

National Investor Roadshow NAOS Asset Management

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ASX: NCC | ASX: NSC | ASX: NAC
February 2019

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NAOS Investment Mandate

01

NAOS seeks to protect investor capital whilst providing a sustainable growing stream of fully franked dividends and long-term capital growth above the relative benchmark index.

02

NAOS provides investors with genuine, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

NAOS Investment Beliefs



01

Value with Long
Term Growth



02

Quality over
Quantity



03

Invest for the
Long Term



04

Performance v
Liquidity Focus



05

Ignore the
Index



06

Pure Exposure
to Industrials



07

Environmental,
Social and
Governance (ESG)

We do not invest in tobacco, gambling, nuclear, uranium, controversial weapons, coal mining operations or oil and gas production companies.



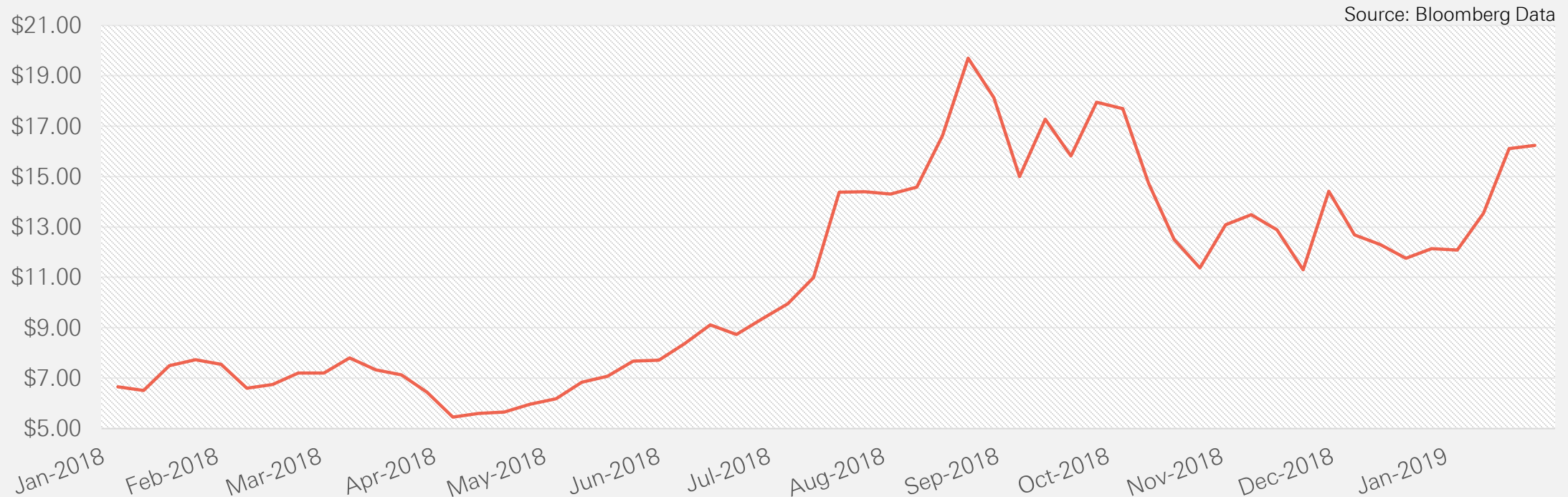
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Management
Alignment

Market Review

- Q4 CY2018 returns: ASX Small Ordinaries Accumulation Index (XSOAI) -13.70%, ASX Small Industrials Accumulation Index (XSIAI) -13.38% and ASX All Ordinaries Accumulation Index (XAOAI) -8.98%
- Value vs. Growth
- Growth back in vogue due to dovish comments on future interest rate hikes during late January

Afterpay (ASX: APT) Share Price



2018 in Review

Leverage Loan Issues

80% 'covenant lite' (fewer restrictions on the borrower) in 2018 vs. 30% in 2007*

US 10yr Treasury Yield

At their 2018 peak yields doubled from their 2016 low

Exchange Traded Funds

Herd mentality creating lack of liquidity in micro cap companies. A number of funds now exiting any investment with a market cap below <\$200 million.

Small Cap Underperformance

ASX Small Ordinaries Accumulation Index (XSOAI) return -8.67%
 ASX Small Industrials Accumulation Index (XSIAI) return -6.49%
 ASX All Ordinaries Accumulation Index (XAOAI) return -3.53%

* Source: Standard & Poor's Leveraged Commentary and Data; IMF staff calculations; and Moody's.

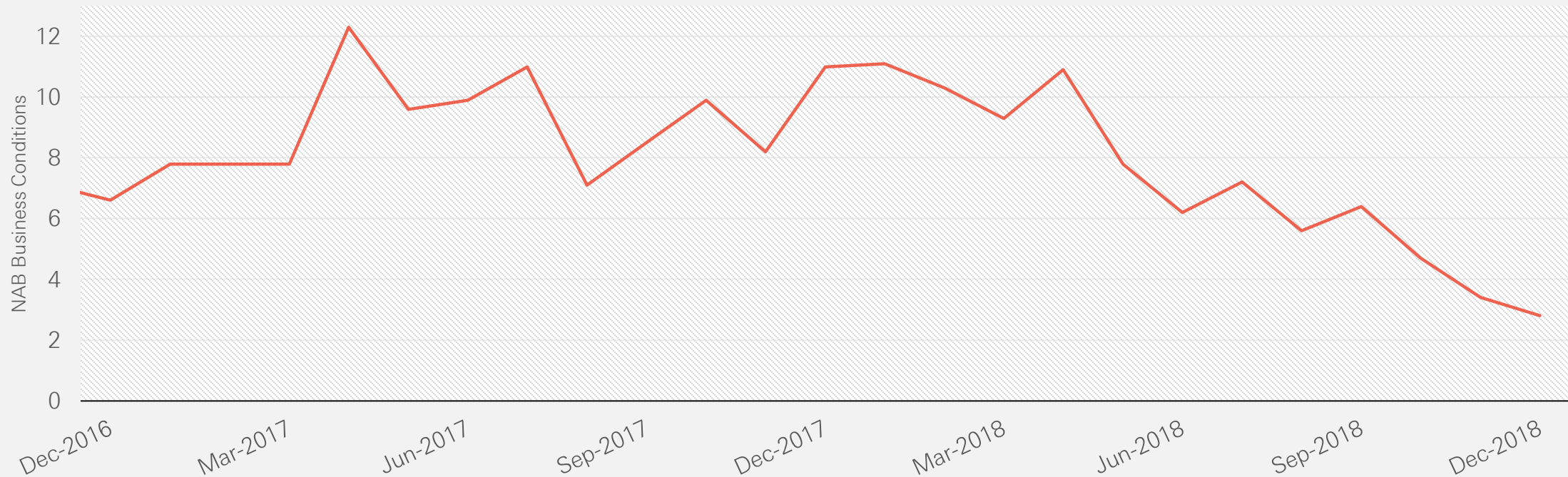
2018 Slowdown

Slowdown seen across:

- Building Materials (Infrastructure Project Delays, Multi Residential Slowdown)
- Consumer Discretionary (Retail, Automotive)
- Regulatory Issues (Banks, Financials, Automotive, Aged Care)

NAB Business Conditions over the past 6 months suggest a significant slowing in the momentum of activity in the business sector

