

15 November 2018

Annual General Meeting 2018 – Chairman’s Statement

Dear Fellow Shareholders,

For the financial year ended 30 June 2018, NAOS Ex-50 Opportunities Company Limited (‘Company’) recorded an after-tax profit of \$3.88 million. The Company declared a record 5.25 cents per share of fully franked dividends for the year, which represented growth of 5% over the previous year and marks the fourth year of consecutive annual dividend increases. The Board continues to be mindful of providing shareholders a growing stream of fully franked dividends over the longer term whilst building a profit reserve which can be utilised in periods where strong positive performance is harder to achieve.

The Net Tangible Assets (‘NTA’) of the Company did not change significantly over the financial year, rising by \$1.1 million. After allowing for the payment of fully franked dividends as well as any tax payable, changes to the NTA from positive portfolio performance were offset. For those investors who participated in the Dividend Reinvestment Plan (‘DRP’), it is important to note that the Company did not issue shares at a discount to NTA but acquired shares on-market to ensure this capital management activity was completed without any potential dilution for existing shareholders.

The total shareholder return (‘TSR’) shows the total return to shareholders, being the change in share price together with dividends reinvested but does not include the benefits of franking credits paid to shareholders. The TSR for the Company for the financial year was –2.9%, which lagged the investment portfolio performance, which increased by +10.3% over the financial year. The difference in returns was driven by the Company’s share price ending the year at a significant discount to the pre-tax NTA.

The investment strategy of the Company aims to provide shareholders with access to a carefully selected, concentrated group of high quality, undervalued midcap companies with an industrial bias in a concentrated structure. Investment opportunities are assessed based on their potential to generate meaningful long-term performance with lower downside risk than the broader market. Demonstrating the Company’s ability to protect capital, the investment portfolio has always made a positive financial and calendar year return.

Feedback from shareholders prompted the Board and management to reconsider whether the Company name and benchmark were appropriate. Consequently, the Company was pleased to announce several changes which we believe will provide shareholders with a unique Listed Investment Company which is easier to understand and is highly differentiated in the market. It is our view that these changes, effective from July 2018,

should lead to increased market awareness and demand from shareholders, which may contribute towards creating value for shareholders over the longer term.

These changes were:

- Changing the company name to NAOS Ex-50 Opportunities Company Limited to better reflect the Company's concentrated mid-cap investment strategy between ASX 50 and small companies, with the ASX code to remain NAC.
- Changing the benchmark from the RBA Cash Rate + 250 basis points to the S&P/ASX 300 Industrials Accumulation Index (XKIAI).
- Increasing the frequency of dividend payments from half yearly to quarterly, creating an opportunity for shareholders to receive a more frequent income stream.

The Company continues to not only place a strong emphasis on sustainable performance together with sound capital management initiatives, but also on providing current and future shareholders with high quality, timely and constructive information on the Company through our shareholder communication activities.

Pleasingly this has translated in a number of new shareholders joining the share register, with the total number of shareholders standing at 938 at the end of FY18, up 13% from the end of FY17.

All Directors took advantage of the Dividend Reinvestment Plan to increase their holdings throughout the financial year and now hold a cumulative 7.2 million shares, continuing to align our interests with our shareholders.

On behalf of the Board, I would like to thank all the staff of the Investment Manager for their continued efforts and dedication throughout the year.

David Rickards
Independent Chairman