

NAOS EMERGING  
OPPORTUNITIES  
COMPANY LIMITED  
(ASX: NCC)

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10 November 2022

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### **Annual General Meeting 2022 – Chair’s Address and Investor Update Presentation**

Please find enclosed the Chair’s Address and Investor Update Presentation to be presented at the Annual General Meeting of NAOS Emerging Opportunities Company Limited to be held today at 10:00am (AEDT).

Authorised by:

Rajiv Sharma  
Company Secretary

**Chair's Address – Mr David Rickards OAM**  
**Annual General Meeting of NAOS Emerging Opportunities Company Limited**  
**10 November 2022, 10:00am (AEDT)**  
**Held at The Museum of Contemporary Art Australia, 140 George Street, The Rocks, NSW, 2000**

Dear Fellow Shareholders,

I would like to thank all shareholders for your continued support and welcome all new shareholders who joined the register during the year. For the financial year (FY) ending 30 June 2022, the Company recorded an after-tax loss of \$12.80 million (FY21: after-tax profit of \$20.66 million). I am pleased to announce the Board has declared a final dividend of 3.75 cents per share, partially franked at 50%. Together with the fully franked interim dividend of 3.75 cents per share, this brings the full-year dividend to 7.50 cents per share, with a total franking level of 75%. Based on the 30 June 2022 closing share price of \$0.83, this represents a 9.04% net dividend yield. The Company has now declared a total of 65 cents per share since its inception in 2013.

The Board continues to be mindful of providing shareholders with a sustainable, growing stream of dividends, franked to the maximum extent possible while also maintaining sufficient profit reserves to enable the Company to pay dividends during periods such as this financial year, where it has been more difficult to generate significant performance. The profit reserve balance at year-end was \$33.01 million, or 45.3 cents per share.

FY22 was a difficult year for investors, as macroeconomic concerns heavily impacted asset prices. At an operating level, many Australian businesses have had to grapple with rampant inflation and supply chain bottlenecks, coinciding with the termination of fiscal support. The additional factor of monetary policy tightening commencing in the second half of FY22, at the fastest pace in 22 years, resulted in a broad sell-off in domestic and global equity markets, with many entering bear markets by the end of June. This sell-off commenced in the third quarter, largely within businesses that were COVID-19 beneficiaries, and across a large cohort of the market trading on extreme valuations.

The final quarter of FY22 saw this selling become more indiscriminate, with the emerging end of the Australian equity market sold off at a greater rate than large-cap stocks. As a result, the S&P/ASX Small Ordinaries index (XSO) declined –21.56% in FY22, compared to a decline of –8.88% for the S&P/ASX 100 index (XTO). Despite these current macro headwinds, the Company remains focused on its investment philosophy, namely providing long-term, concentrated exposure to emerging companies, the earnings of which are less impacted by the aforementioned factors. Against this backdrop, the NCC investment portfolio delivered a negative return of –15.14% for FY22, outperforming the benchmark S&P/ ASX Small Ordinaries Accumulation Index (XSOAI), which returned –19.52%.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from \$1.23 to \$0.90 over the financial year, with the investment portfolio performance decreasing NTA per share by 21.12 cents over the year. 7.50 cents per share was paid to shareholders in fully franked dividends, and management fees and interest expense on the convertible notes decreased the NTA by 1.89 cents per share and 1.42 cents per share respectively. Corporate tax of 0.55 cents per share was also paid during the year. The franking credits attached to these corporate tax payments are available to be distributed to shareholders through franked dividends.

Total Shareholder Return (TSR), which measures the change in the share price together with dividends paid over the financial year, was –13.96%. This measure does not include the benefit of franking credits received by shareholders through franked dividends. The share price commenced the year trading at a –15.85% discount to pre-tax NTA, and closed the year at \$0.83, representing a discount to pre-tax NTA of –10.75%.

While the share price discount to NTA has closed over the course of the financial year, the Board remains committed to further closing the discount to NTA through a range of initiatives, including the following:

- Dividends – The Company will continue to focus on delivering a sustainable, growing stream of dividends, franked to the maximum extent possible while maintaining an adequate profit reserve balance.
- Dividend Reinvestment Plan (DRP) – For those shareholders who participated in the DRP it is important to note the Company did not issue shares at a discount to NTA, but instead acquired shares on-market to ensure this capital management activity was completed without any potential dilution for existing shareholders.
- Shareholder communications – The Company continues to focus on a high standard of investor communications, ensuring that all shareholders, alongside the NAOS database of more than 11,000 subscribers, are kept abreast of the Company's performance and investment philosophy. This communication, in the form of educational pieces, monthly updates, articles, reviews, investment insights and quarterly webinars, is of particular importance in times of market volatility. The Company also places a high priority on prompt and transparent communication with all shareholder enquiries.