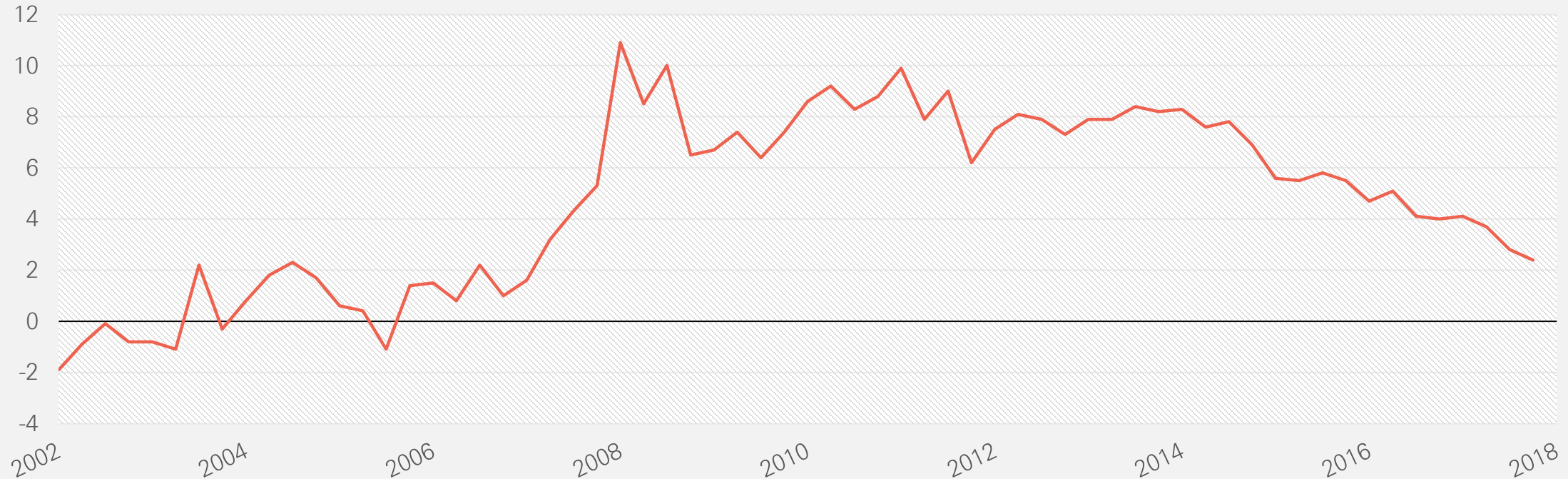
Source: Trading Economics



2018 Slowdown

Steady Decline in the Australian Household Savings Ratio

Source: Trading Economics



Ratio driven by a number of factors including:

- Lack of wage growth
- Interest rates on mortgages
- Prices of imported goods

Does not take into account:

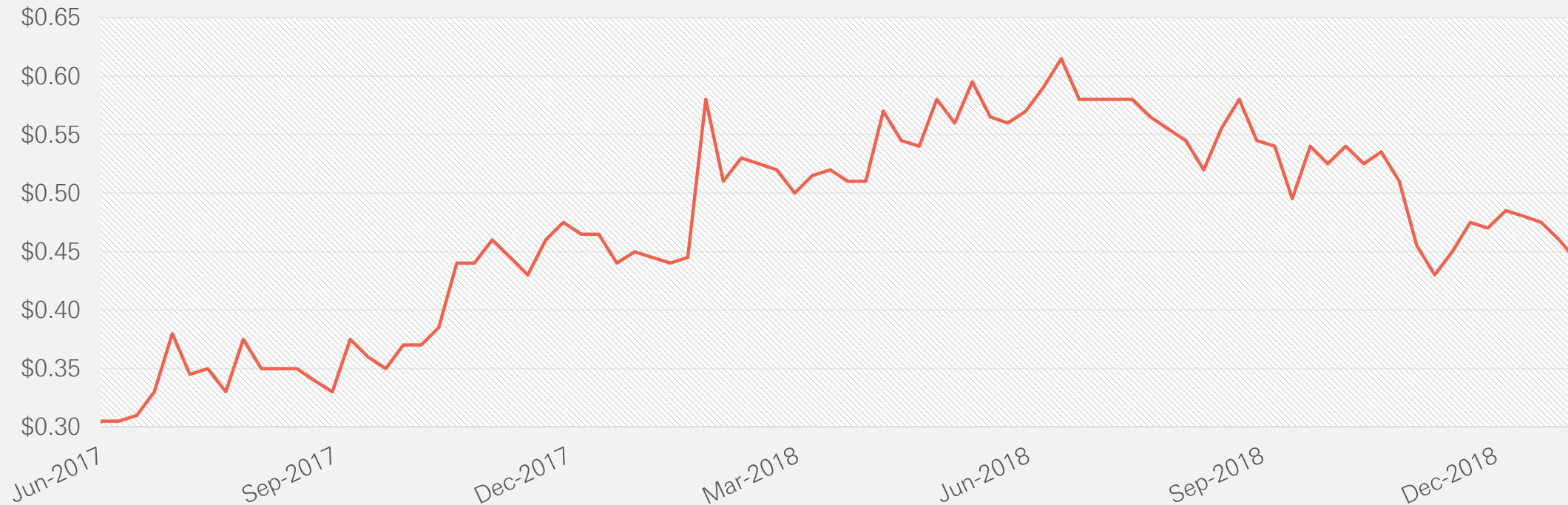
- Equity held in assets such as property or shares
- Aging population

Lessons From the Last 6 Months

1. Event driven vs. no catalyst
2. Capital allocation decisions and market communication
3. Proactive approach with management teams is required
4. Market scepticism around short term earnings gyration vs. long term potential

CML Group (ASX: CGR) Share Price

Source: Bloomberg Data



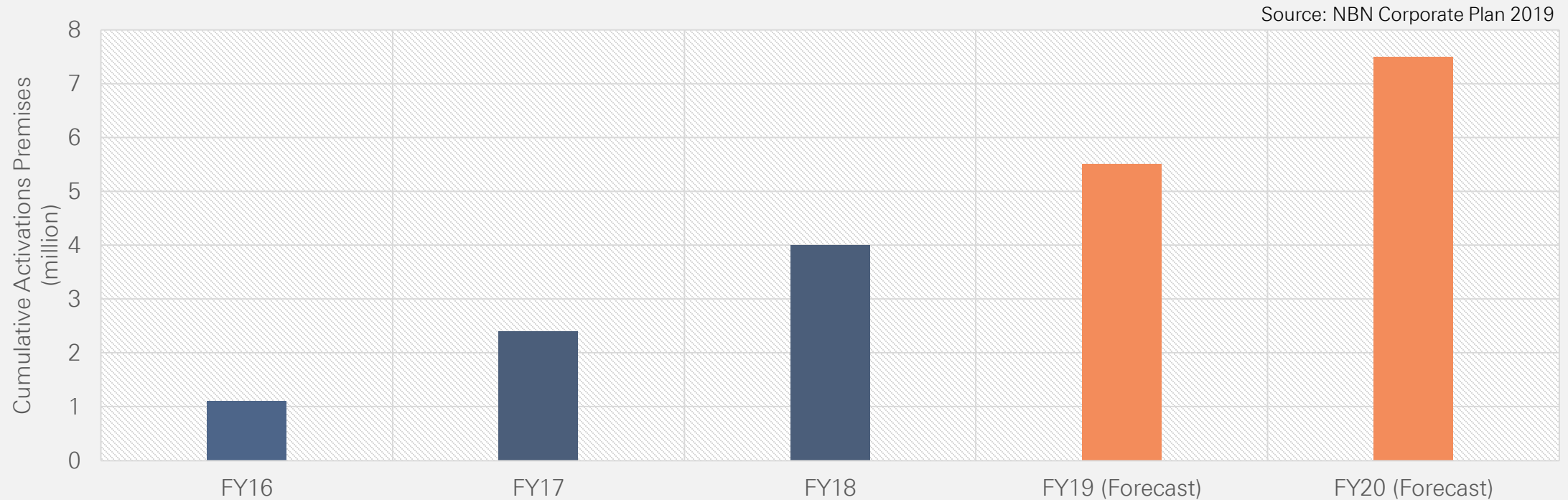
Industry Tailwinds Exist Amongst a Gloomy Macro Backdrop

NAOS focuses on investments that we believe represent long term value and have clear and comprehensible industry tailwinds to reduce any prolonged earnings downgrades.



