

NAOS Ex-50  
OPPORTUNITIES  
COMPANY LIMITED  
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7 February 2023

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### **Q2 FY23 Investor Update and Q&A – Presentation Materials**

Please find attached the presentation materials for the Q2 FY23 Investor Update and Q&A to be held by NAOS Asset Management Limited today at 10:30am (AEDT).

Authorised by:

Rajiv Sharma  
Company Secretary



# NIAOS

ASSET MANAGEMENT

Tuesday 7 February 2023 | 10:30 am (AEDT)

Audio Dial In: +61 3 8488 8990

Audio Access Code: 228-836-619

Q2 FY23 Investor Update and Q&A

# Important Information

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# NAOS Asset Management

NAOS Asset Management is a specialist fund manager providing concentrated exposure to quality private and public emerging companies.

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



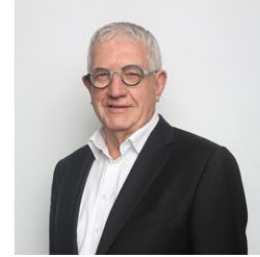
**Warwick Evans**  
Chairman, NAOS Asset Management Limited & Director NCC, NSC & NAC



**Sarah Williams**  
Independent Chair of NCC, NAC and Independent Director NSC



**David Rickards OAM**  
Independent Chair of NSC and Independent Director of NCC & NAC



**Trevor Carroll**  
Independent Director 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

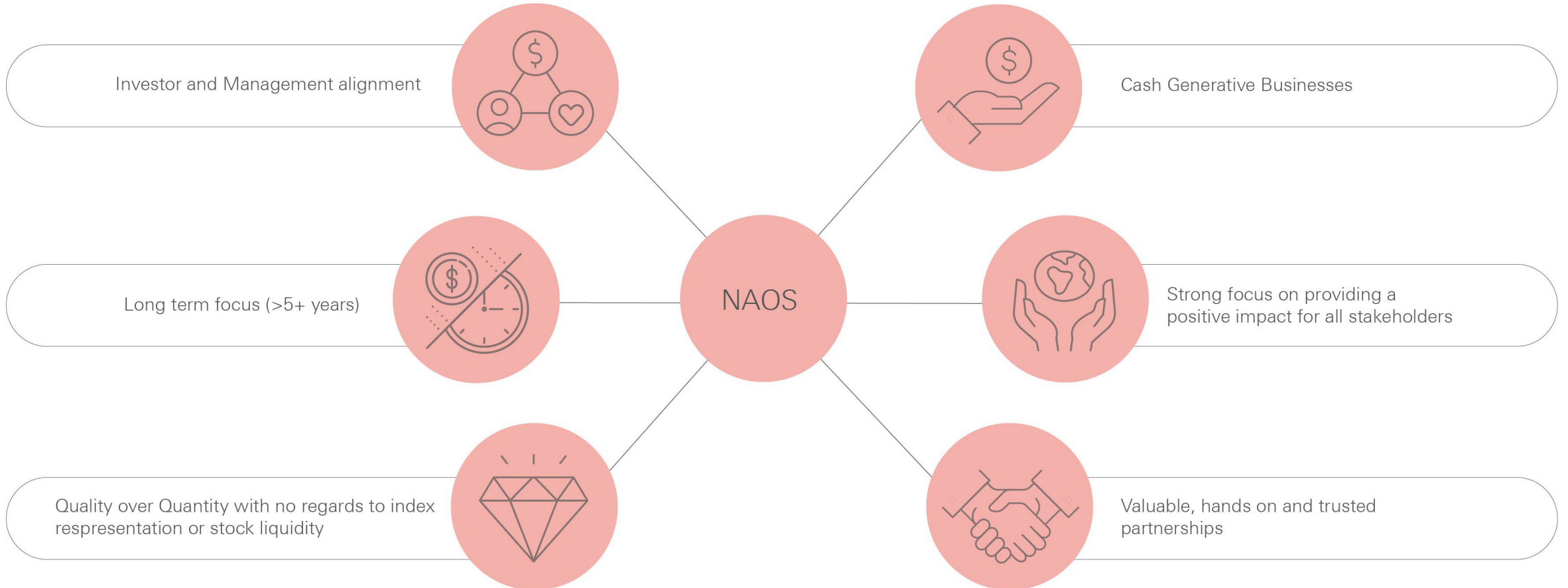


**Hayley Coy**  
Marketing Coordinator



**Julie Coventry**  
Business Sustainability Analyst

# Our Investment Beliefs and Differentiation

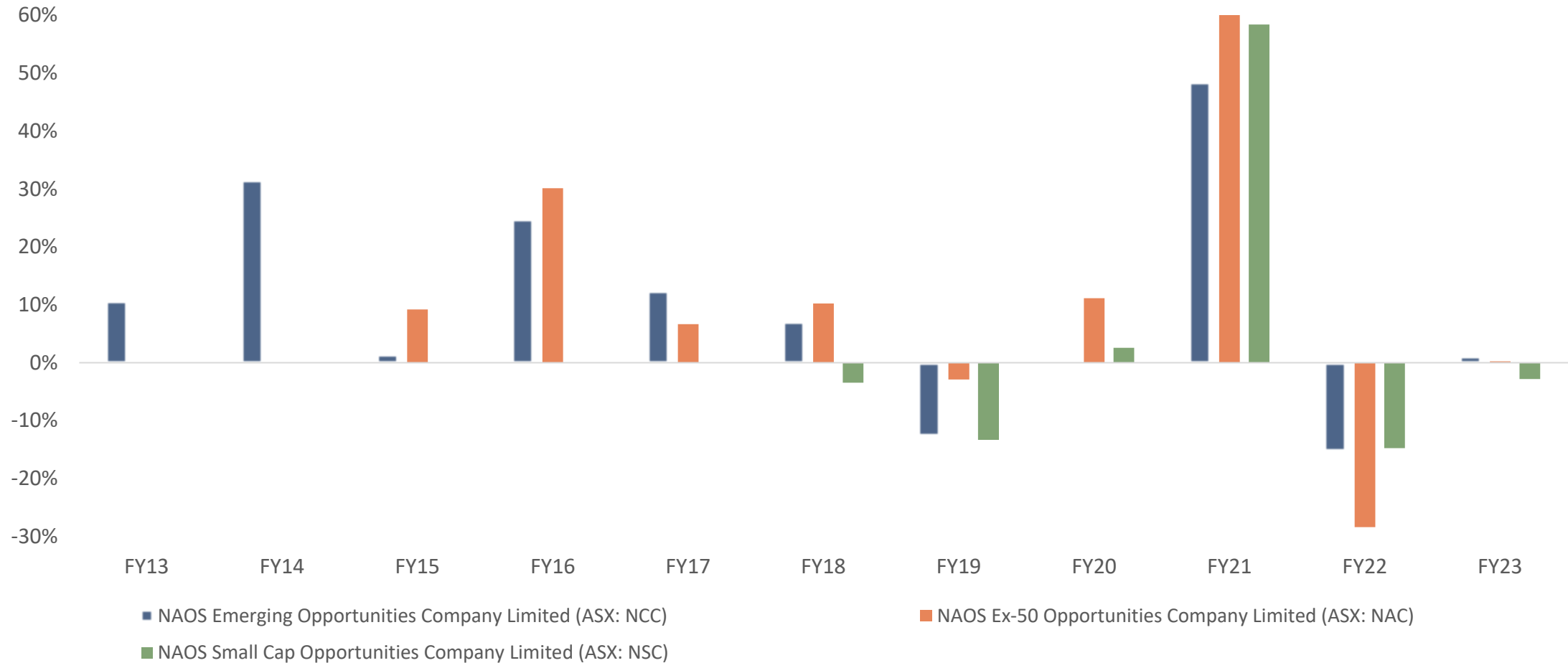


# Reasons Not to Invest with NAOS

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 current 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\*

