

NAOS SMALL CAP  
OPPORTUNITIES  
COMPANY LIMITED  
(ASX: NSC)

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28 July 2022

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

#### **Q4 FY22 Investor Update and Q&A – Presentation Materials**

Please find attached the presentation materials for the Q4 FY22 Investor Update and Q&A to be held by NAOS Asset Management Limited today at 10:30am (AEST).

Authorised by:

Rajiv Sharma  
Company Secretary



# NANOS

## ASSET MANAGEMENT

Thursday 28 July 2022 | 10:30 am (AEST)

Audio Dial In: +61 2 9087 3602

Audio Access Code: 909-805-002

Q4 FY22 Investor Update and Q&A

# Important Information

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# NAOS Asset Management

To provide investors genuine long-term, concentrated exposure to Australian undervalued emerging companies with an industrial focus.

NAOS established its first Listed Investment Company (LIC) in 2013 with 400 shareholders, and today NAOS manages ~\$300 million across three LICs and one private investment fund, for over 7,500 investors.

Our directors and employees hold significant investments across the NAOS investment strategies, creating strong alignment of interests with all investors.

We believe that demonstrating leadership in ESG is ultimately a differentiating factor that benefits all parties. We strive to create a positive impact on social, environmental and governance issues.

NAOS was originally founded in 2004 and today has 10 staff and donates 1% of its recurring revenue to 4 outstanding organisations making a difference to our environment and/or society.

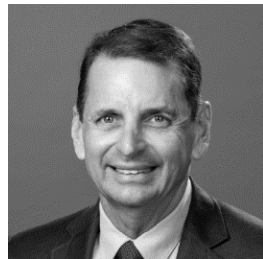


# NAOS Directors and Team

## OUR DIRECTORS



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



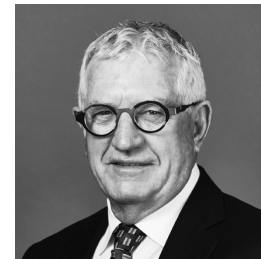
**Warwick Evans**  
Chairman, NAOS Asset Management Limited & Director NCC, NSC & NAC



**Sarah Williams**  
Independent Director, NCC and NAC



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



**Trevor Carroll**  
Independent Chairman NSC

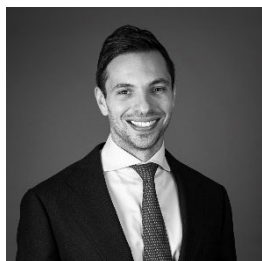


**Matthew Hyder**  
Director, NAOS Asset Management Limited



**Mark Bennett**  
Director, NAOS Asset Management Limited

## OUR TEAM



**Sebastian Evans**  
Chief Investment Officer



**Robert Miller**  
Portfolio Manager



**Brendan York**  
Portfolio Manager



**Jared Tilley**  
Senior Investment Analyst



**Nelson DeMestre**  
Associate Analyst



**Richard Preedy**  
Chief Financial and Operating Officer



**Rajiv Sharma**  
Head of Legal and Compliance



**Angela Zammit**  
Marketing & Communications Manager

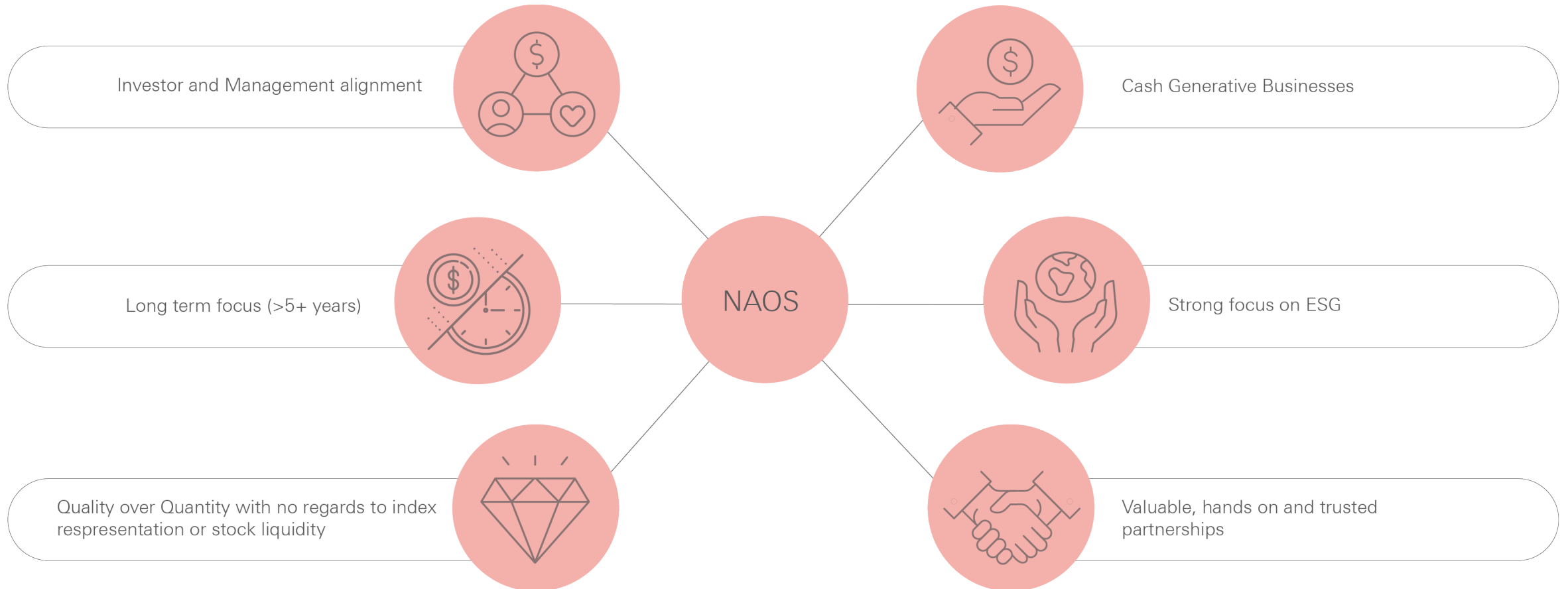


**Hayley Coy**  
Marketing Coordinator



**Julie Coventry**  
Business Sustainability Analyst

# Our Investment Beliefs and Differentiation

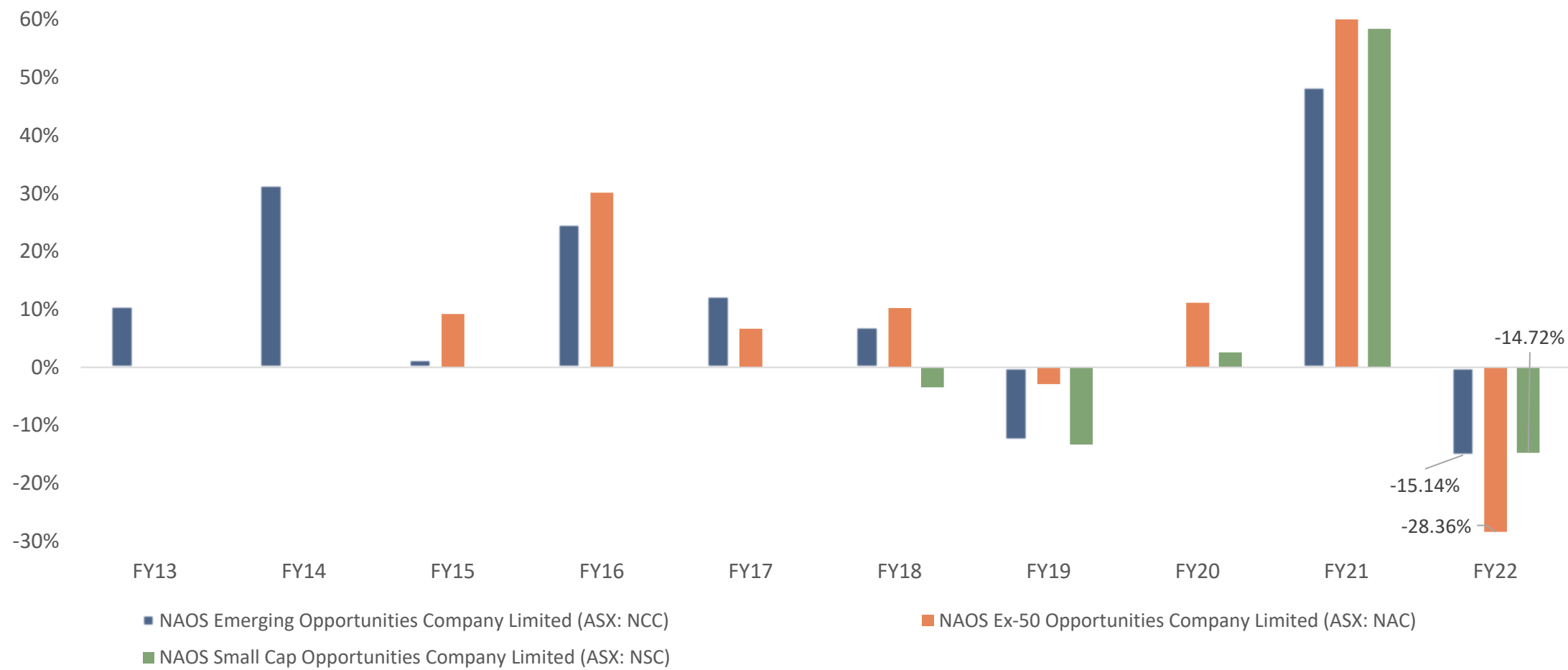


# Reasons Not to Invest with NAOS

Our LICs are not for everyone. Some reasons why you may not choose to invest with NAOS include:

- Concentrated portfolios (0-15 investments & shareholdings often >20%)
- Long-term investment philosophy (5+ years)
- Focus on emerging companies (\$20 million - \$500 million market capitalisation)
- Benchmark unaware (no NAOS investments are within the XSOAI)
- Industrial focus (no exposure to resources or very early-stage businesses)
- Smaller fund size (increases ability to gain a meaningful exposure to smaller businesses)
- ESG aware with a focus on positive impact
- LICs can often trade at discounts and premiums to their underlying net-asset backing

# NAOS Investment Portfolio Financial Year Returns\*

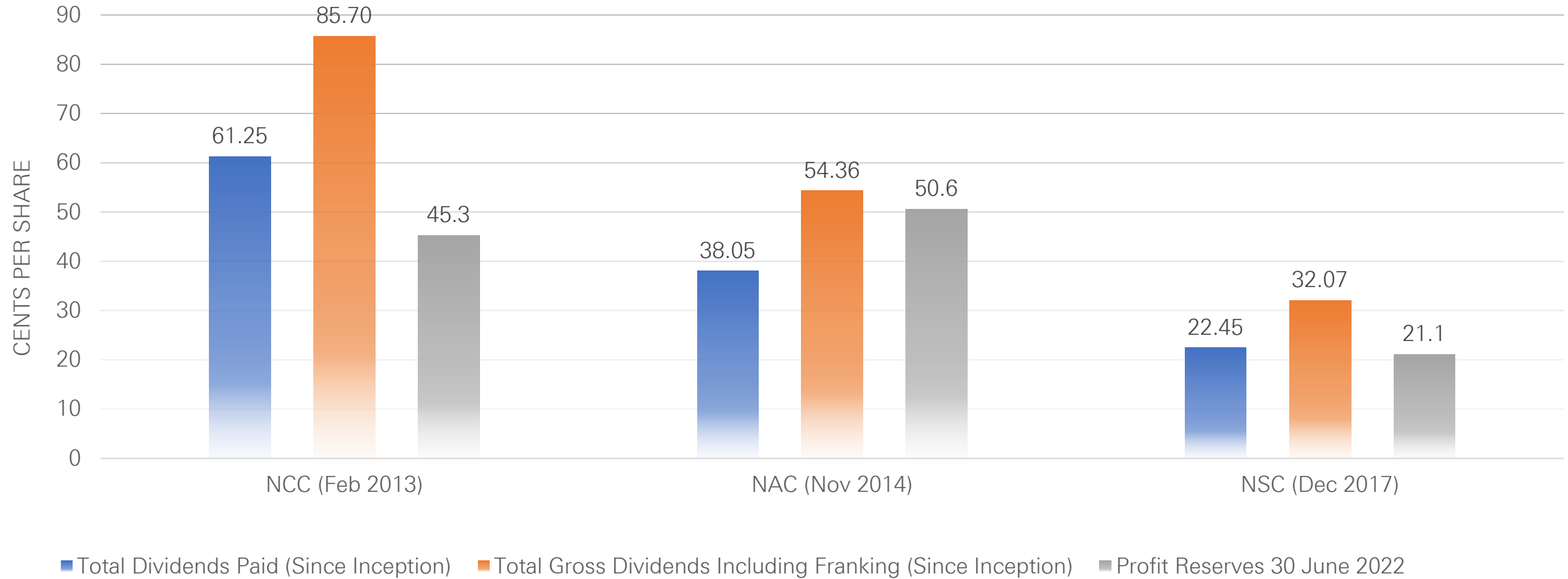


\* Investment Portfolio Performance is post all operating expenses, before fees, taxes, interest and initial IPO and subsequent capital raising costs. Returns compounded for periods greater than 12 months. Performance has not been grossed up for franking credits received by shareholders. Inception dates are February 2013 (NCC), November 2014 (NAC) and December 2017 (NSC).