Industry Tailwinds: NBN

NAOS Exposure: Service Stream Limited (ASX: SSM), BSA Limited (ASX: BSA)



NBN is supported an external workforce of 24,000

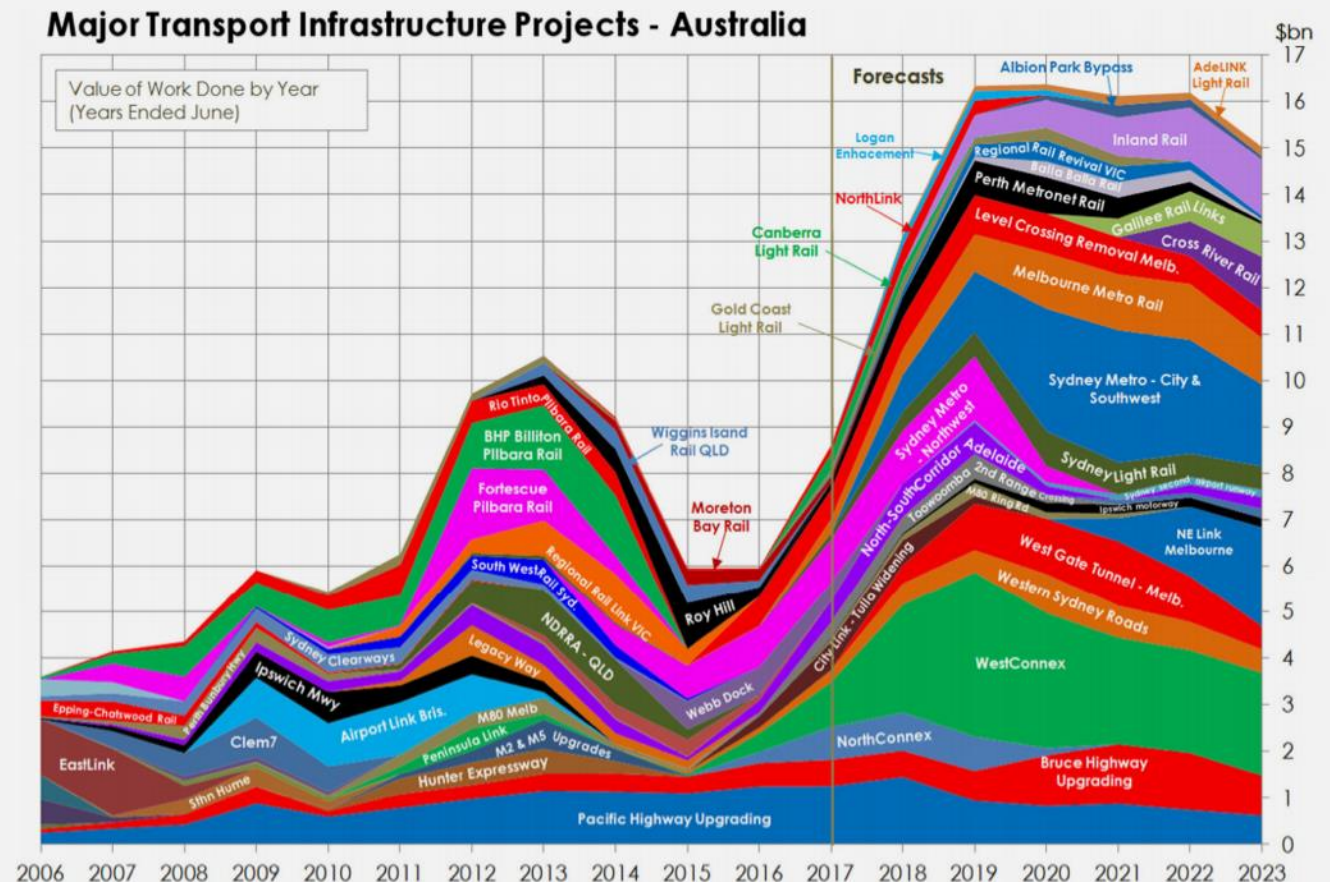
Industry Tailwinds: Infrastructure Projects

NAOS Exposure: Big River Industries Limited (ASX: BRI), Adelaide Brighton Limited (ASX: ABC), Saunders International Limited (ASX: SND), BSA Limited (ASX: BSA)

Potential additional projects

1. Western Sydney Airport (\$5.30 Billion)
2. NBN (\$51 Billion)
3. 2nd Sydney Harbour Tunnel (estimated \$14 Billion)
4. Northern Beaches Tunnel (estimated \$14 Billion)
5. Olympic Stadium & Sydney Football Stadium (\$2.30 Billion)
6. Snowy Hydro 2.0 (\$6 Billion)

Pending the election outcome, Labor government may increase spend on other projects.

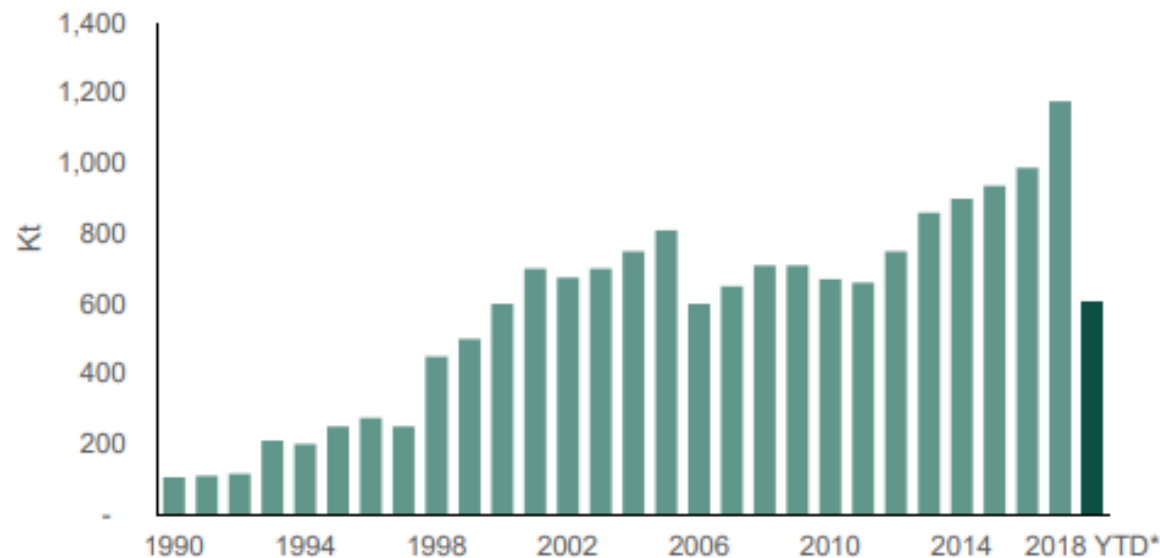


Source: Macromonitor – Australian Construction Outlook Overview, June 2018

Industry Tailwinds: Demand for Australian Agricultural Products

NAOS Exposure: Wingara AG Limited (ASX: WNR), Costa Group Holdings (ASX: CGC)