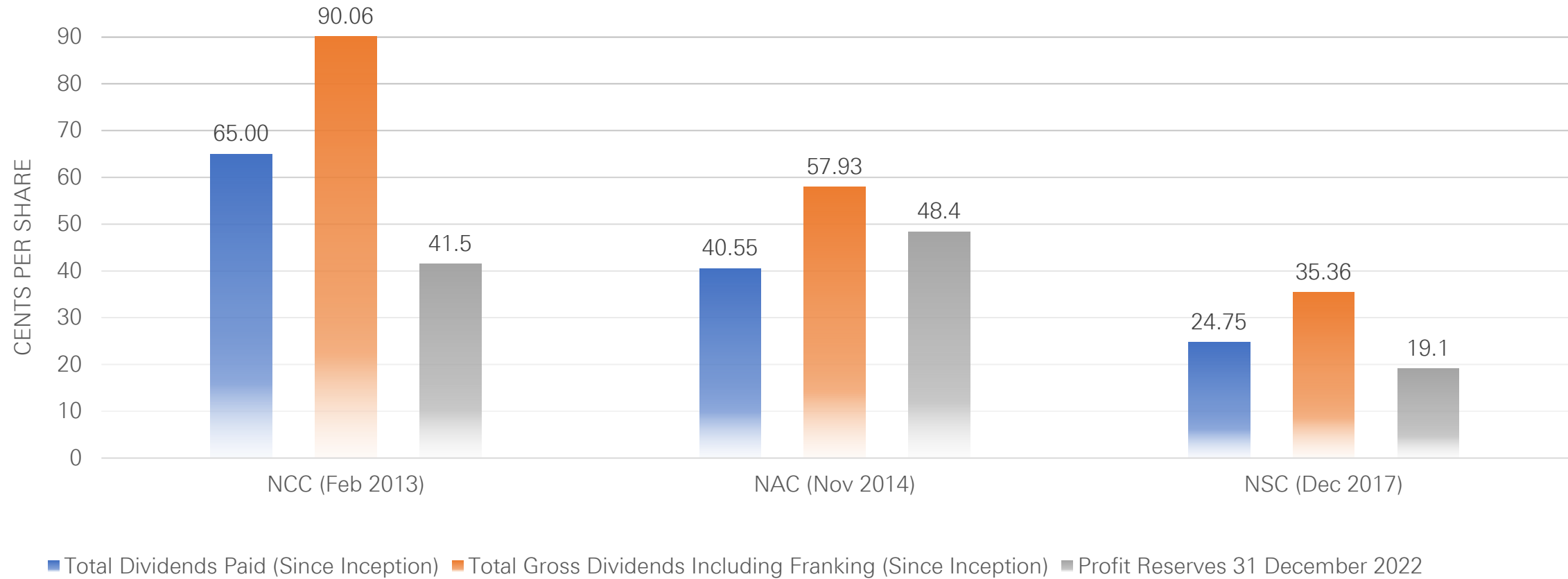


\* Investment Portfolio Performance is post all operating expenses, before fees, taxes, interest and initial IPO and subsequent capital raising costs. Returns compounded for periods greater than 12 months. Performance has not been grossed up for franking credits received by shareholders. Inception dates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



# NAOS LIC Franked Dividend History and Profit Reserves

Each LIC has consistently paid dividends and holds healthy profit reserves



All figures as at 31 December 2022

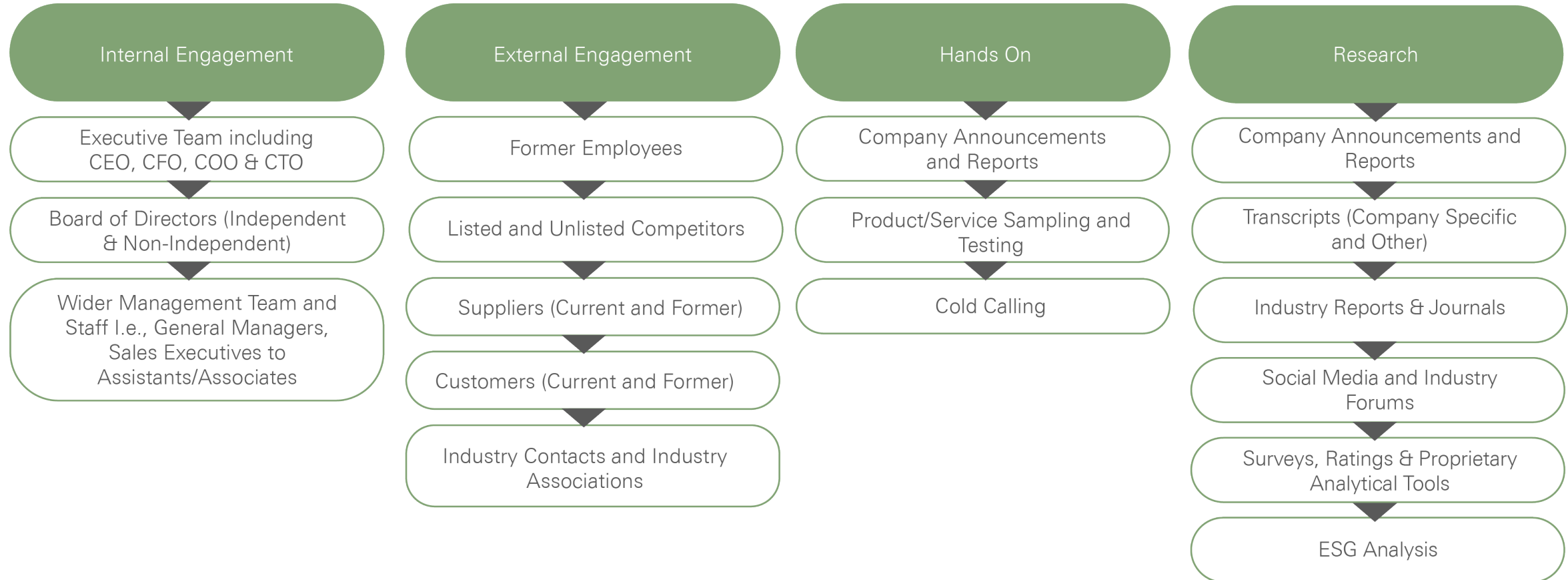
# Investment Portfolio Performance Summary