# NAOS LIC Fully Franked Dividend History and Profit Reserves

Each LIC has consistently paid dividends and holds healthy profit reserves



All figures as at 30 June 2022

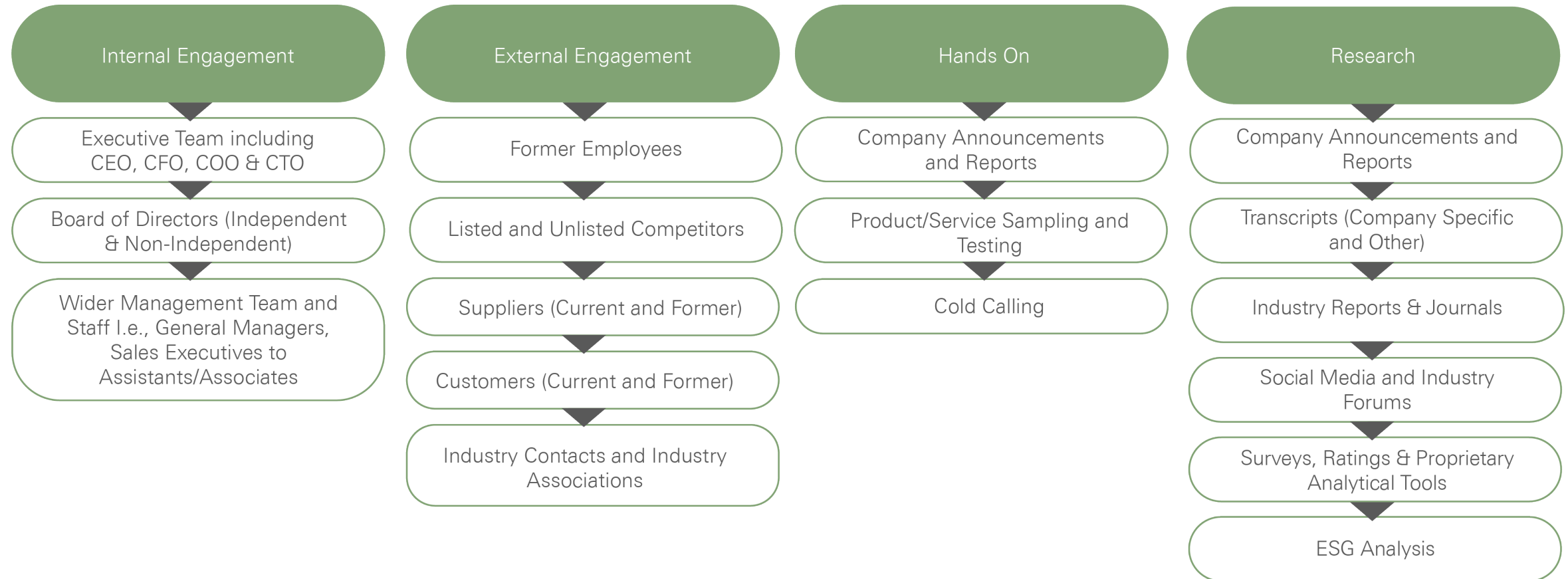
# Investment Portfolio Performance Summary

| Investment Portfolio                     | Q4 FY22<br>PERFORMANCE | Q4 FY22<br>BENCHMARK<br>PERFORMANCE | 1 YEAR<br>PERFORMANCE | 1 YEAR<br>BENCHMARK<br>PERFORMANCE | INCEPTION<br>PERFORMANCE<br>(p.a.) | BENCHMARK<br>INCEPTION<br>PERFORMANCE<br>(p.a.) |
|------------------------------------------|------------------------|-------------------------------------|-----------------------|------------------------------------|------------------------------------|-------------------------------------------------|
| NCC Investment Portfolio<br>Performance* | -13.95%                | -12.91% <sup>^</sup>                | -15.14%               | -19.52% <sup>^</sup>               | +9.97%                             | +4.29% <sup>^</sup>                             |
| NAC Investment Portfolio<br>Performance* | -16.35%                | -11.43% <sup>^</sup>                | -28.36%               | -9.56% <sup>^</sup>                | +10.30%                            | +5.97% <sup>^</sup>                             |
| NSC Investment Portfolio<br>Performance* | -8.63%                 | -12.91% <sup>^</sup>                | -14.72%               | -19.52% <sup>^</sup>               | +3.30%                             | +2.38% <sup>^</sup>                             |

\*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. 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 (NCC), November 2014 (NAC) and December 2017 (NSC). Returns compounded for periods greater than 12 months. All figures as at 30 June 2022. <sup>^</sup>NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index

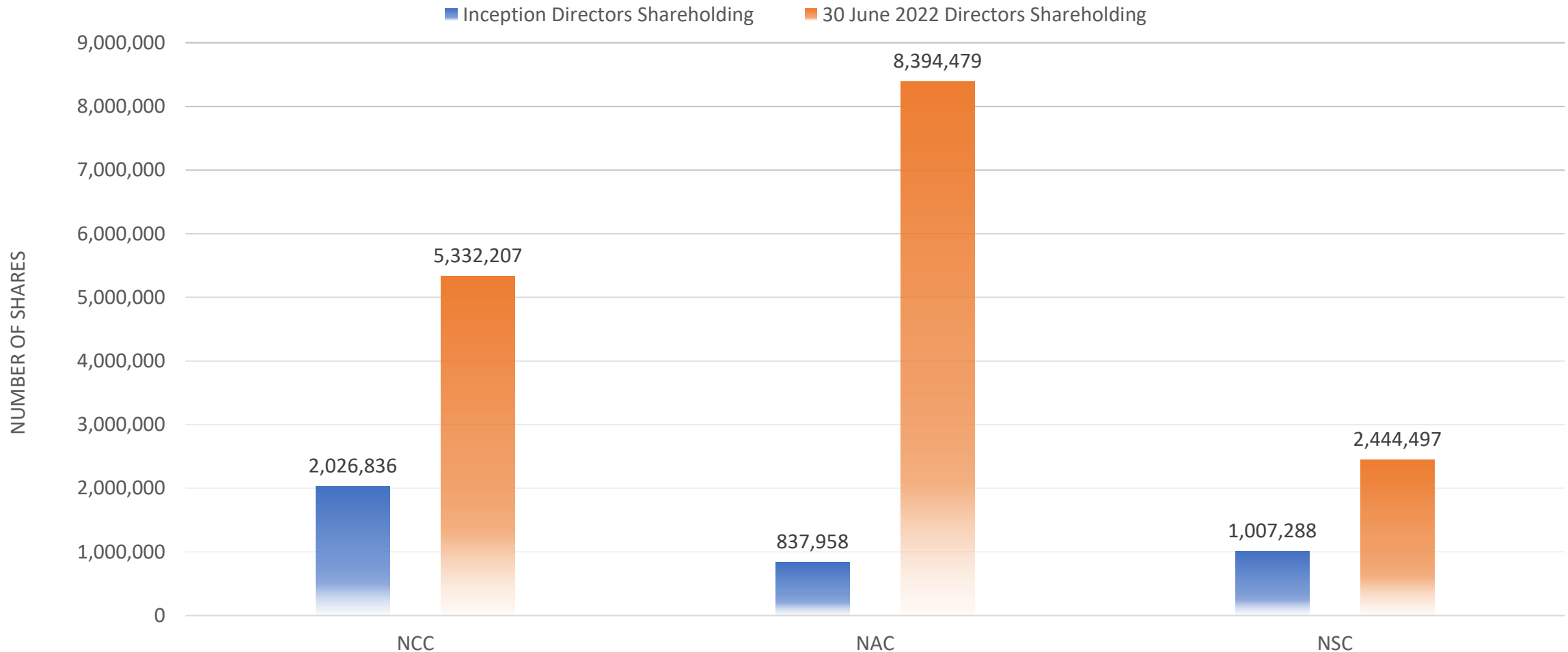
# What Qualitative Information Sources Does NAOS Use?

The NAOS Investment Team undertakes fundamental analysis on potential and current investments. Some examples of our key focus areas include:



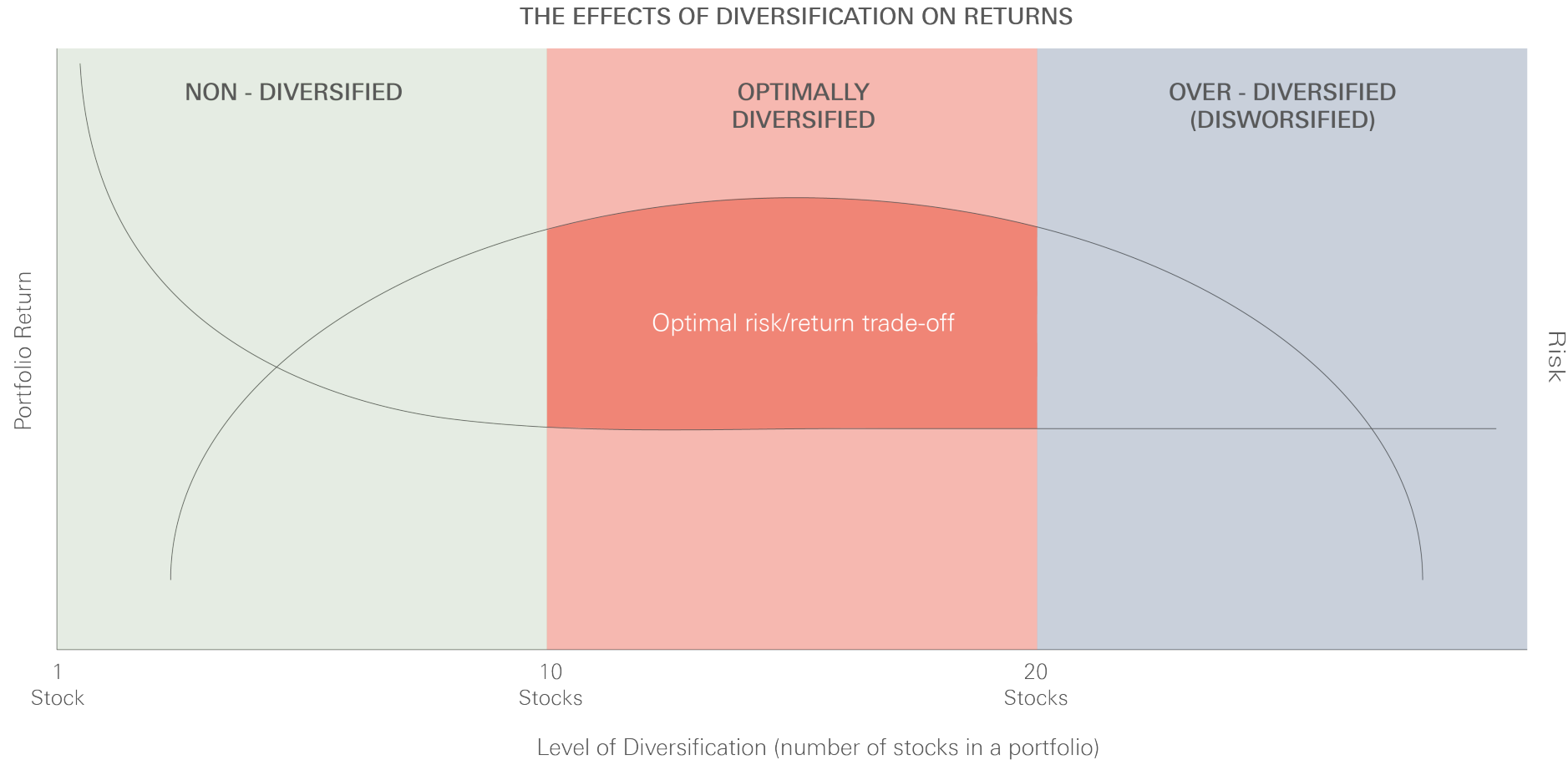
# NAOS Management Alignment

NAOS Director's shareholdings have significantly increased since the inception of each LIC