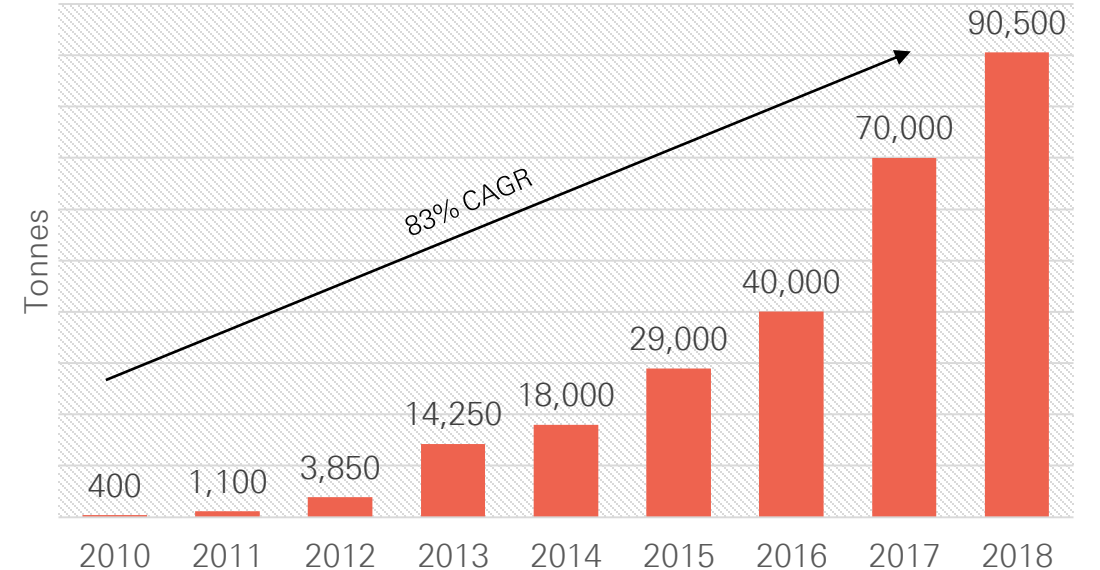
**Total Australian hay exports
(1990–2018 YTD)**



**2018 YTD volume to 30 June 2018*

Source: Australia Fodder Industry Association ('AFIA') – Export statistics

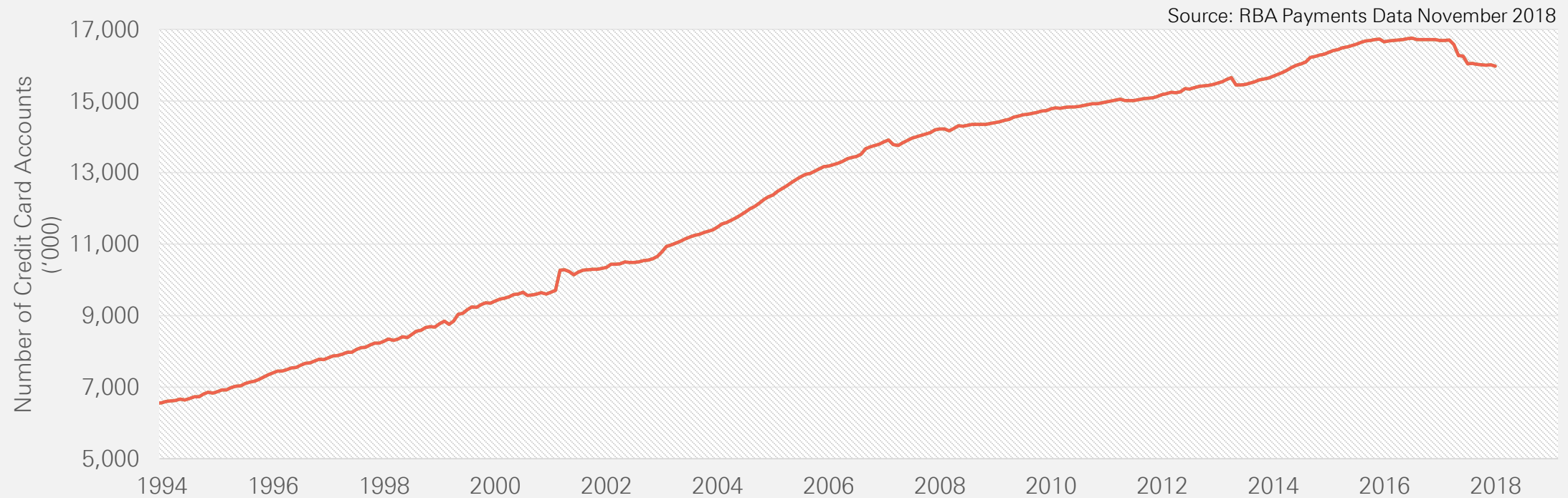
Citrus Exports to China



Source: Citrus Australia

Industry Tailwinds: Growth in Non-Bank Finance Sector

NAOS Exposure: Consolidated Operations Group (ASX: COG), CML Group Limited (ASX: CGR), 360 Capital Total Return Fund (ASX: TOT)



Recent transactions:

1. Scottish Pacific Group Limited acquisition by Affinity Equity Partners in September 2018
2. KKR acquisition of Pepper Group in August 2017
3. NY based Blackstone took an 80% share in La Trobe Financial in December 2017

Industry Tailwinds: Cybersecurity

NAOS Exposure: Over The Wire Holdings Limited (ASX: OTW)

- Cybercrime is rated by SMEs as the third biggest risk to their business
- 47% of SMEs don't believe or don't know if their business has the expertise and resources to handle a cybercrime
- 25 hours is the downtime (or almost 3 full working days) for businesses hit by cyber attacks
- 516,380 is the number of Australian SMEs that fell victim to cyber crime in 2017
- \$4,677 is the average amount the majority of SMEs have to pay to free their data from ransomware
- Regulatory reforms to the Privacy Act 1988 – introduction of mandatory data breach notification obligations on SMEs

Where are the Opportunities?

Quality assets at reduced prices provide a better risk/reward outcome in a less crowded market



Updates on Key Investments

CML Group

CML Group Ltd (ASX: CGR)

- Long term tailwinds driving the growth and adoption of invoice financing, a resilient business model throughout cycles.
- CML has a scale advantage over small peers and an opportunity to move into new markets to further compete with banks.
- A market that in our view is still misunderstood by many investors and much lower risk than many other financial services.
- 6 Month TSR -18.36%
- 3-Year TSR +49.97% P.A.



Enero Group Ltd (ASX: EGG)

- Public relations (PR) business assets are high quality brands, high margin and globally scalable.
- Recent acquisitions continue to perform and drive group synergies through collaboration and client expansion.
- A best of breed board of directors for an ASX microcap.
- Significant free cash flow generation and net cash balance sheet.
- 6 Month TSR +21.26%
- 3-Year TSR +18.12% P.A.

Figures are as at 31 December 2018

Updates on Key Investments



MNF Group Ltd (ASX: MNF)

- A new generation voice network, unparalleled within the APAC region. Backbone infrastructure to some of the world's largest software enterprises.
- US market trends provide strong long term outlook for MNF's ability to achieve earnings growth and improve their 'competitive moat' throughout APAC.
- Recent Inabox (ASX: IAB) acquisition provides potential for meaningful cost and revenue synergies.
- 6 Month TSR -15.15%
- 3-Year TSR +9.96% P.A.



