ASX:NCC

NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

ABN 58 161 106 510

NCC GENERALLY INVESTS IN MICRO-CAP INDUSTRIAL COMPANIES WITH A MARKET CAP OF <$250M

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 31 JANUARY 2020

NET TANGIBLE ASSET VALUE BREAKDOWN

PRE TAX NTA	POST TAX & PRE UNREALISED GAINS TAX NTA	POST TAX NTA	SHARE PRICE	PREMIUM/ (DISCOUNT) TO NTA (PRE TAX)	FULLY FRANKED DIVIDEND YIELD
$1.25	$1.24	$1.23	$1.04	(16.80%)	6.97%

MARKET INSIGHT

For the month of January, the Investment Portfolio produced a positive return of +11.11%, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which increased by +3.38%. This brings the inception return to +14.37% p.a. or +153.48% on a total return basis, outperforming the XSOAI which has increased by +6.75% p.a. or +57.18% over the same period. January followed on from December as a surprisingly busy month for company announcements with BSA Group Ltd (ASX: BSA), Saunders International (ASX:SND), Wingara Ag (ASX: WNR) and Consolidated Operations Group (ASX: COG) all releasing announcements with varying degrees of significance. This unusually strong month was driven by 6 positions which contributed positively, with two of these positions, BTC Health Ltd (ASX: BTC) and SND, increasing their share price by more than 35% and 55% respectively for the month alone.

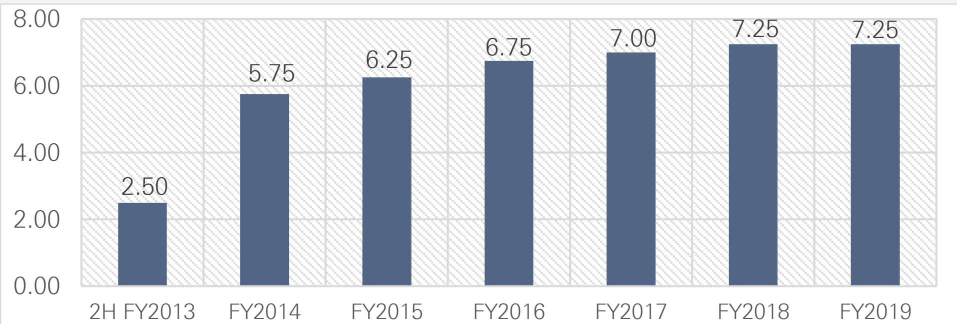
INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total Return
FY20	+6.85%	+2.86%	+6.56%	-3.56%	-0.04%	+4.11%	+11.11%						+30.61%
FY19	-2.42%	+3.94%	+2.88%	-6.09%	-6.12%	-2.92%	-0.24%	+4.96%	-1.80%	-3.54%	-1.43%	+0.20%	-12.51%
FY18	+3.43%	+4.94%	-1.24%	+2.32%	+2.39%	+0.14%	-0.77%	-1.52%	+0.43%	-1.49%	-1.89%	+0.44%	+7.13%
FY17	+4.63%	+6.48%	+3.65%	-0.49%	-0.45%	+1.92%	+0.08%	-1.93%	+0.82%	-3.69%	+0.70%	+0.44%	+12.39%
FY16	+2.28%	-5.77%	+0.86%	+3.72%	+1.10%	+4.56%	-3.26%	+4.96%	+1.57%	+4.67%	+5.31%	+2.97%	+24.77%
FY15	+2.30%	+3.58%	-1.51%	-2.39%	+0.58%	+0.46%	+0.58%	+2.81%	-2.59%	-0.18%	+2.37%	-4.27%	+1.43%
FY14	+9.19%	+7.64%	+2.80%	+5.11%	-4.84%	-3.57%	+4.76%	+3.87%	+2.91%	-0.70%	+0.85%	+0.67%	+31.54%
FY13								+0.03%	+3.81%	+3.03%	+4.48%	-0.99%	+10.67%

*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.