# The Case for Concentrated Investing

Holding too many stocks in a portfolio can lead to poor risk adjusted performance



Source: NAOS Asset Management

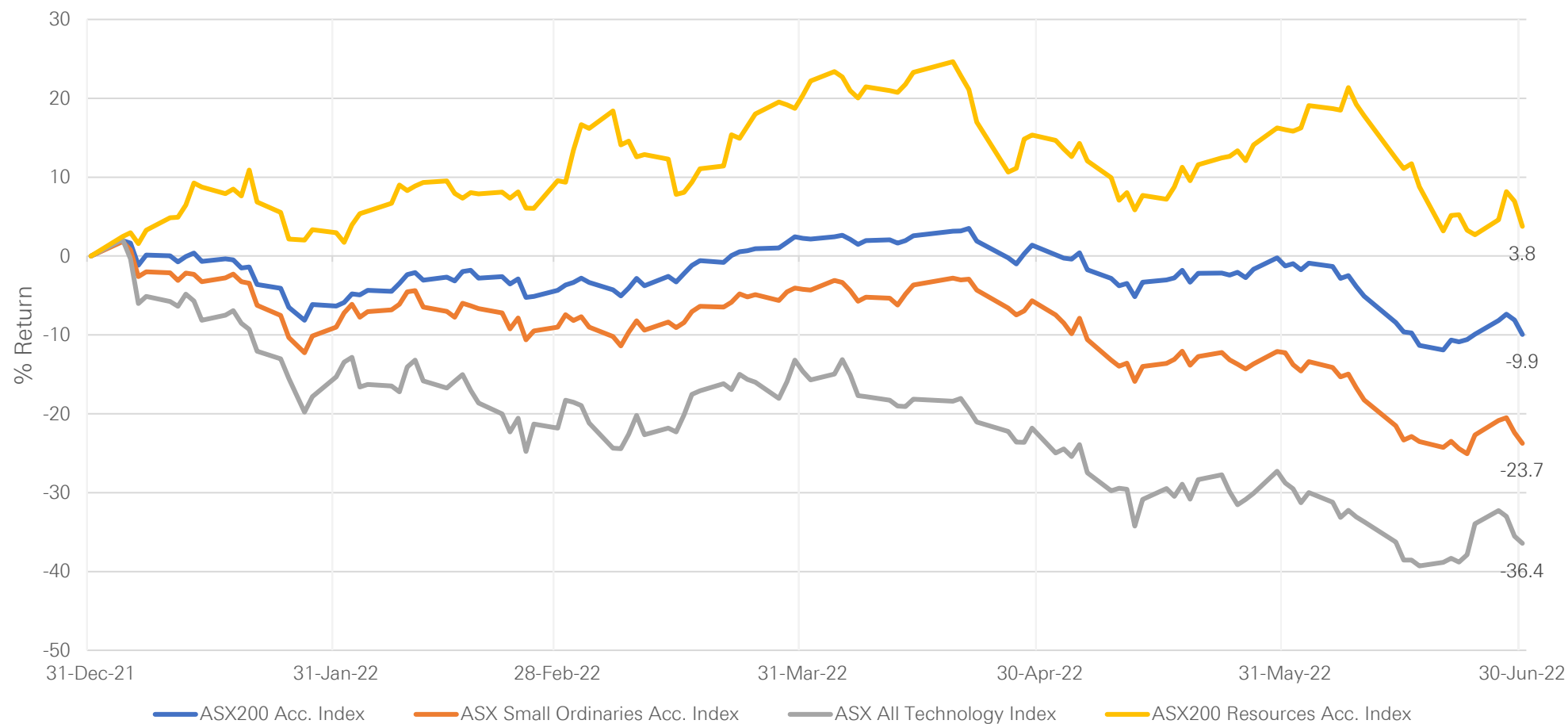


## Q4 FY22 Summary

- Inflationary impacts have finally hit home during Q4 with central banks playing catch-up and raising rates at record paces.
- The current geopolitical issues are having widespread & significant negative effects on the macro environment. Many impacts are difficult to solve through short term alternative measures, most notably energy prices & agricultural related supplies.
- The 'valuation realism' experienced by financial markets continued to gain momentum. Equity capital markets are no longer as forgiving as they have been. The 'growth at any cost' strategy of many growth companies has disappeared alongside the 'era of free money'.
- A shift from goods to services has occurred. Many COVID beneficiaries (e.g., e-commerce, gig economy) are now facing a more challenging post-COVID environment.
- Domestically businesses are continuing to struggle. Operational issues such as staffing shortages & supply chain issues are leading to longer lead times, as well as higher input costs due to a wide range of inflationary pressures.

# Q4 FY22 Summary Cont.

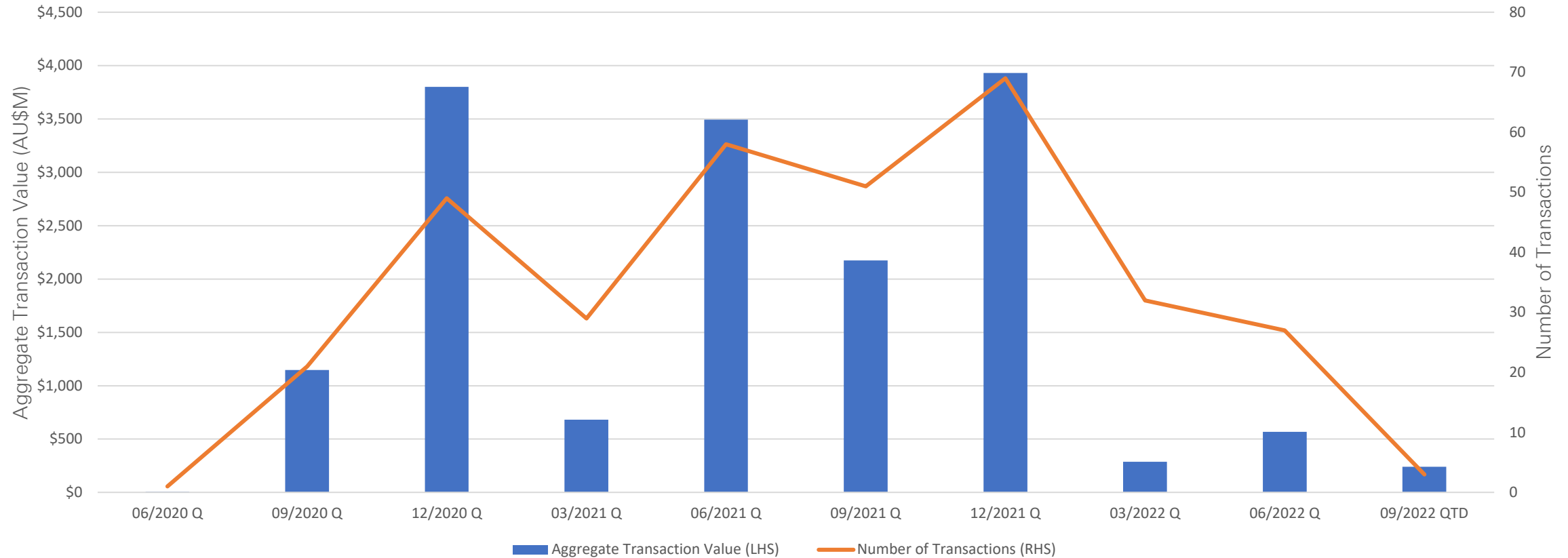
## Total Returns (%) Breakdown - 2HFY22



Source: Capital IQ, NAOS

# Q4 FY22 Summary Cont.

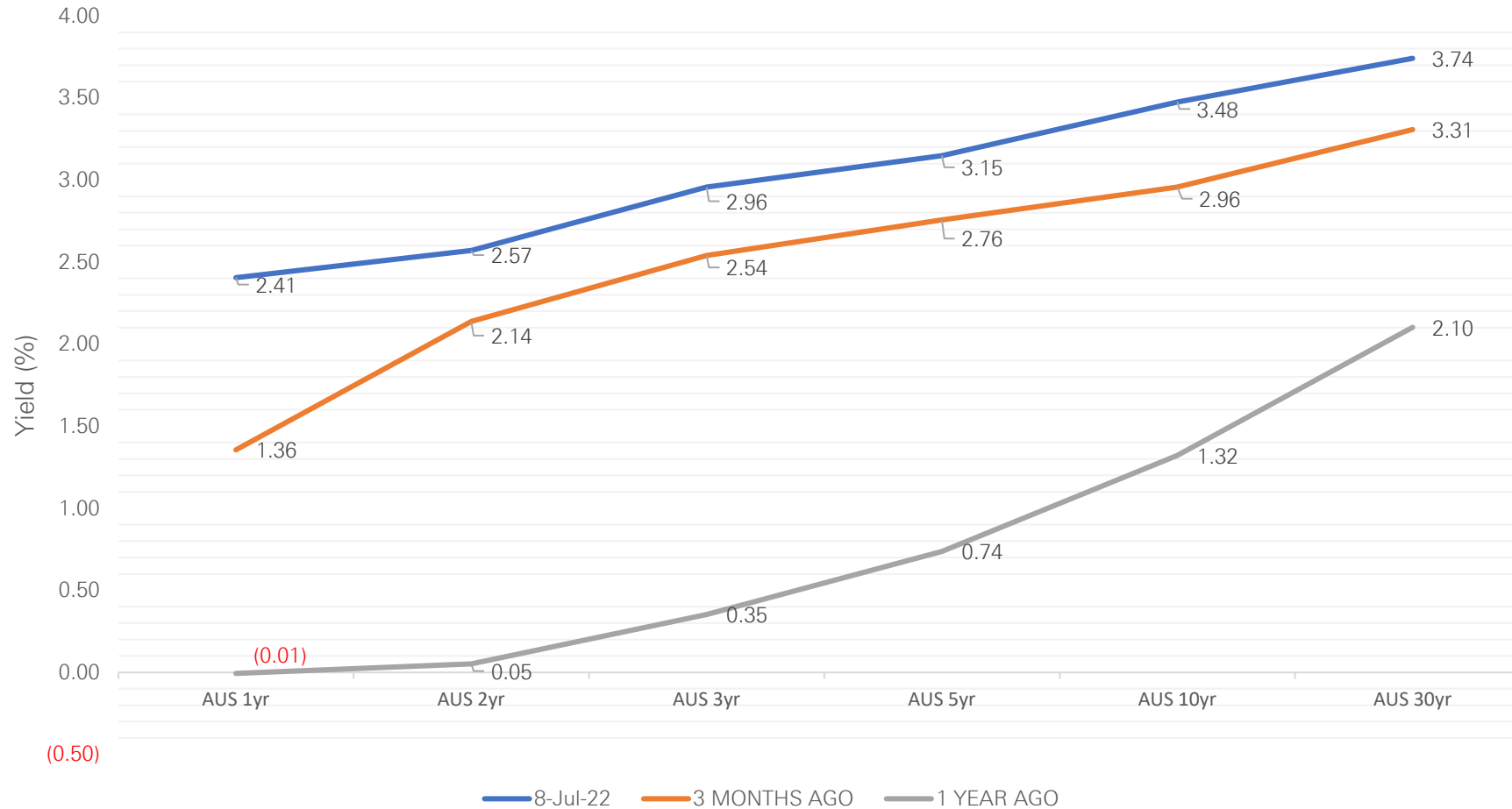
Australian IPO Market - 2021 Exuberance Vs. 2022 Almost 'Closed'