Consolidated Operations Group Ltd (ASX: COG)

- First mover advantage in corporatising the cottage industry of equipment finance broking. Difficult for a competitor to replicate their assets, COG now accounts for over \$4 billion of all asset finance written in Australia (14% market share).
- Benefits of broker aggregation business models well understood in other industries. Proven management team transferring their experience to an adjacent industry.
- The benefits of scale allow for an improved competitive advantage through higher margin white label products and services.
- 6 Month TSR 0.00%
- 3-Year TSR -2.89% P.A.

Figures are as at 31 December 2018

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Updates on Key Investments



BSA Services Group Ltd (ASX: BSA)

- Eradication of losses in an underperforming division through a review provides a real opportunity to create shareholder value.
- NBN rollout yet to hit its peak. This will continue to drive significant annuity-type revenue growth over the medium term through ongoing maintenance.
- Opportunity for redeployment of capital to diversify earnings into new business streams with annuity-type revenue profiles.
- 6 Month TSR -8.59%
- 3-Year TSR +12.58% P.A.



Wingara Ag Ltd (ASX: WNR)

- Leveraging the 'food bowl' of Asia thematic, a significant industry tailwind, achieving this through providing essential and value added services.
- Diversification of earnings through a multi commodity offering. Significant management shareholdings provide alignment with shareholders.
- Proven ability to generate incremental return on asset growth both organically (Raywood site now operational) and through acquisition.
- 6 Month TSR +1.96%
- 3-Year TSR N/A

Figures are as at 31 December 2018

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LIC Overview and Investment Update

“Assuming you have the requisite capital and nerve, the big and relatively easy money in investing is made when prices are low, pessimism is widespread and investors are fleeing from risk.”

HOWARD MARKS

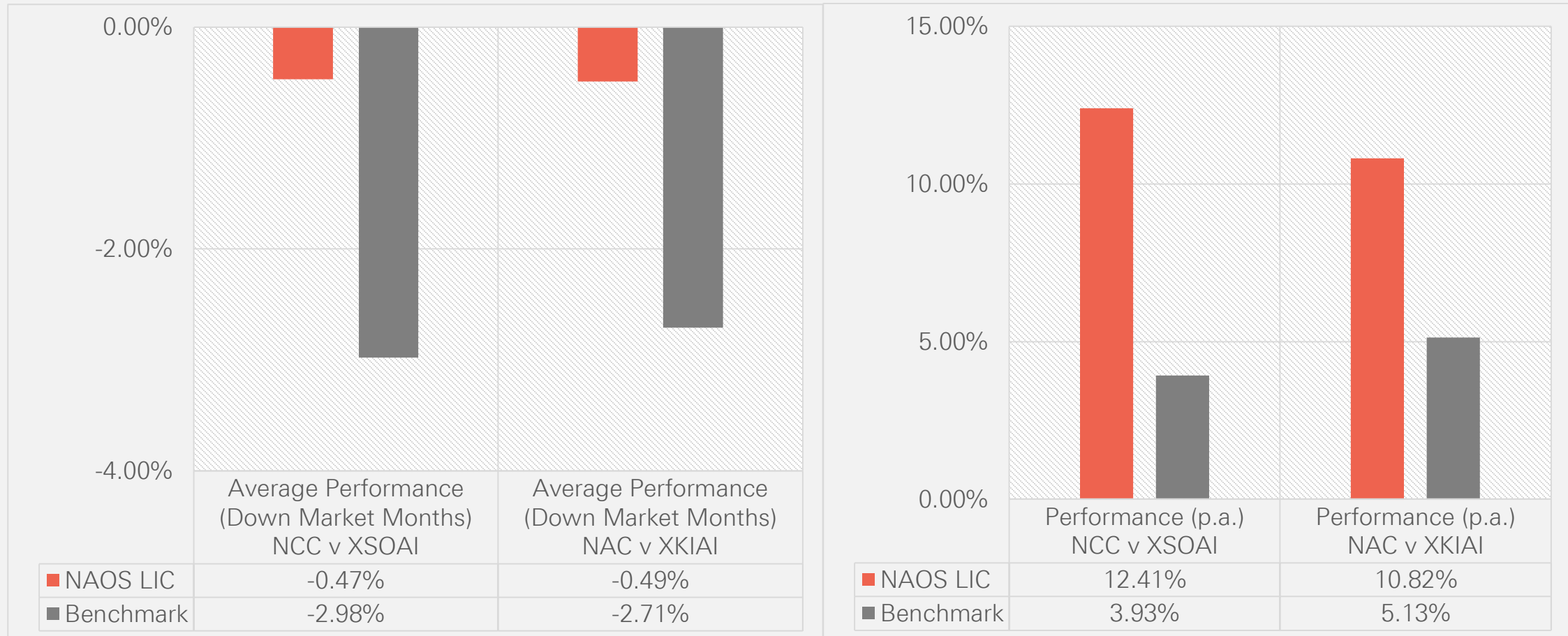
NTA & Performance as at 31 December 2018

	PRE TAX NTA	6 MONTHS	1 YEAR	INCEPTION (P.A.)	INCEPTION (NOMINAL)
NCC*	\$1.08	-10.70%	-14.92%	+12.41%	+98.10%
NSC^	\$0.75	-11.50%	-15.48%	-13.49%	-14.54%
NAC*	\$0.97	-8.56%	-11.73%	+10.82%	+52.89%

* 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. Inception p.a. includes part performance for the month of February 2013 (NCC) and November 2014 (NAC), returns are compounded for periods greater than 12 months.

^ Investment performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders. Inception performance (p.a. and nominal) is 1 December 2017.

Long Term Capital Protection*



* NCC and NAC 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.) includes part performance for the month of February 2013 (NCC) and November 2014 (NAC). Returns compounded for periods greater than 12 months. NCC averages taken from the 70 months since inception (39 'up market' months and 31 'down market' months) and NAC 52 months since inception (30 'up market' months and 22 'down market' months). All figures are as at 31 December 2018.

NCC Overview

PORTFOLIO METRICS

9

Number of Holdings

0%

Cash Weighting

4.0m

NCC Directors Shareholding

\$82.7m

Holdings Weighted av. Mkt Cap

3.04%

Dividend Yield

\$14.6m

EBITDA (Portfolio Weighted)

35.90%*

Projected EBITDA Growth (12 month)

5.67

Enterprise Value to EBITDA

0.23

Net Debt to EBITDA

Figures are as at 29 January 2019

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*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance. Excludes one investment due to negligible EBITDA in FY19.

NSC Overview

PORTFOLIO METRICS

9

Number of Holdings

0%

Cash Weighting

1.93m

NSC Directors Shareholding

\$195.6m

Holdings Weighted av. Mkt Cap

3.21%

Dividend Yield

\$20.8m

EBITDA (Portfolio Weighted)

30.98%*

Projected EBITDA Growth (12 month)

9.51

Enterprise Value to EBITDA

0.40

Net Debt to EBITDA

NAC Overview

PORTFOLIO METRICS

10

Number of Holdings (9 Long, 1 Short)

38%

Cash Weighting

7.49m

NAC Directors Shareholding

\$1.07b

Holdings Weighted av. Mkt Cap

2.63%

Dividend Yield

\$110.2m

EBITDA (Portfolio Weighted)

8.44

Enterprise Value to EBITDA

0.67

Net Debt to EBITDA

12.70%*

Projected EBITDA Growth (12 month)

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Figures are as at 29 January 2019

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*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance.

