

NAOS Ex-50
OPPORTUNITIES
COMPANY LIMITED

(ASX: NAC)

ABN 49 169 448 837



Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000

T (02) 9002 1576

F (02) 8215 0037

E enquiries@naos.com.au

www.naos.com.au

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NAOS Ex-50 Opportunities Company Limited – Annual General Meeting – Chairman’s Address

Dear Fellow Shareholders,

For the financial year ended 30 June 2020, the Company recorded an after-tax profit of \$4.11 million.

The Board would like to thank all shareholders for their continued support and we warmly welcome all new shareholders who joined the Company over the financial year 2020.

The Company declared a total 5.25 cents per share of fully franked dividends for the FY20 financial year, maintaining the previous year’s dividend. The profit reserve balance at year end was \$7.86 million. Since listing, the Company has declared an aggregate 27.50 cents per share of fully franked dividends. The Board continues to be mindful of providing shareholders with a regular, growing stream of fully franked dividends over the longer term.

The investment strategy of the Company aims to provide investors with genuine, concentrated exposure to Australian undervalued listed mid-cap companies with an industrial focus. The investment portfolio produced a positive return of +11.16% for the financial year ended 30 June 2020, significantly outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which produced a negative return of -7.75%.

It proved to be an incredibly unstable year for equity markets, marked by the events of the COVID-19 global pandemic, and ASX listed mid-cap companies were not immune to the volatile environment. However, even with this period of market uncertainty, the companies held in the portfolio generated meaningful outperformance with lower downside risk than the broader market. The Board are confident that through the NAOS investment team maintaining a disciplined approach in line with the NAOS investment philosophy, shareholders can look forward to further outperformance.

The pre-tax net tangible asset backing (‘NTA’) per share of the Company increased from \$1.00 to \$1.06 over the financial year with positive performance of the investment portfolio increasing NTA per share by 11.4 cents over the year. 5.25 cents per share was paid to shareholders in fully franked dividends, and management fees and other company expenses decreased the NTA by 1.79 cents per share.

The Buy-Back-Program was active throughout the financial year, purchasing 4.9 million shares, or 9.4% of shares on issue. As the buy-back of shares by the Company at a discount is accretive to NTA per share this was also a positive contributor the Company NTA during the financial year, adding a further 1.62 cents per share.

Total shareholder return (TSR), which measures the change in the share price and dividends paid over the financial year, was +1.73%. This measure does not include the benefit of franking credits received by shareholders. The share price closed the financial year at \$0.79 which represented a significant discount to pre-tax net tangible asset backing (NTA) of -25.47%, causing the TSR to lag the NTA return for the year.

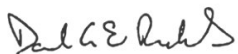
Mindful of the share price discount to NTA, the Board renewed the on-market buyback facility for a further 12 months in June 2020, as the buyback of shares at a discount is accretive to NTA and thus of benefit to all shareholders. For those investors who partake in the Dividend Reinvestment Plan (‘DRP’), 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.

During March 2020 the Board announced a pro-rata, one-for-two issue of bonus options to eligible shareholders. Eligible shareholders received, at no cost, 1 bonus option for every 2 shares in the Company that they held on the record date. The Board believes that the Bonus Options Issue is a measured way to allow the Company to grow over the next two to three years whilst not placing undue pressure on the short-term performance and dividend reserves of the Company. The options are listed on the ASX under the code ASX: NACOA with an exercise price of \$1.03 and expiry date of 31 March 2023.

The Board remains committed to managing the capital base of the Company in a manner that provides the most suitable framework for maximising potential shareholder return. The Board believes that growing the size of the Company to between \$200 million and \$300 million is optimal as it not only allows the Investment Manager to maximise performance by accessing meaningful positions in quality companies; but also scales the Company to an appropriate size that lowers the total expenses and costs for all shareholders. Directors increased their holdings over the financial year whilst also taking advantage of the Dividend Reinvestment Plan, and now hold a cumulative 7.97 million shares, continuing to align their interests with those of 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

Chairman

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