Source: Capital IQ, NAOS

# Q4 FY22 Summary Cont.

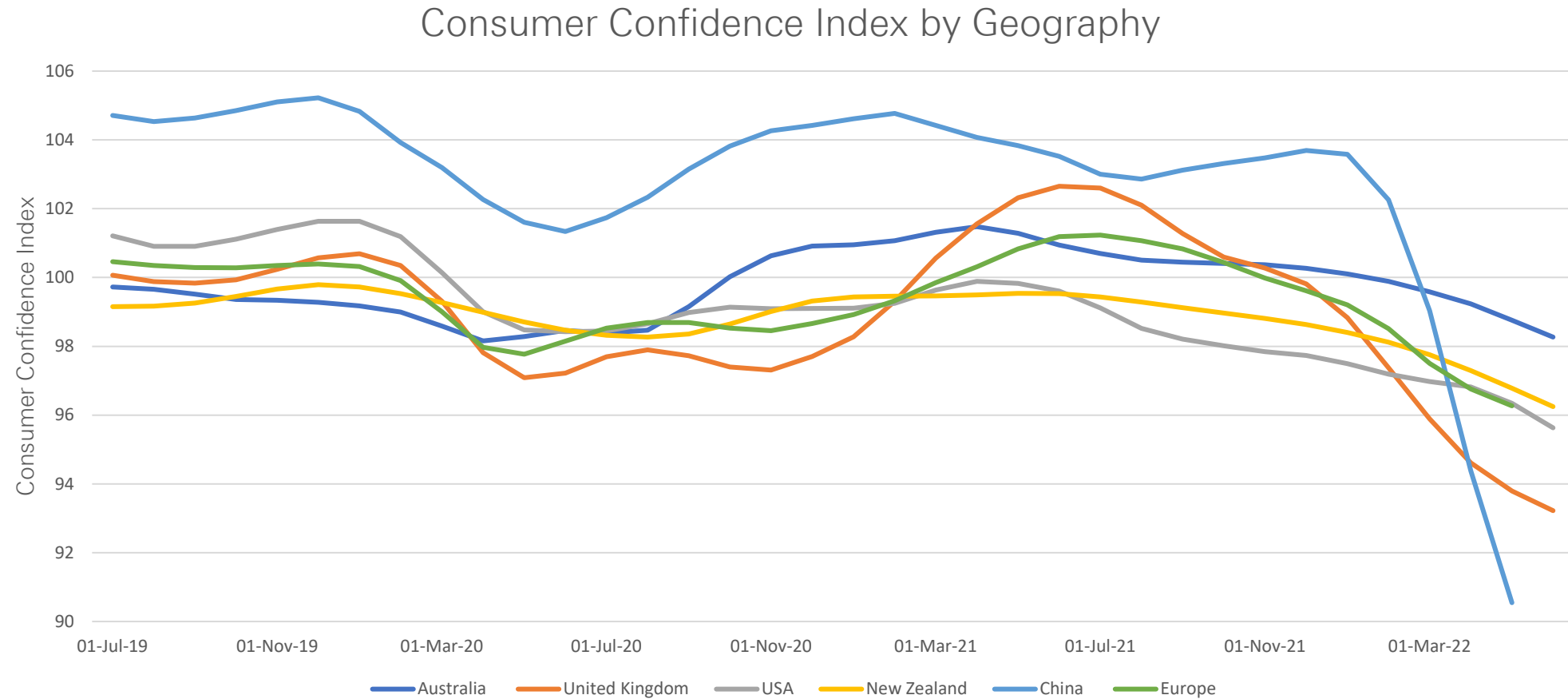
## Australian Yield Curve Changes During FY22



What a difference 12 months can make... Interest rate expectations now playing catch-up to inflation.

Source: Capital IQ, NAOS

# Q4 FY22 Summary Cont.



Source: OECD, NAOS

## EXPLAINER:

An indicator above 100 signals a boost in the consumers' confidence towards the future economic situation, as a consequence of which they are less prone to save, and more inclined to spend money on major purchases in the next 12 months. Values below 100 indicate a pessimistic attitude towards future developments in the economy, possibly resulting in a tendency to save more and consume less.

# Welcome Simon Lee

Chief Executive Officer and Executive Director



# About Urbanise

- Urbanise (ASX: UBN) is a cloud-based proptech business that provides software solutions for strata and facilities managers
- Our main markets are Australia, New Zealand, Asia and the UAE
- We have around 75 people across 6 countries in sales & marketing, implementations, product development and customer support





# Strata Management

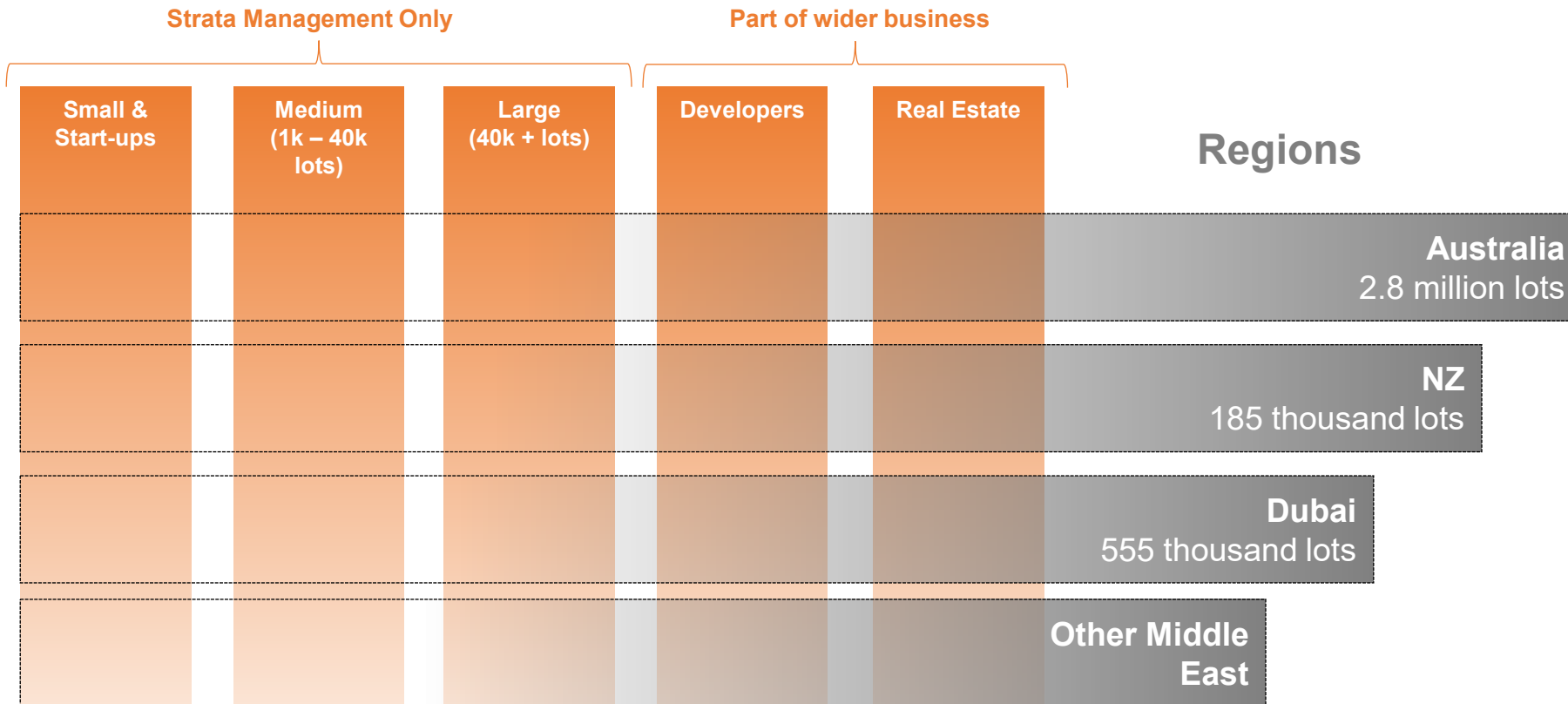
## A key role in community living

- Strata legislation introduced in NSW in 1961
- Replicated around the world (including Canada, Dubai, Singapore, New Zealand, Singapore and Malaysia)
- Strata scheme handles the legal ownership of a portion of a building, where you own your 'lot' and share ownership of common areas with others
- Can include apartment units, duplexes, villas, commercial, retail
- Strata managers are responsible for matters relating to common areas:
  - Administration under strata scheme
  - Social & community responsibilities



# Strata Market

## Segmentation of strata managers



## Key Players

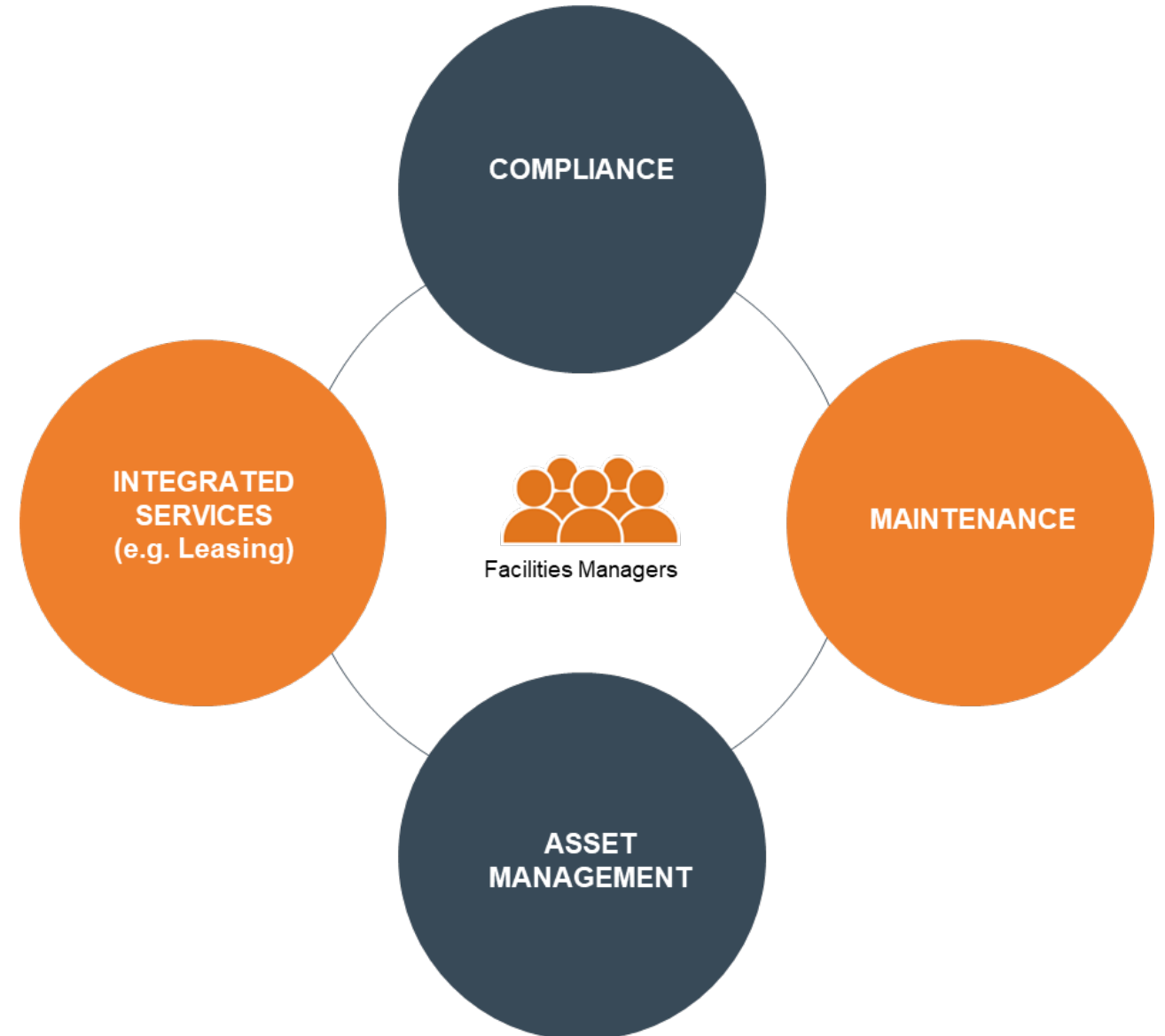
- **Australia:** PICA, Smarter Communities, Bright and Duggan, Whittles, SSKB Strata Managers, MBCM Strata Specialists, Jamesons Strata Management, NetStrata, Strataplus
- **Middle East:** Nakheel, Damac, Provis/Aldar