Appendix

NAOS



NCC Overview as at 31 December 2018

DIVIDENDS

\$11.9m

Profits Reserve

6.59%

Fully Franked Dividend Yield

100%

Franking

Dividend Profile



NSC Overview

as at 31 December 2018

DIVIDENDS

\$11.2m

Profits Reserve

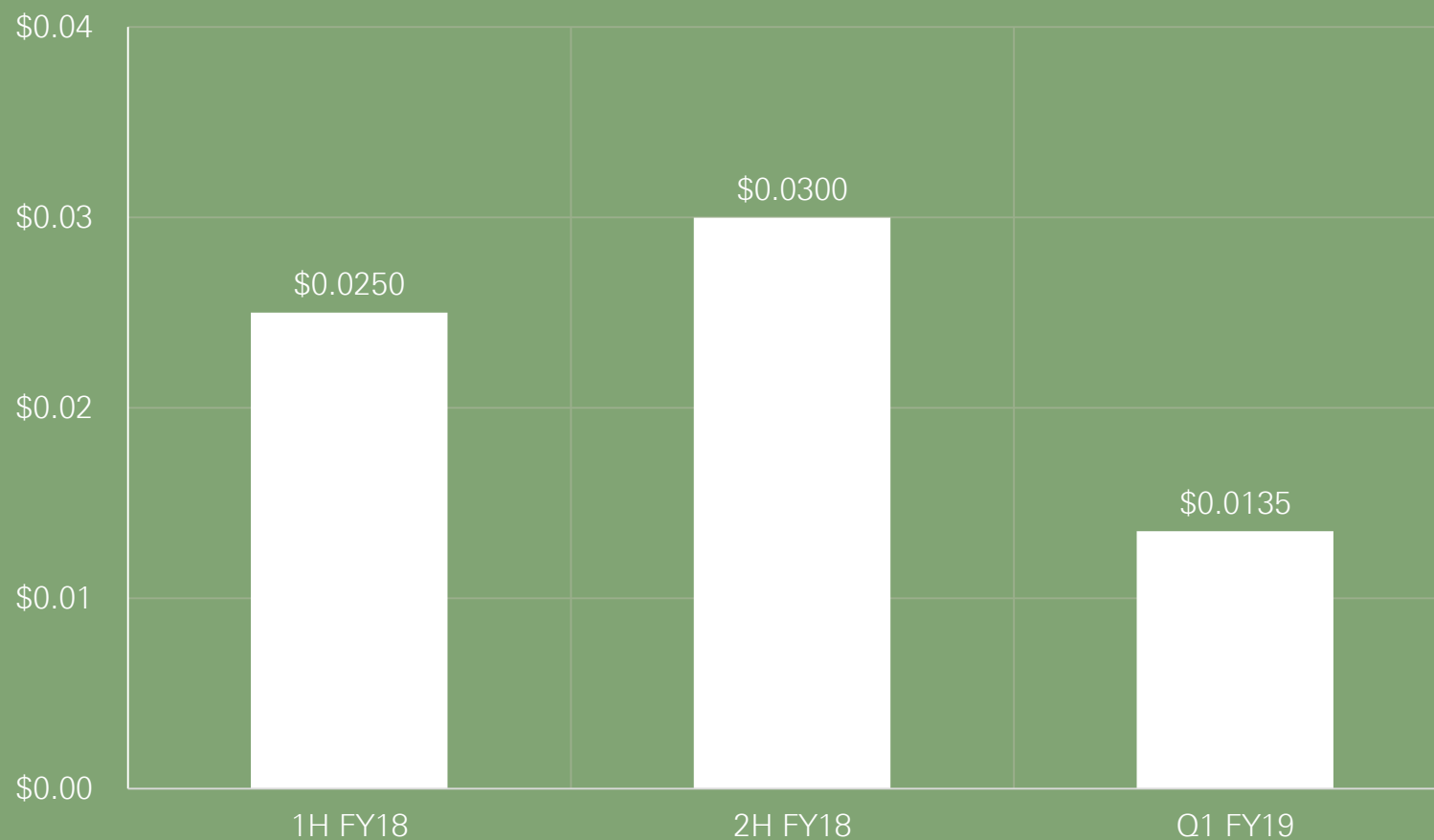
8.30%

Fully Franked Dividend Yield

100%

Franking

Dividend Profile



NAC Overview

as at 31 December 2018

DIVIDENDS

\$3.6m

Profits Reserve

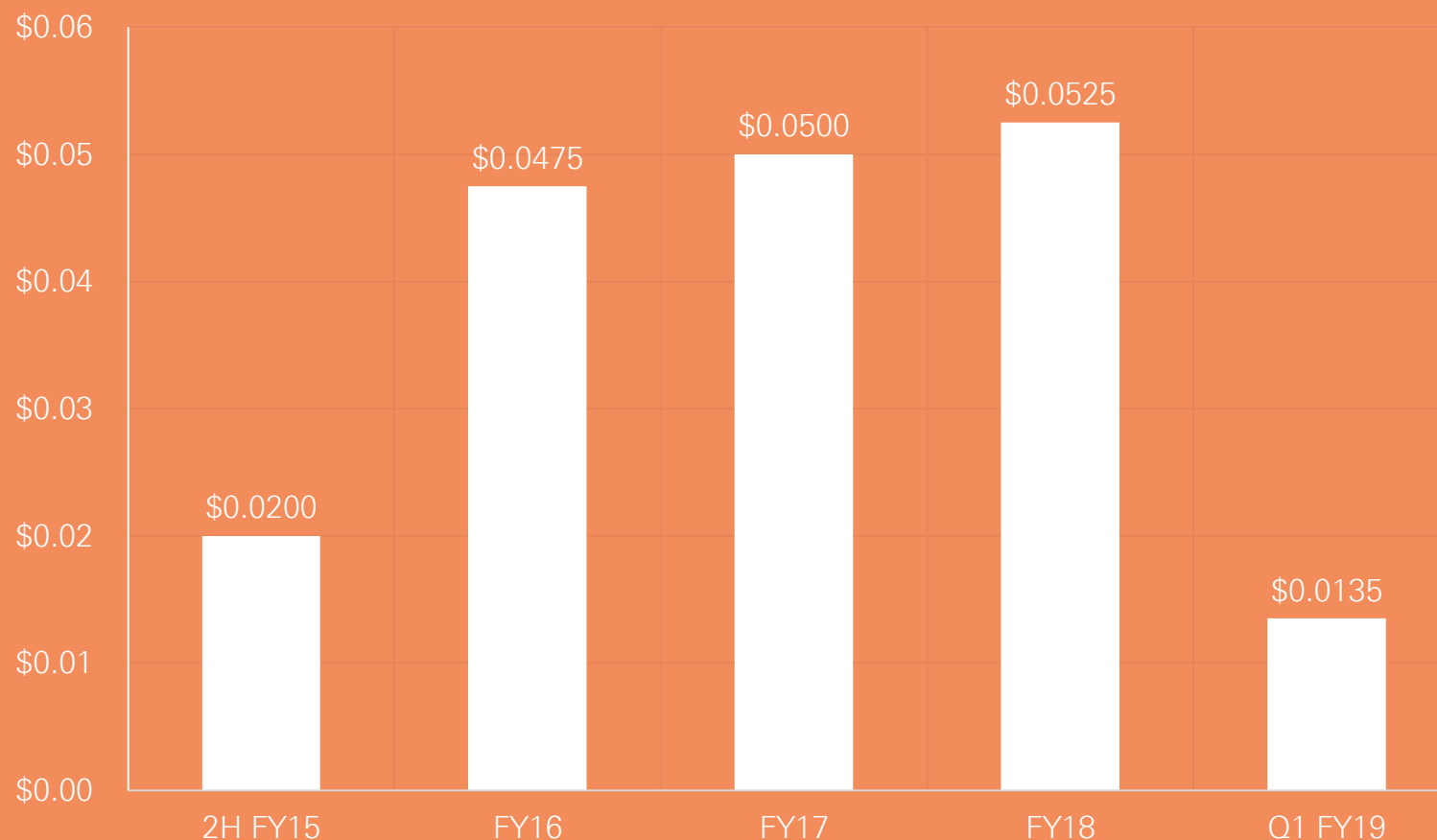
5.87%

Fully Franked Dividend Yield

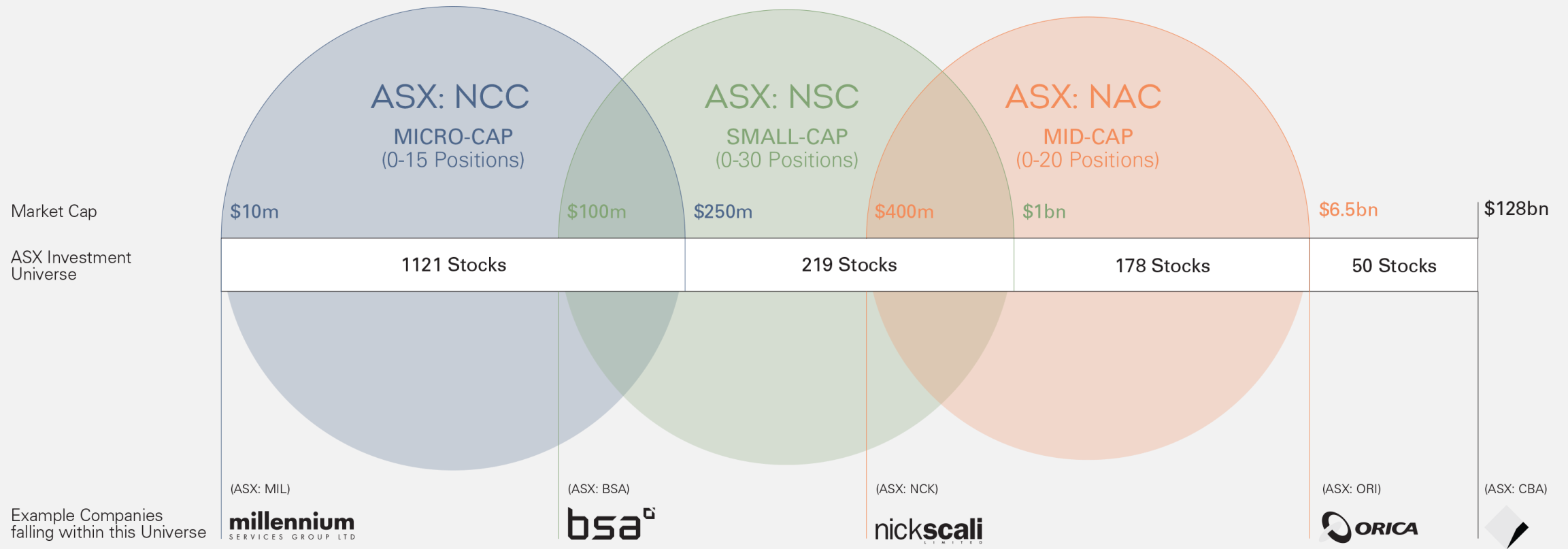
100%

Franking

Dividend Profile