While equity markets may remain vulnerable as we move through FY23, the Board believes the NAOS investment philosophy will continue to generate strong performance for shareholders over the longer term. The Board remains of the opinion that the companies held in the investment portfolio are well placed over the long term to produce strong positive risk adjusted returns.

The Board has a strong alignment with shareholders through their shareholdings, which continued to increase over the course of the year and now total a cumulative 5.33 million shares. On behalf of the Board of Directors, I would like to thank the staff of the Investment Manager for their efforts and dedication over the course of the financial year.

David Rickards OAM  
Independent Chair, NAOS Emerging Opportunities Company Limited



# NAOS

## ASSET MANAGEMENT

ASX: NCC | NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

Investor Update

# Important Information

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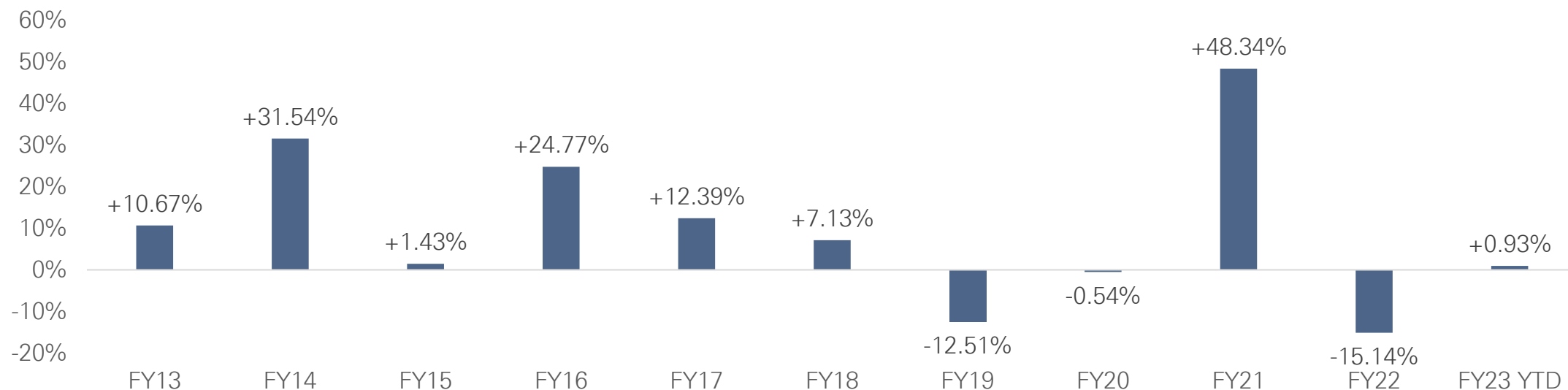
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# NCC Investment Portfolio Financial Year Returns



	3 YEAR PERFORMANCE (p.a.)	INCEPTION PERFORMANCE (p.a.)
NCC Investment Portfolio Performance*	+2.57%	+9.81%
S&P/ASX Small Ordinaries Accumulation Index	-0.80%	+4.12%
Performance Relative to Benchmark	+3.37%	+5.69%

\* 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 date is February 2013. All figures as at 30 September 2022.

# New Monthly NTA Updates and Quarterly Investment Commentary

- From December a new monthly investment report will be introduced across all NAOS managed LICs.
- In addition, a quarterly investment report (first release in January 2023) will also be released.
- Reasons for the change:
  - A quarterly investment report will allow the Investment Manager to provide more detailed information on how the strategy of selected investee companies is unfolding.
  - The commentary will not be restricted in length which is currently the case across the monthly investment reports.
  - The monthly reports will no longer provide qualitative commentary which will be replaced with more detailed quantitative data on the investment portfolio such as portfolio weighted metrics including price/earnings ratios, dividend yield, return on invested capital etc.



# FY23 Outlook

- Q1 FY23 investment portfolio performance of +0.93%.
- The investment team believes this does not reflect the strong underlying performance of some of the core holdings such as:
  - Saunders International (ASX: SND)
    - A number of significant contract wins including Western Sydney Airport.
    - AGM trading update ahead of market consensus.
    - Tender pipeline has increased to over >\$1.5 billion.
  - Big River Industries (ASX: BRI)
    - Q1 FY23 trading update with EBIT of \$12.3 million, an +84% increase on prior corresponding period (PCP).
  - COG Financial Services (ASX: COG)
    - Q1 FY23 trading update of \$6.1 million, an increase of 30% NPATA on PCP.
- Numerous catalysts may occur over the remainder of across the investment portfolio which may increase long term value or close the current discounts to the true value of these businesses.