1. [https://cityfutures.adu.unsw.edu.au/documents/612/Australasian Strata Insights 2020 Final.pdf](https://cityfutures.adu.unsw.edu.au/documents/612/Australasian%20Strata%20Insights%202020%20Final.pdf)
2. <https://www.strata.community/nz-what-is-strata>
3. [https://www.zawya.com/mena/en/business/story/Nearly 5000 residential units made available in Dubai in Q1 2020-SNG 172248964/](https://www.zawya.com/mena/en/business/story/Nearly_5000_residential_units_made_available_in_Dubai_in_Q1_2020-SNG_172248964/)

# Facilities Management

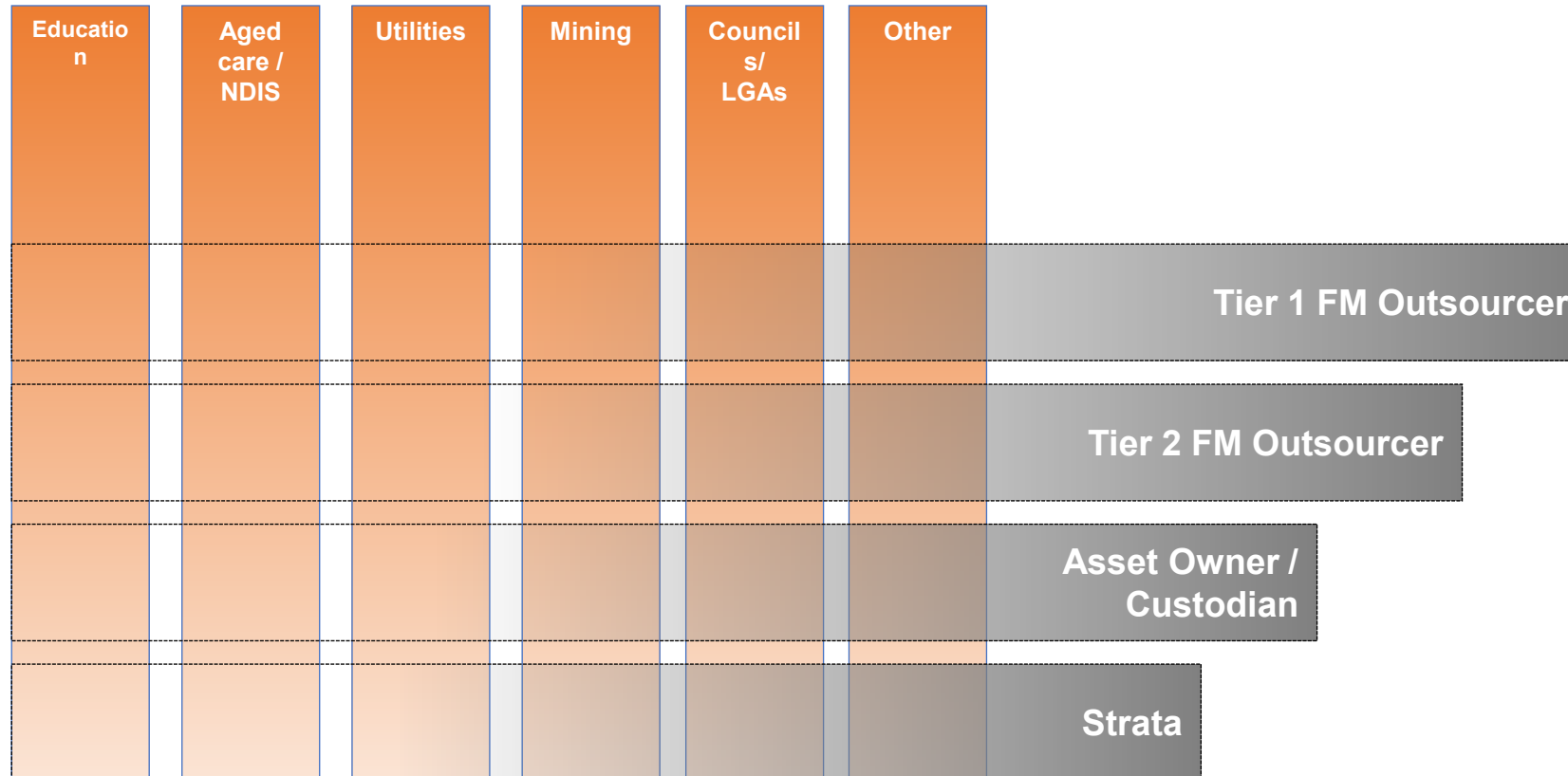
**A broad role in the management of facilities assets**

- “Facilities” is any structure or area (assets) that can accommodate commercial, residential, industrial and mixed-use activities
- Facilities managers support the functionality, safety, maintenance and sustainability of those assets.
- The role can be outsourced to a third-party specialist (FM outsourcer) or be assumed in-house



# Facilities Market

## Sectors



## Key Players

### Australia:

- Spotless, Programmed, Ventia, Sodexo, ISS Facilities Services, JLL, CBRE, BGIS
- 400 plus FM Outsourcers

### Middle East:

- 5 Major players dominate
- Owners Associations (Strata) Managers have FM responsibilities

# Technology Challenges

| Challenges                                              | Strata                                                   | Facilities                                                                                 | Urbanise                      |
|---------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------|
| Engagement of customers (being sticky)                  | Tenants & Owners                                         | Users of facilities, trades & customer                                                     | Communication apps & portals  |
| Co-ordination with other services (integrated offering) | Building services                                        | Space/booking management, building services, other real estate services, vendor management | Integrations                  |
| Reduce administration time (efficiencies)               | Allow Strata Managers to spend more time on other things | Increase cost and cash efficiencies                                                        | Workflow management           |
| Data analytics (decision making)                        | Financial management, engagement                         | Compliance, financial management, engagement                                               | Analytics & data warehousing  |
| Legislative changes (compliance)                        | Strata legislation                                       | Safety, maintenance standards                                                              | Product needs to be compliant |
| Consolidations (growth)                                 | Acquisitions                                             | Acquisitions/Divestment                                                                    | Migration approach            |
| New technology                                          | On-line videos and voting, AI                            | Sensors, IoT, AI                                                                           | Integrations, partnerships    |

# NAOS Investee Companies - Key Events Q4 FY22

| HOLDING                                                                                                  | INDUSTRY              | Q4 UPDATE                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>(ASX: BRI)</b>   | Building Supplies     | <ul style="list-style-type: none"> <li>FY22 result confirmed at upper end of previously stated guidance.</li> <li>BRI published long term financial targets around margins, ROFE and a dividend payout ratio target for the first time.</li> <li>Provided clarity around the network growth strategy by geography and product over the medium term.</li> </ul>                                                                                            |
| <br><b>(ASX: EGH)</b>   | Real Estate           | <ul style="list-style-type: none"> <li>Material flood damage at Lismore property negatively impacted group.</li> <li>Previously delayed property settlements occurred whilst further acquisitions &amp; asset sales were announced/settled.</li> <li>Full year profit downgrade (\$10.2m - \$10.4m) from previously announced guidance (\$10.9m - \$11.1m).</li> </ul>                                                                                    |
| <br><b>(ASX: MOV)</b> | Transport & Logistics | <ul style="list-style-type: none"> <li>Now a dual foreign exempt listed (NZX) business, MOV completed an ASX listing, allowing exposure to a wider pool of potential investors.</li> <li>Awarded a \$10m NZ Government co-funding grant to establish alternative sea freight services in New Zealand, an important strategic initiative.</li> <li>Continues to attract high quality executives from the likes of Mainfreight, Toll and Linfox.</li> </ul> |

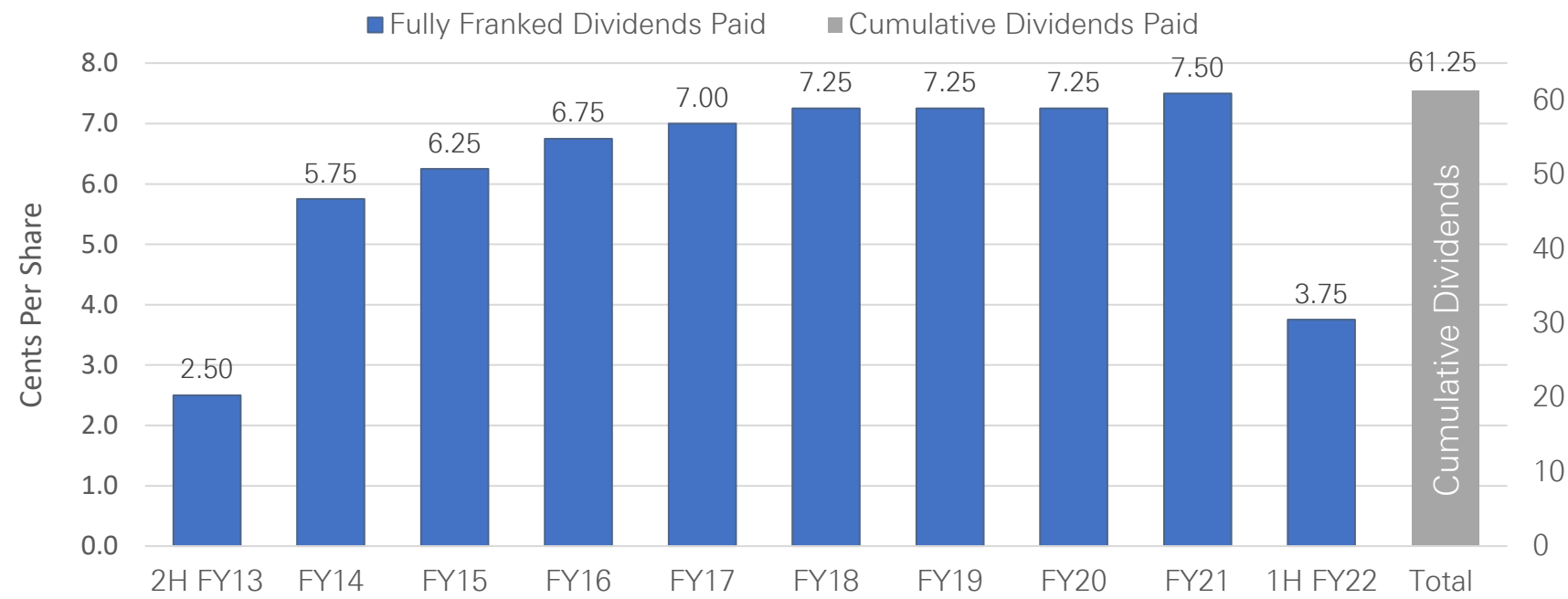
# NAOS Investee Companies - Key Events Q4 FY22