NAOS Listed Investment Companies

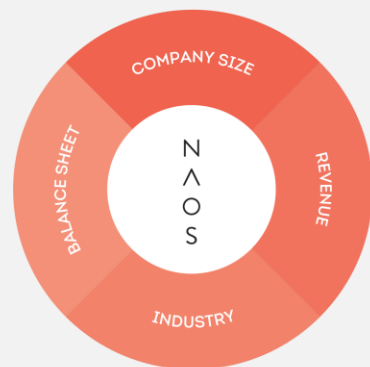


Source: Bloomberg Data January 2019

NAOS investment process

01

INVESTMENT UNIVERSE SCREEN CRITERIA



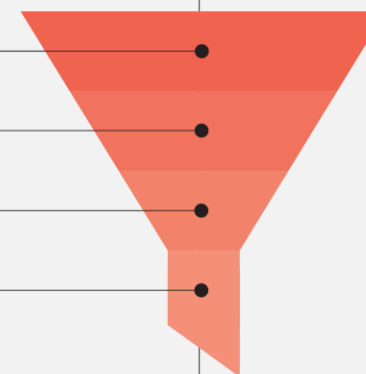
2804

TOTAL ASX LISTED COMPANIES*

02

INVESTMENT UNIVERSE FUNNEL

- 643 COMPANY SIZE
- 345 REVENUE
- 907 INDUSTRY
- 498 BALANCE SHEET



04

THE NAOS LICs

- 0-15 **ASX:NCC**
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
- 0-30 **ASX:NSC**
NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED
- 0-20 **ASX:NAC**
NAOS Ex-50 OPPORTUNITIES COMPANY LIMITED

