

15 November 2018

## **Annual General Meeting 2018 – Chairman’s Statement**

Dear Fellow Shareholders,

For the financial year ended 30 June 2018, NAOS Small Cap Opportunities Company Limited (‘Company’) recorded an after-tax profit of \$4.7 million, which sees an increase in profit from the after-tax loss of \$13.9 million recorded in FY17. The Company declared dividends over this period totalling 5.50 cents per share which are fully franked. Pleasingly this is the first full year period that dividends have been fully franked since the 2011 financial year. Costs were also reduced in FY18, with a decrease in management fees to 1.15% and a 64% decrease in directors’ remuneration.

During the year, shareholders appointed a new Investment Manager to manage the investment portfolio of the Company, being emerging companies specialist NAOS Asset Management Limited. Shareholders also approved the change of the name of the Company from Contango MicroCap Limited (ASX: CTN) to NAOS Small Cap Opportunities Company Limited (ASX: NSC).

The investment strategy of the Company has been amended with the change in Investment Manager with a core focus to provide superior long term risk adjusted returns compared to that of the wider market. The most significant changes include a concentrated portfolio structure, a focus of investing in industrial type companies (and not resources or early stage technology companies) and a long term investment philosophy that will generally lead to investments being held for three to five years with the added ability of being able to hold 100% cash in times when suitable investments are not able to be adequately sourced.

It is disappointing that during the year the share price has fallen and the discount to net tangible assets (‘NTA’) has widened. However, the Board believes that a strategy focusing on a sustainable investment process, providing a growing stream of fully franked dividends, transparent and frequent communications plus aligning the Investment Manager and Board with all shareholders of the Company will provide satisfactory returns and NTA growth over the long term.

All Directors acquired shares in the Company over the financial year confirming their alignment with shareholders and supporting their view that this is an opportunity to purchase a concentrated portfolio of quality industrial small-cap companies with the potential to increase in value over time. Directors now hold a cumulative 1.59 million shares.

It is important to note that following the appointment of the Investment Manager the Company did not issue any shares at a discount and the dividend reinvestment plan capital management initiative was completed through acquiring shares on-market which eliminated any dilution for existing shareholders.

Supporting the Board's strategy of paying fully franked dividends in future where possible, the franking account balance at year end was \$2.9m (FY17 \$0.3m). In addition, the Company was very pleased to announce a change to increase the frequency of dividend payments from bi-annually to quarterly for FY19 and beyond, creating an opportunity for shareholders to receive a more frequent income stream. We believe this will provide shareholders with a unique Listed Investment Company which is highly differentiated in the market not only by its investment strategy, but also by the frequency of its dividend payments.

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

The Board would also like to thank all shareholders for their continued support including 1,420 shareholders who joined as new shareholders throughout the financial year.

Trevor Carroll  
Independent Chairman