| HOLDING                                                                                                                                                      | INDUSTRY             | Q4 UPDATE                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>urbanise</b><br>(ASX: UBN)                                           | Software & Services  | <ul style="list-style-type: none"> <li>▪ Appointment of Simon Lee as CEO.</li> <li>▪ Positive commentary regarding upskilling to occur on the Board of Directors.</li> <li>▪ Trading update negatively impacted by material customer loss which we view as 'one off'. Colliers Australia rollout development progressing well with scope for further geographic expansion.</li> </ul> |
| <br><b>bsa</b><br><small>think.build.connect.maintain</small><br>(ASX: BSA) | Solutions & Services | <ul style="list-style-type: none"> <li>▪ Balance sheet repair completed through April capital raising.</li> <li>▪ Necessary management and Board changes occurring, with CEO search process ongoing.</li> <li>▪ Industry commentary suggests improved operating conditions post COVID.</li> </ul>                                                                                     |
| <br><b>FFT</b><br>(ASX: FFT)                                              | Software & Services  | <ul style="list-style-type: none"> <li>▪ Adrian Rudman appointed as CEO with material remuneration aligned to shareholders. Previously worked at Objective Corp (ASX: OCL) for ~20 years.</li> <li>▪ Announced asset sale of non-core division, Farmbuy.com</li> </ul>                                                                                                                |

# NCC Overview as at 30 June 2022

|                       |                        |                       |                                          |                             |                                                                           |
|-----------------------|------------------------|-----------------------|------------------------------------------|-----------------------------|---------------------------------------------------------------------------|
| \$0.90<br>Pre-Tax NTA | \$0.93<br>Post-Tax NTA | \$0.83<br>Share Price | 9.04%<br>Fully Franked<br>Dividend Yield | 14<br>Number of<br>Holdings | \$147m<br>Weighted Average<br>Market Capitalisation<br>of the Investments |
|-----------------------|------------------------|-----------------------|------------------------------------------|-----------------------------|---------------------------------------------------------------------------|

## FULLY FRANKED DIVIDEND HISTORY





# NAC Overview as at 30 June 2022

\$0.90  
Pre-Tax NTA

\$0.96  
Post-Tax NTA

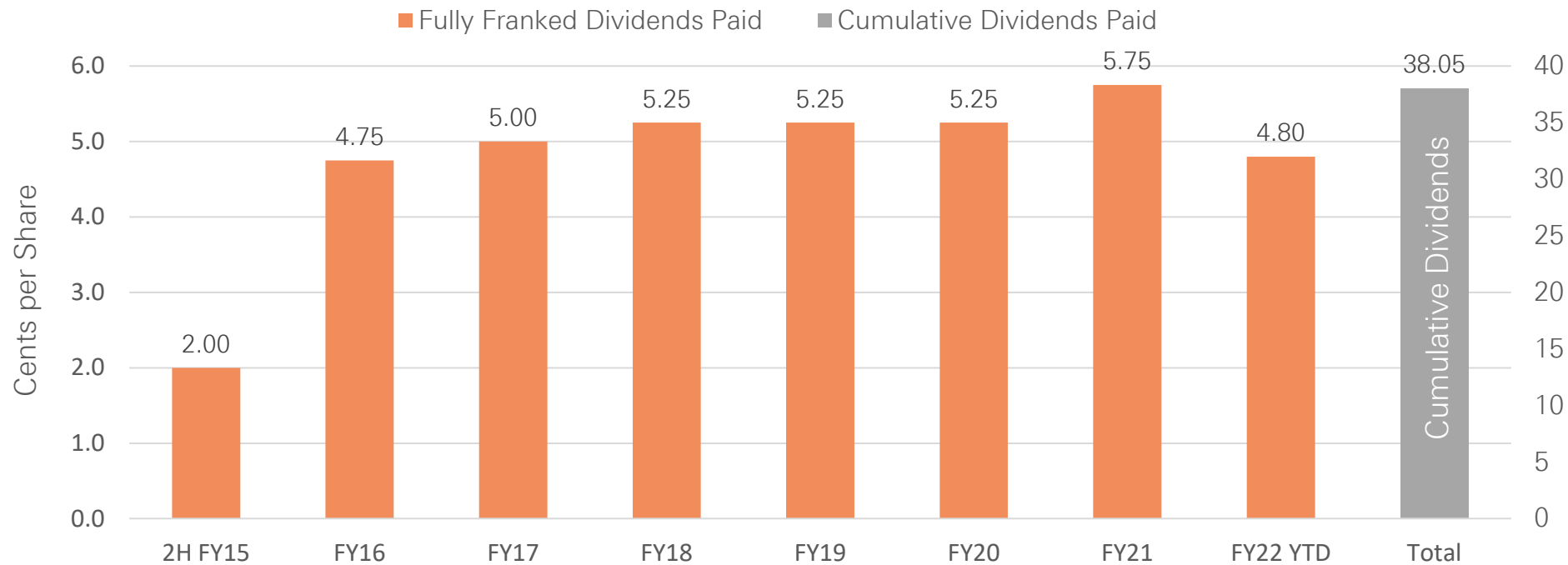
\$0.875  
Share Price

7.26%  
Fully Franked  
Dividend Yield

13  
Number of  
Holdings

\$146m  
Weighted Average  
Market  
Capitalisation of the  
Investments

## FULLY FRANKED DIVIDEND HISTORY



# NSC Overview as at 30 June 2022

\$0.84  
Pre-Tax NTA

\$0.84  
Post-Tax NTA

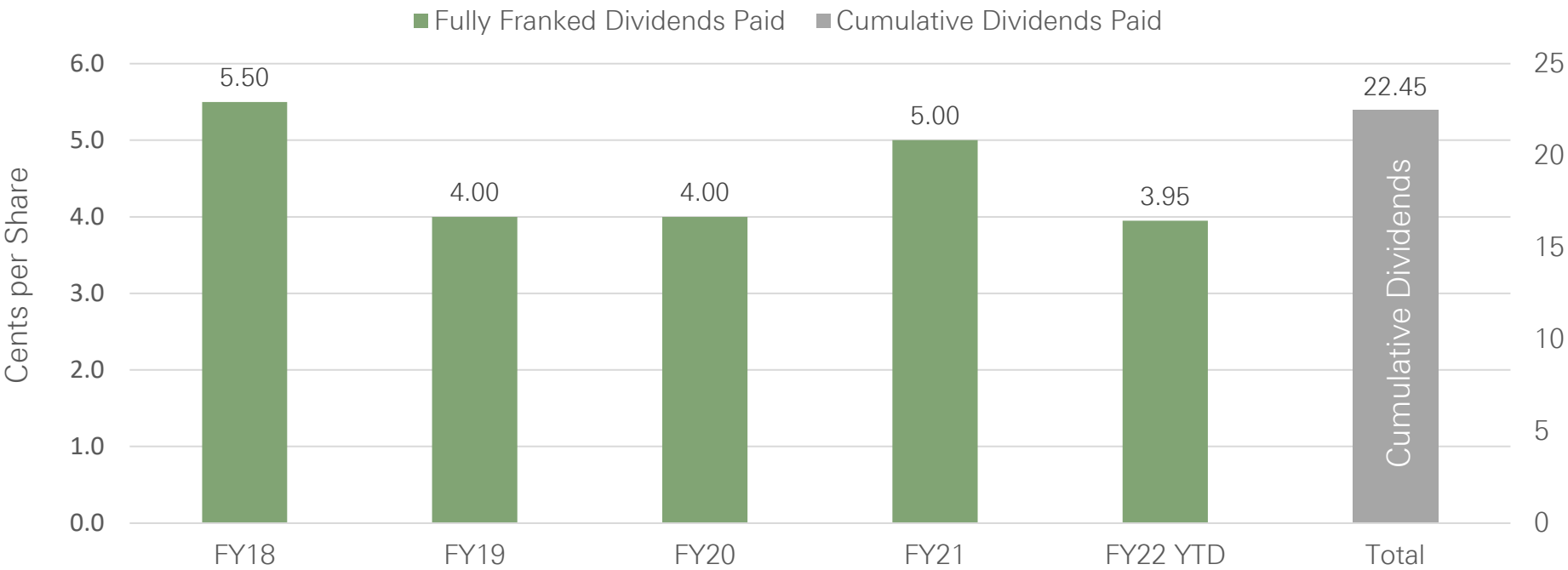
\$0.73  
Share Price

7.12%  
Fully Franked  
Dividend Yield

14  
Number of  
Holdings

\$198.3m  
Weighted Average  
Market  
Capitalisation of the  
Investments

## FULLY FRANKED DIVIDEND HISTORY



# Capital Management Initiatives

|                      |                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Performance</b>   | Maintain a focus on long term performance without deviating from the core NAOS investment philosophy.                                                                                                                                                                                                                                                                                                                    |
| <b>Dividends</b>     | Continue to focus on a growing stream of dividends, franked to the maximum extent possible, whilst maintaining an adequate reserve balance.                                                                                                                                                                                                                                                                              |
| <b>Alignment</b>     | Continue to be aligned with shareholders as Directors and Staff are some of the largest shareholders across all 3 of the LICs.                                                                                                                                                                                                                                                                                           |
| <b>Communication</b> | Maintain a very high standard of marketing materials and communications so all current and prospective shareholders have a clear understanding of the NAOS offering.                                                                                                                                                                                                                                                     |
| <b>NSC</b>           | <p>The share buyback remains active. 25.67 million shares, or 15.19% of shares on issue, have been bought back on market since the buyback commenced in April 2019.</p> <p>One-for-three bonus Options (ASX: NSCOA) were issued in May 2021, allowing shareholders to acquire fully paid ordinary shares exercisable at \$1.02 per Option on or before 28 June 2024.</p>                                                 |
| <b>NAC</b>           | <p>The share buyback remains active. 21.64% of shares on issue have been bought back on market since the buyback commenced in June 2019 to date, which has been significantly accretive for shareholders.</p> <p>One-for-two bonus issue of Options (ASX: NACOA) were issued in March 2020, allowing shareholders to acquire fully paid ordinary shares exercisable at \$1.03 per Option on or before 31 March 2023.</p> |
| <b>DRP</b>           | Shares purchased on-market to satisfy DRP requirements when shares are trading at a discount to NTA, thus eliminating any dilution for shareholders.                                                                                                                                                                                                                                                                     |

# Overview & Outlook Q1 FY23

- Companies continue to adjust to the post COVID environment which will benefit some industries and weigh on others. We expect this to be a continued theme in outlook commentary during August reporting season.
- Will the recent interest rate increases start to influence consumers? How many more sharp increases will be required to curb inflationary impacts?
- If inflation is to be curbed, it is likely to occur over the short term rather than gradually over time. Forward looking equity markets will be looking for reasons to rebase and recover ahead of the consumer.
- Small cap equities are inherently more volatile and less liquid than large cap equities, a risk-off environment can often result in very attractive long-term buying opportunities.