The highlight for the month came from SND which made three significantly positive announcements. The first of these related to the award of a $15 million contract from Sydney Water to build a new reservoir in Penrith. The second was a contract win worth in excess of $30 million from Rio Tinto to provide repair and maintenance services for up to 16 precipitation tanks. And finally, SND announced that the 1HFY20 result is expected to be between $1.2-$1.6 million EBITDA on revenues of circa $30 million, with the balance sheet having a healthy cash balance of $9.4 million. In our view, these announcements show that SND is shaping up for potentially its best 2-3-year period in the company's long history. It is also key to note that one of SND's three major competitors being CB&I, which is owned by Dow Jones listed McDermott's (US: MDRIQ) filed for bankruptcy protection in January, effectively limiting a competitor for the foreseeable future. Pleasingly the guidance released by SND shows that the business has returned to an EBITDA margin level of ~5% in a time where few if any major projects were recorded.

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)



INVESTMENT BELIEFS

VALUE WITH LONG TERM GROWTH

QUALITY OVER QUANTITY

INVEST FOR THE LONG TERM

PERFORMANCE V LIQUIDITY FOCUS

IGNORE THE INDEX

PURE EXPOSURE TO INDUSTRIALS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

MANAGEMENT ALIGNMENT

CONVICTION. LONG TERM. ALIGNED

MARKET INSIGHT CONTINUED

We believe with a much improved cost base and operational structure SND has the ability to grow revenue from circa $50-$60 million to closer to $100 million, and also to increase margins from the recently announced 5% to a figure closer to 8%-9% once the benefits of increased scale are realised and more rational pricing occurs as a result of the more benign competitive landscape.

BSA Chief Executive Officer (CEO) Nick Yates announced he will step down in early 2020. Nick has been leading BSA for over 6 years and through this period we have seen the business significantly de-risked both from a financial and operational standpoint which led to the share price re-rating from ~$0.10 in 2014 to $0.41 at the end of January. Pleasingly, Nick will remain a Director of BSA as well as a part-time consultant. Nick will be replaced by the BSA Deputy CEO Tim Harris who has been part of the BSA team for ~3 years. We believe Tim is an excellent choice to replace Nick as throughout his time at BSA, and more specifically his time within the Connect and Build divisions, Tim has demonstrated astute operations skills to drive profitable growth as well as expanding the business into adjacent opportunities.

Finally, Consolidated Operations Group (ASX: COG) announced that they had acquired a 17.36% interest in CML Group (ASX: CGR). COG had initially put a merger proposal forward to the Directors of CGR which was recommended to their shareholders, though more recently this has been overshadowed by a potential all cash bid for CGR of $0.60 per share by private equity owned Scottish Pacific Group. Clearly this gives COG a significant stake in CGR and one which will have a significant say as to how the future unfolds.

STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception, February 2013. The stocks listed below may or may not be current holdings within the portfolio.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
BSA Limited (ASX: BSA)	33.42%
Calliden Group Limited (ASX: CIX)	17.32%
Capitol Health Limited (ASX: CAJ)	16.84%
Enero Group Limited (ASX: EGG)	16.54%
CML Group Limited (ASX: CGR)	14.21%

INVESTMENT PORTFOLIO PERFORMANCE

	1 MONTH	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	6 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NCC Investment Portfolio Performance*	+11.11%	+28.27%	+5.65%	+10.96%	+11.06%	+14.37%	+153.48%
S&P/ASX Small Ordinaries Accumulation Index	+3.38%	+18.84%	+12.13%	+11.19%	+9.20%	+6.75%	+57.18%
Performance Relative to Benchmark	+7.73%	+9.43%	-6.48%	-0.23%	+1.86%	+7.62%	+96.30%

* 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 Total Return) includes part performance for the month of February 2013. Returns compounded for periods greater than 12 months.

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	$90.6 million
Number of Holdings	11 Long Positions
Cash Weighting	5.42%
Standard Deviation of Returns (NCC)	11.96%
Standard Deviation of Returns (XSOAI)	12.92%
Downside Deviation (NCC)	5.38%
Downside Deviation (XSOAI)	7.13%
Percentage of Positive Months (NCC)	64%
Percentage of Positive Months (XSOAI)	57%
Shares on Issue	61,657,630
NCC Directors Shareholding (Ordinary Shares)	4,224,874
NCC Options Closing Price (ASX: NCCOB)	$0.09

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OUR TEAM

Chairman
David Rickards (Independent)

Directors
Warwick Evans
Sebastian Evans
Sarah Williams (Independent)

Chief Investment Officer
Sebastian Evans

Portfolio Managers
Robert Miller
Ben Rundle

Investment Analyst
Rachel Cole

Chief Financial/ Operating Officer
Richard Preedy

Business Development Manager
Julia O'Brien

Compliance Officer
Julie Coventry

ENQUIRIES

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