50-80

NAOS ACTIVE INVESTMENT UNIVERSE WATCHLIST

03

INVESTMENT CRITERIA

- MANAGEMENT & CULTURE
- VALUATION, GROWTH & MARGIN OF SAFETY
- ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

COMPANY

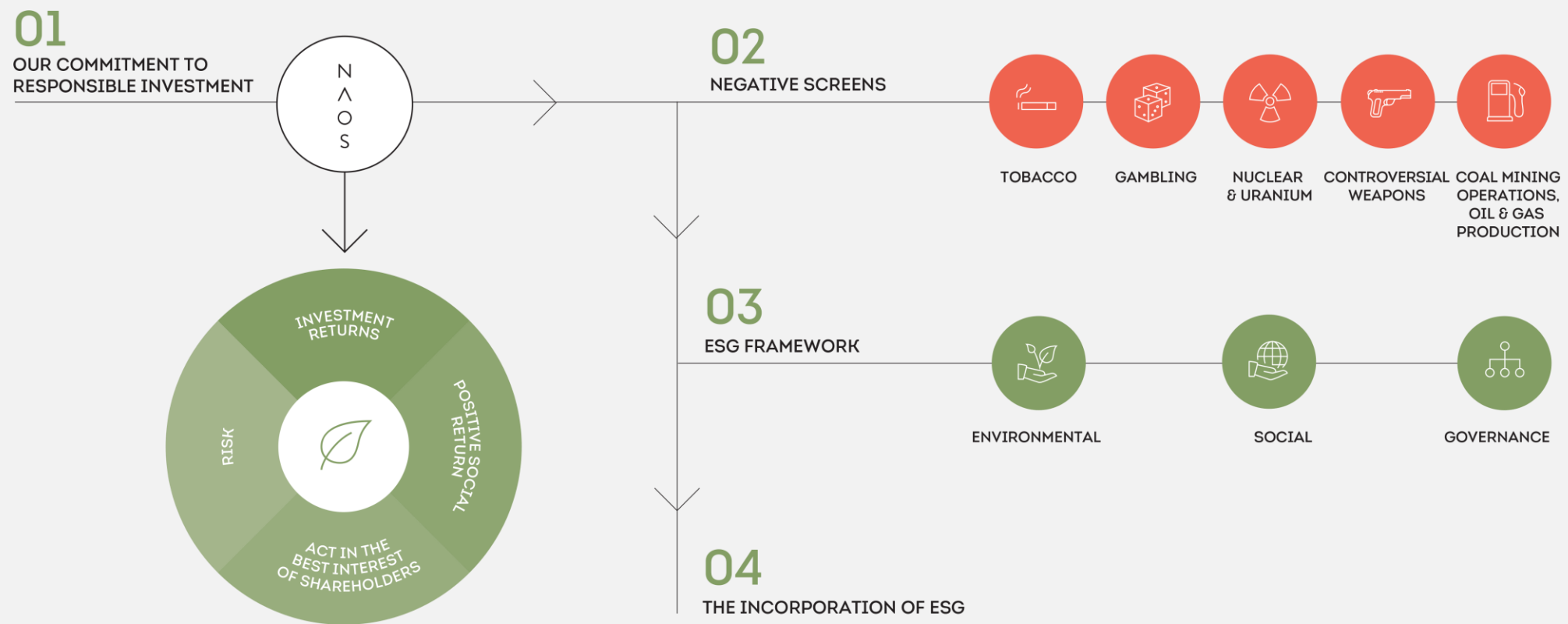


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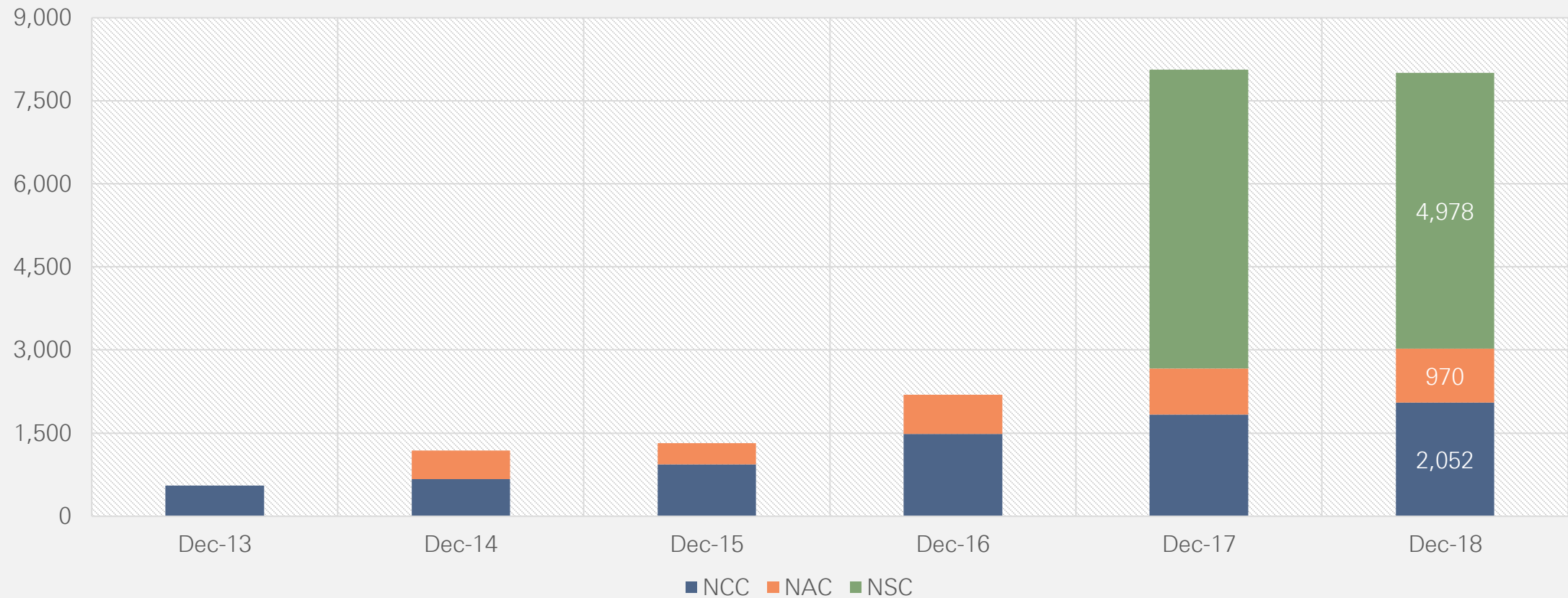
COMPANIES IN THE NAOS UNIVERSE

* Source: Bloomberg Data June 2018

NAOS ESG framework



Number of Shareholders



Investor awareness and communication



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Shareholder Conference Calls, subscribe via our website naos.com.au/#subscribeform



Monthly Investment Report & NTA email updates, subscribe via our website naos.com.au/#subscribeform



The news and media section of our website is updated regularly naos.com.au



Twice yearly National Roadshow



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NAOS Asset Management



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NAOS Asset Management



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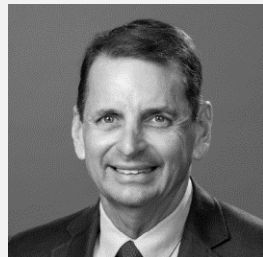
For all enquires contact enquiries@naos.com.au or call (02) 9002 1576

NAOS Directors and Team

OUR DIRECTORS



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



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



Mark Bennett
Director, NAOS Asset Management Limited



Trevor Carroll
Independent Chairman NSC



Matthew Hyder
Director, NAOS Asset Management Limited



David Rickards
Independent Chairman & Director, NCC and NAC & Independent Director NSC

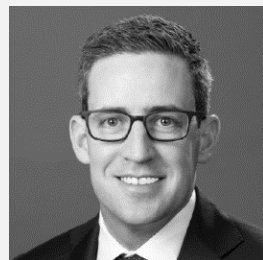


Sarah Williams
Independent Director, NCC and NAC

OUR TEAM



Sebastian Evans
Chief Investment Officer



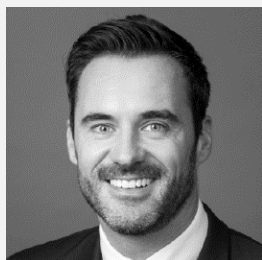
Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



Rachel Folder
Investment Analyst



Richard Preedy
Chief Financial and Operating Officer



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



Julia Stanistreet
Business Development Manager



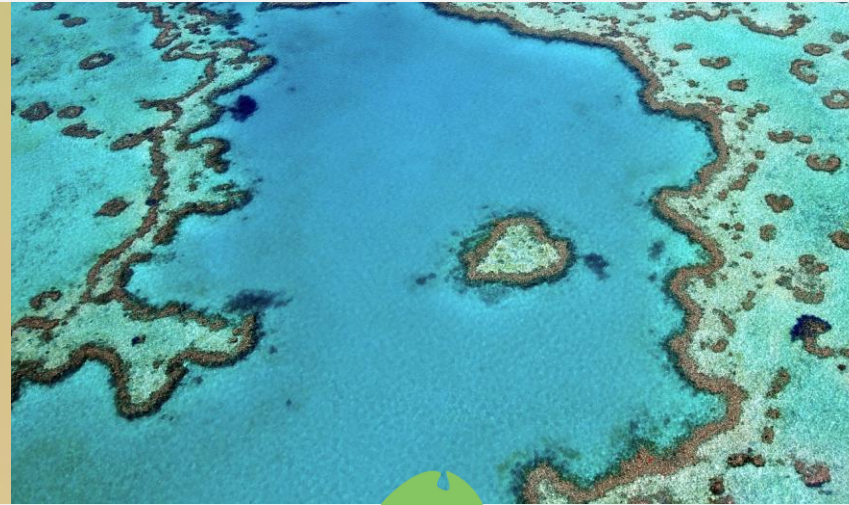
Scott Hildebrand
Distribution & Sales Manager

NAOS Asset Management giving back

NAOS, the management company, is proud to be supporting the following charities



'Golden Shouldered Parrot' threatened species project, in partnership with Bush Heritage



'Reef Aid' campaign, in partnership with Greening Australia



Royal Flying Doctor Service

The furthest corner. The finest care.

RFDS, dedicated to providing healthcare to Australians in remote communities

A&O

NAOS

Thank you for your continued support