# Outlook Q1 FY23 - continued

- Updates from almost all portfolio companies expected in the August reporting season.
- As with the previous year we believe the focus will not be so much on the FY22 result but on the immediate outlook and the first couple of months of trading.
- In the case of some of our largest core investments, outlook commentary may provide a significant catalyst, especially for the likes of BRI, MOV and MXI.
- We will be looking for the following updates across these core holdings:
  - Saunders International (ASX: SND): A progress update on the \$165 million contract in the Northern Territory.
  - Maxiparts (ASX: MXI): Clarity around the true underlying profit margin potential of MXI.
  - Gentrack (ASX: GTK): Further clarity around their international expansion opportunity.
  - Urbanise (ASX: UBN) : An update on their sales pipeline.
  - BSA Limited (ASX: BSA): An update regarding potential divestment opportunities and the CEO recruitment process.

# NAOS Asset Management 1% Pledge

As a company,  
we commit to  
**Pledge 1%**  
of revenue, time  
and intellect to  
movements and  
missions that  
matter.



Each year NAOS donates 1% of its annual revenue to the charity partners listed to the side. Each charity supports a cause that we strongly believe in.



Our people have an incredible range of skills that can be a huge help to charities and community organisations. Each year, team members have the opportunity to take 2 days paid volunteer leave to lend a helping hand to an organisation of their choice.



NAOS sees the value in supporting young members of the investment community. We provide training and mentorship for one student each year.



BUSH HERITAGE  
AUSTRALIA



Royal Flying Doctor Service



# Q&A

Thank you for your continued support.

*“Games are won by players who focus on the playing field - not by those whose eyes are glued to the scoreboard.”*

Warren Buffett





# NAOS

ASSET MANAGEMENT

Appendix



# Investment Portfolio Performance vs. Benchmark

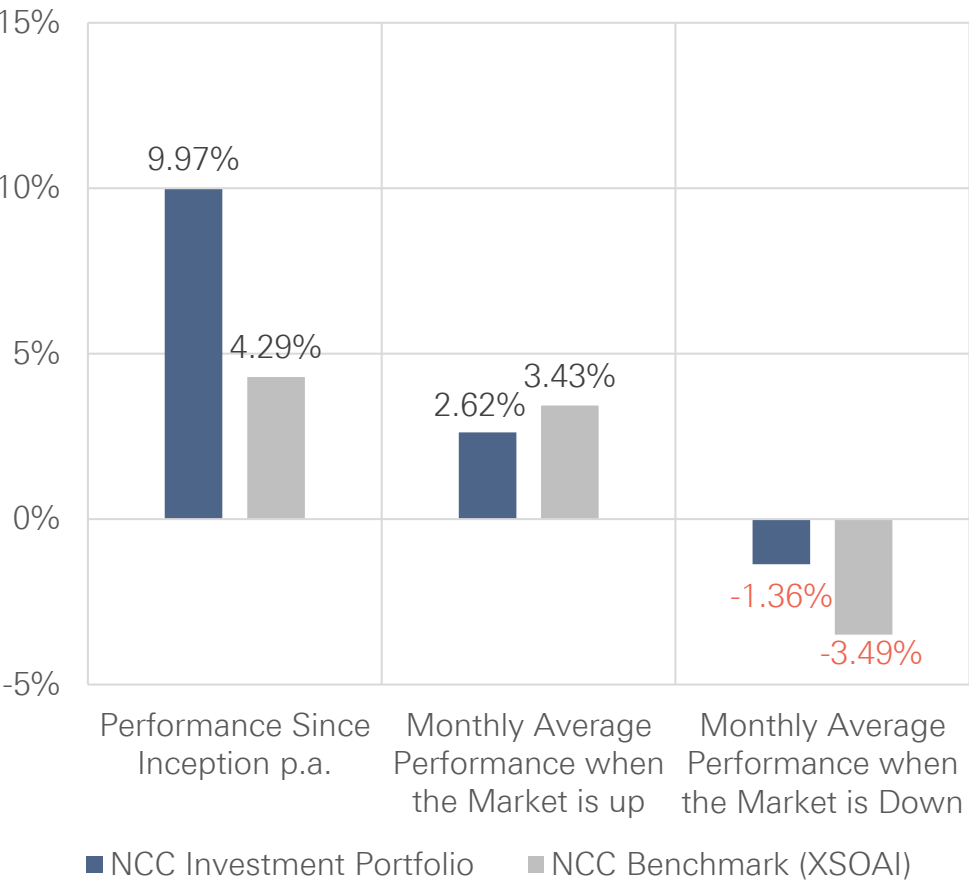
| Investment Portfolio | 1 Year Performance | 3 Year Performance (P.A) | 5 Year Performance (P.A) | Inception (P.A.) | Inception (Total Return) |
|----------------------|--------------------|--------------------------|--------------------------|------------------|--------------------------|
| NAC                  | -28.36%            | +9.16%                   | +6.86%                   | +10.30%          | +111.32%                 |
| NAC Benchmark        | -9.56%             | +2.20%                   | +4.98%                   | +5.97%           | +55.68%                  |
| NCC                  | -15.14%            | +7.78%                   | +3.25%                   | +9.97%           | +142.99%                 |
| NCC Benchmark        | -19.52%            | +0.38%                   | +5.07%                   | +4.29%           | +48.02%                  |
| NSC                  | -14.72%            | +11.48%                  | n/a                      | +3.30%           | +16.03%                  |
| NSC Benchmark        | -19.52%            | +0.38%                   | n/a                      | +2.38%           | +11.36%                  |

\*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. 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 (NCC), November 2014 (NAC) and December 2017 (NSC). Returns compounded for periods greater than 12 months. All figures as at 30 June 2022.

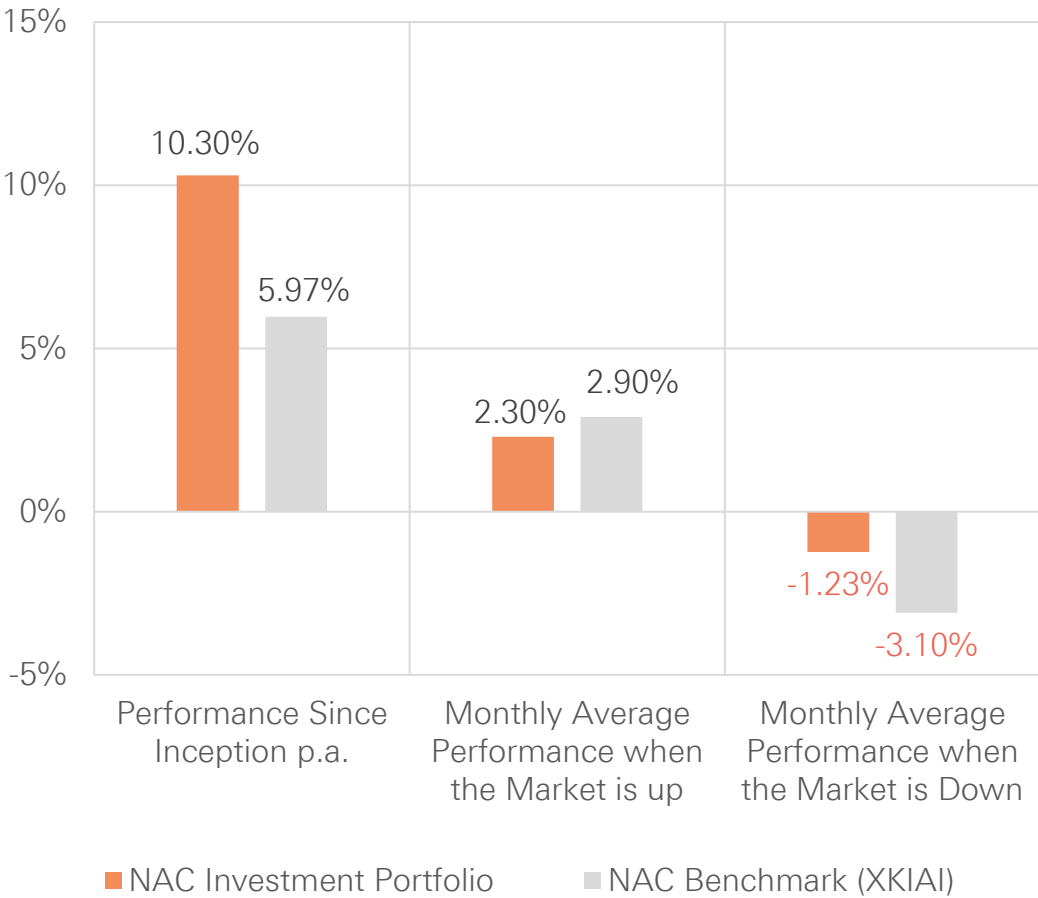
^NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index.

# NAOS Strong Long-term Risk-adjusted Returns\*

NCC Investment Portfolio Risk and Performance Metrics



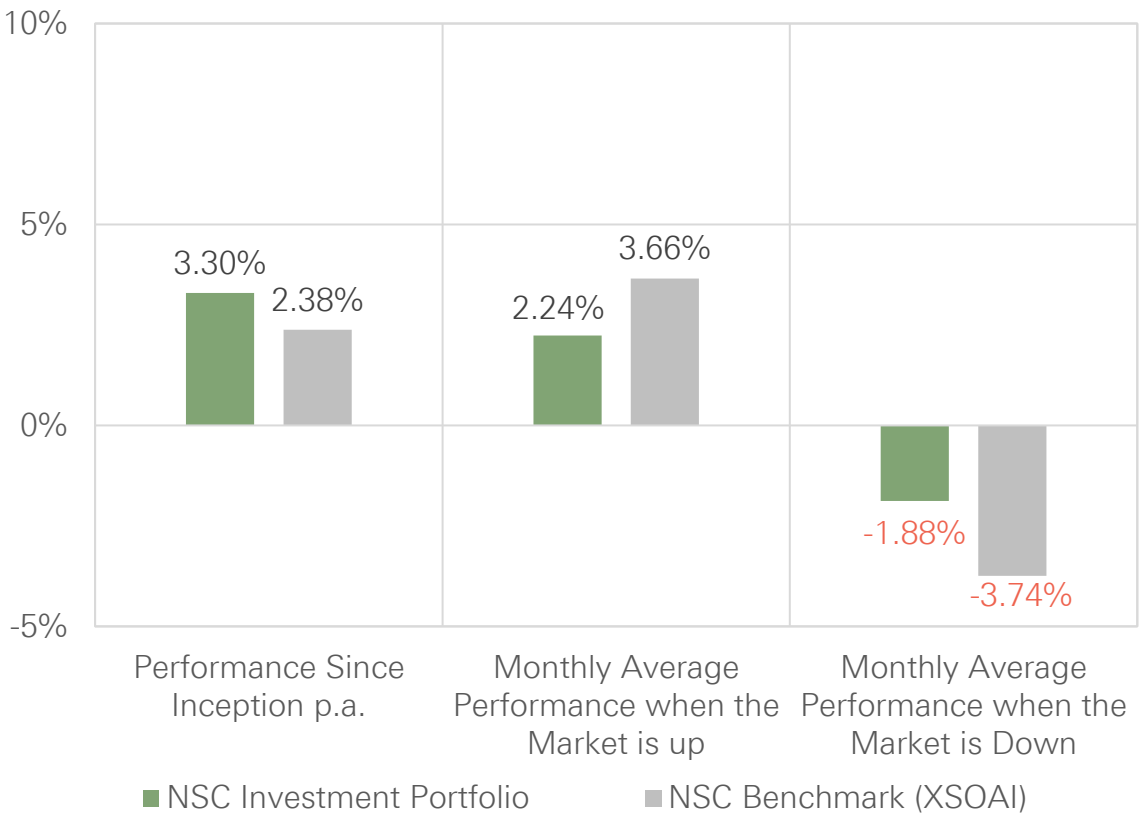
NAC Investment Portfolio Risk and Performance Metrics



\* Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. 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. All risk metrics are calculated from the inception date of each portfolio. All Figures are as at 30 June 2022. Since NCC's inception (112 months) there have been 73 positive months for the market and 39 negative months and since NAC's inception (92 months) there have been 57 positive months for the market and 35 negative months.

