus on risk mitigation and then returns. Variables to consider include technological competitive advantages, reliance on equity markets for funding and companies that are not market aware or facing.
2. Finding companies that are run by proven management teams who have proven track records of generating strong shareholder returns and returns on capital. Often these businesses have similarities to successful privately run family businesses.
3. The quality and sustainability of a company's earnings base and more importantly their repour with their own customer base and ability to meet their requirements and demands.



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### 3. Keeping up to Date

“Wide diversification is only  
required when investors do not  
understand what they are doing.”

Warren Buffett

# NAOS INVESTOR ROADSHOW MARCH 2018

## Save the date

<b>Adelaide</b> 11:00 am- 12:30 pm 6 March 2018  Pullman Hotel Adelaide 16 Hindmarsh Square Adelaide SA 5000	<b>Canberra</b> 11:00 am- 12:30 pm 7 March 2018  Hyatt Hotel Canberra 120 Commonwealth Ave Yarralumla ACT 2600	<b>Brisbane</b> 11:00 am- 12:30 pm 8 March 2018  Customs House Brisbane 399 Queen St Brisbane SA 4000
<b>Melbourne</b> 11:00 am- 12:30 pm 13 March 2018  Westin Melbourne 205 Collins St Melbourne SA 3000	<b>Sydney</b> 11:00 am- 12:30 pm 14 March 2018  Hilton Sydney 488 George St Sydney NSW 2000	<b>Perth</b> 11:00 am- 12:30 pm 15 March 2018  Crown Perth Great Eastern Highway Burswood WA 6100

# INVESTOR AWARENESS AND COMMUNICATION



CEO Insights,  
Weekly NAOS  
Newsletter,  
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The news and  
media section of  
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updated regularly  
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Twice yearly  
National  
Roadshow



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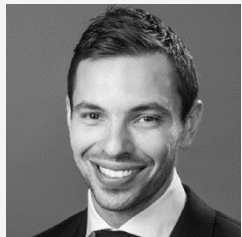


For all enquires  
contact  
[enquiries@naos.com.au](mailto:enquiries@naos.com.au) or call  
(02) 9002 1576



# NAOS TEAM

## THE BOARD



**Sebastian Evans**  
Managing Director, NAOS Asset Management Limited & Director NCC, NSC and NAC



**Mark Bennett**  
Director, NAOS Asset Management Limited



**Warwick Evans**  
Chairman, NAOS Asset Management Limited & Director NCC, NSC and NAC



**David O'Halloran**  
Director, NAOS Asset Management Limited



**David Rickards**  
Chairman & Director, NCC and NAC

## OUR TEAM



**Sebastian Evans**  
Chief Investment Officer



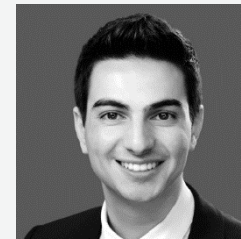
**Ben Rundle**  
Portfolio Manager



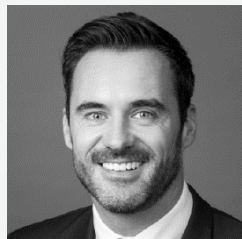
**Jeffrey Kim**  
Portfolio Manager



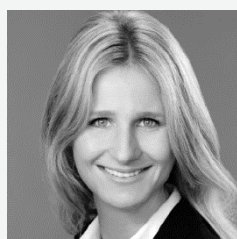
**Robert Miller**  
Portfolio Manager



**Chadd Knights**  
Associate Analyst



**Richard Preedy**  
Chief Financial and Operating Officer



**Julia Stanistreet**  
Business Development Manager



**Megan Walker**  
Marketing and Communications Manager



**Rajiv Sharma**  
Senior Legal Counsel and Company Secretary NCC, NSC & NAC



**Scott Hildebrand**  
Distribution & Sales Manager



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Q&A

THANK YOU FOR  
YOUR SUPPORT