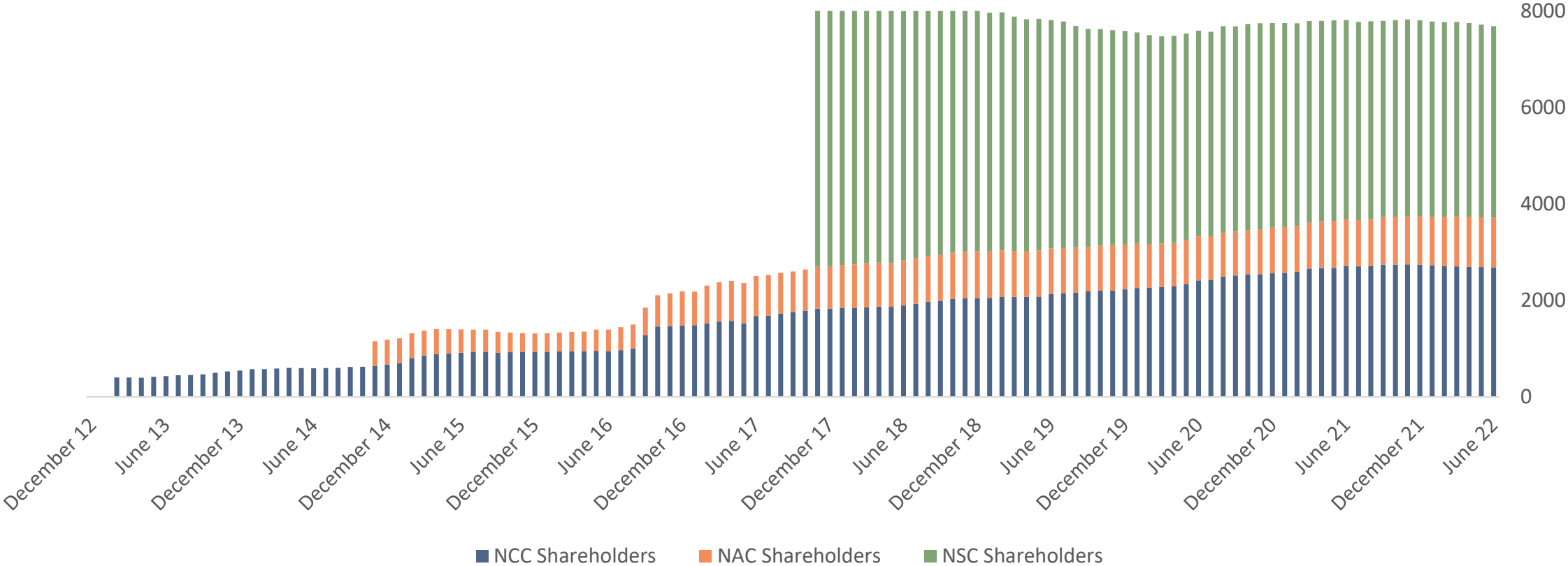
# NAOS Strong Long-term Risk-adjusted Returns\*

NSC Investment Portfolio Risk and Performance Metrics



\* Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Returns compounded for periods greater than 12 months. All risk metrics are calculated from the inception date of each portfolio. All Figures are as at 30 June 2022. Since NSC's inception (56 months) there have been 28 positive months for the market and 28 negative months.

# Historical Shareholder Numbers



# NAOS ESG Framework

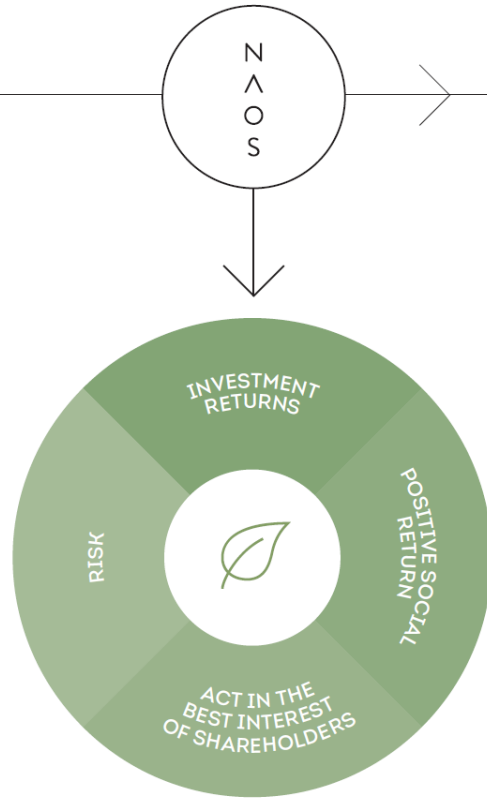
## 01

### OUR COMMITMENT TO RESPONSIBLE INVESTMENT

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term that benefits not only shareholders but also the broader economy.

We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

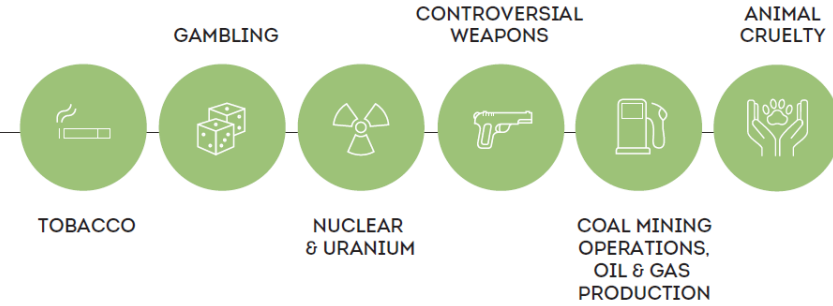
NAOS is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into its investment practices.



## 02

### NEGATIVE SCREENS

NAOS systematically excludes investing in specific industries and companies that do not align with our responsible investment goals.



## 03

### ESG FRAMEWORK

The types of ESG factors we consider are represented by the following, although from time to time we will consider factors outside this group.



## 04

### THE INCORPORATION OF ESG

The incorporation of ESG considerations into the investment process applies across all NAOS investments and involves regular discussions and engagement with companies over material ESG issues.

ESG considerations rest at the core of the NAOS investment process. While the investment team screens all prospective investments on an ESG basis, NAOS also ensures that all its investee companies abide by the same principles. NAOS seeks to ensure investee companies are acting in a responsible manner, are setting clear targets and are having a positive impact on their respective stakeholders (i.e. employees, clients, community). Their impact on the environment is foremost among these priorities. As part of this process, NAOS has continued to evolve its ESG questionnaire it provides to all investee companies. This questionnaire provides NAOS with transparent, consistent and granular data on how these companies are both performing and improving upon these focus points.

Signatory of:



# Key Business & Industry Traits for Maximising Long-term Performance and Reducing the Risk of Permanent Capital Loss Events

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Industry Tailwinds Supporting Long-Term Revenue Growth | A growing revenue base provides companies with a number of competitive advantages such as the ability to scale their fixed cost base and increase margins, the opportunity to reinvest to improve their product or service offering, or the chance to enter new markets and compete on a number of considerations other than just price.                                                                                                              |
| Pricing Power                                          | Certain products and/or services around the globe can charge a price that is largely irrelevant to the consumer, due to the simple fact that it provides such a sound consumer experience.                                                                                                                                                                                                                                                            |
| Scalability                                            | Ideally, a business structure is built from the ground up and is structured in such a way that it has the systems and processes to handle significant scaling without an equivalent dollar of cost being added to the cost base. Businesses that can demonstrate a trend of increasing profits over the long term have generally been able to increase margins as well.                                                                               |
| Capability to Internally Fund Expansion Opportunities  | The ability to invest in organic business initiatives such as research and development, new product or service launches into adjacent markets, or small bolt on acquisitions that bring with them a new capability.                                                                                                                                                                                                                                   |
| Business Moat                                          | If a business has a sustainable competitive advantage and can also increase this advantage over time, this will generally lead to significant organic revenue growth over the long term. This is driven by a strong customer proposition as well as significant pricing power. With such organic growth, the business should have the financial resources to support further innovation to ensure they maintain and even enhance this moat over time. |
| Alignment                                              | A company with the ability to support the interests of all shareholders can have substantial compounding effects over time. If the Board of Directors, key executives and staff are material shareholders then a business is more likely to develop a culture, values and a business strategy that aligns with total shareholder return outcomes over the long term.                                                                                  |

# Why Invest via a Listed Investment Company?

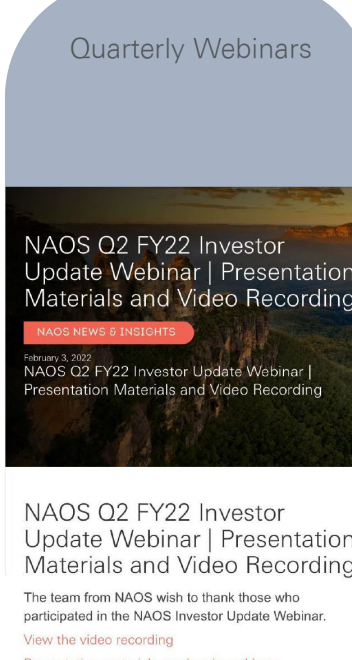
We strongly believe LICs are a highly effective structure to give investors the highest quality exposure to specific asset classes, which in the case of NAOS is emerging businesses.

A Listed Investment Company structure:

- Allows the investment manager to build a concentrated portfolio of high-quality investments **without needing to worry about short-term liquidity requirements**.
- **Fund size is generally limited** to the upside, allowing investors to maintain a significant exposure to the underlying investments and not be diluted by new investors, which may occur in an open-ended fund.
- Enables a **smoother distribution profile** as profits can be retained, as opposed to managed funds which distribute all taxable income annually. Dividends from a LIC may also be fully franked.
- Can provide **access to a range of alternative asset classes** which may not be suited to an open-ended structure.

# Investor Awareness and Communication

A graphic for a newsletter. The top half has a light green background with a rounded top edge. The bottom half has a solid red background. On the right side of the red background, the letters 'N', 'A', 'O', 'S' are stacked vertically in white. In the center of the red background, the text 'NAOS NTA Update & Insights Newsletter' is written in white. Below this, 'April 2022' is written in white. At the bottom of the red section, there is a white text box containing the text: 'If you aren't already, join our investment community and be the first to receive NAOS News, poccasts, insights and invitations [Subscribe Here](#)'. The bottom of the graphic has a white background with the text 'NAOS Emerging Opportunities Company Limited (ASX: NCC)' in dark blue.



Quarterly Webinars

NAOS Q2 FY22 Investor Update Webinar | Presentation Materials and Video Recording

NAOS NEWS & INSIGHTS

February 3, 2022

NAOS Q2 FY22 Investor Update Webinar | Presentation Materials and Video Recording

NAOS Q2 FY22 Investor Update Webinar | Presentation Materials and Video Recording

The team from NAOS wish to thank those who participated in the NAOS Investor Update Webinar.

[View the video recording](#)

[Presentation materials can be viewed here](#)

[illegible]

A presentation slide for NAOS Shareholder Education. The slide has a light green header with the title "Shareholder Education" in a large, dark, sans-serif font. Below the header, the NAOS logo is displayed in a dark, spaced-out font, and a hamburger menu icon is on the right. The main content area has a light beige background with the text "SHAREHOLDER EDUCATION" in a bold, red, sans-serif font. Below this is a photograph of several wooden chess pawns arranged in a circle on a light surface, with long shadows cast to the right. A red rectangular label with the word "DIVIDENDS" in white, sans-serif font is overlaid on the bottom left of the photograph. At the bottom of the slide, the text "DIVIDEND REINVESTMENT PLANS" is written in a dark, sans-serif font, followed by the date "May 10, 2022" in a smaller, italicized, dark font. A dark, textured horizontal bar is at the very bottom of the slide.



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