Investment Portfolio	Q2 FY23 PERFORMANCE	Q2 FY23 BENCHMARK PERFORMANCE	3 YEAR PERFORMANCE (p.a.)	3 YEAR BENCHMARK PERFORMANCE (p.a.)	INCEPTION PERFORMANCE (p.a.)	BENCHMARK INCEPTION PERFORMANCE (p.a.)
NCC Investment Portfolio Performance*	+0.22%	+7.54%	+2.51%	+1.38%	+9.57%	+4.79%
NAC Investment Portfolio Performance*	-1.95%	+7.23%	+2.73%	+3.15%	+9.67%	+6.45%
NSC Investment Portfolio Performance*	-4.18%	+7.54%	+4.18%	+1.38%	+2.40%	+3.51%

\*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 31 December 2022. ^NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index

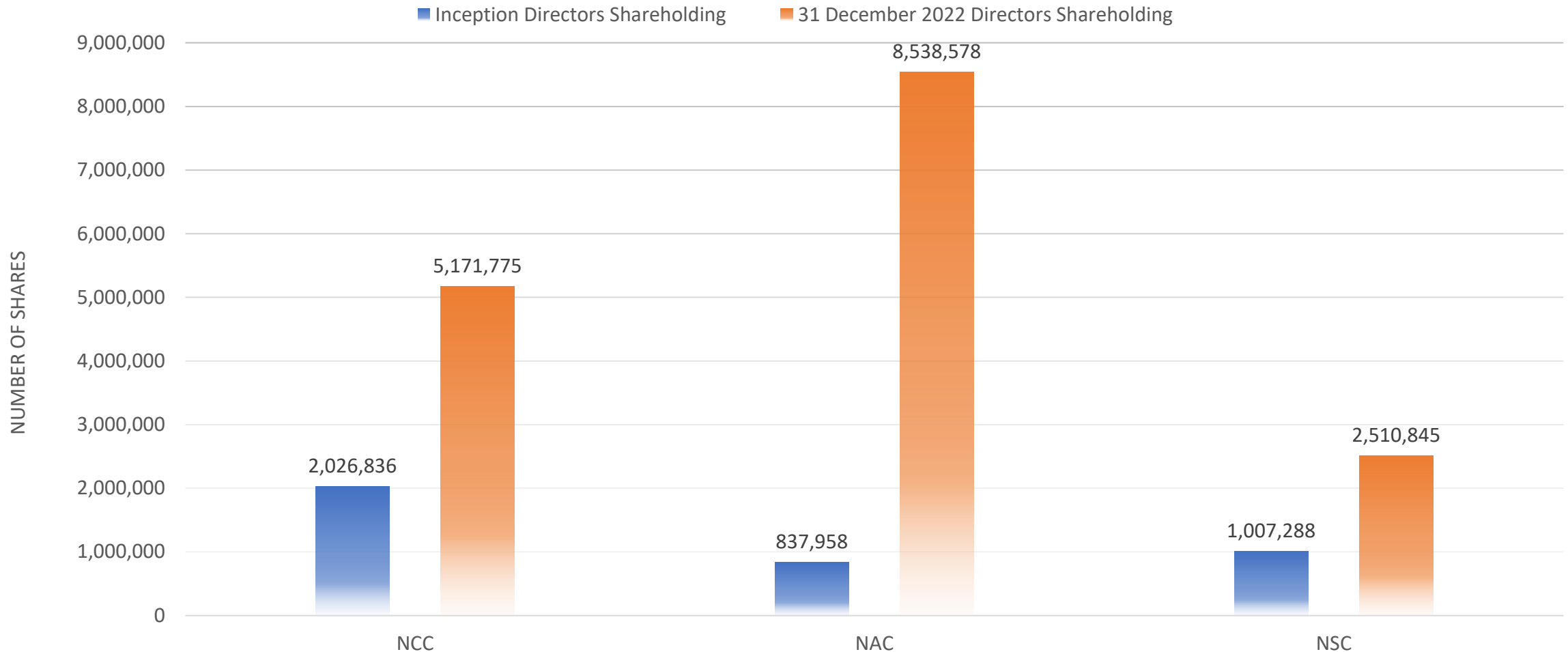
# What Qualitative Information Sources Does NAOS Use?

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



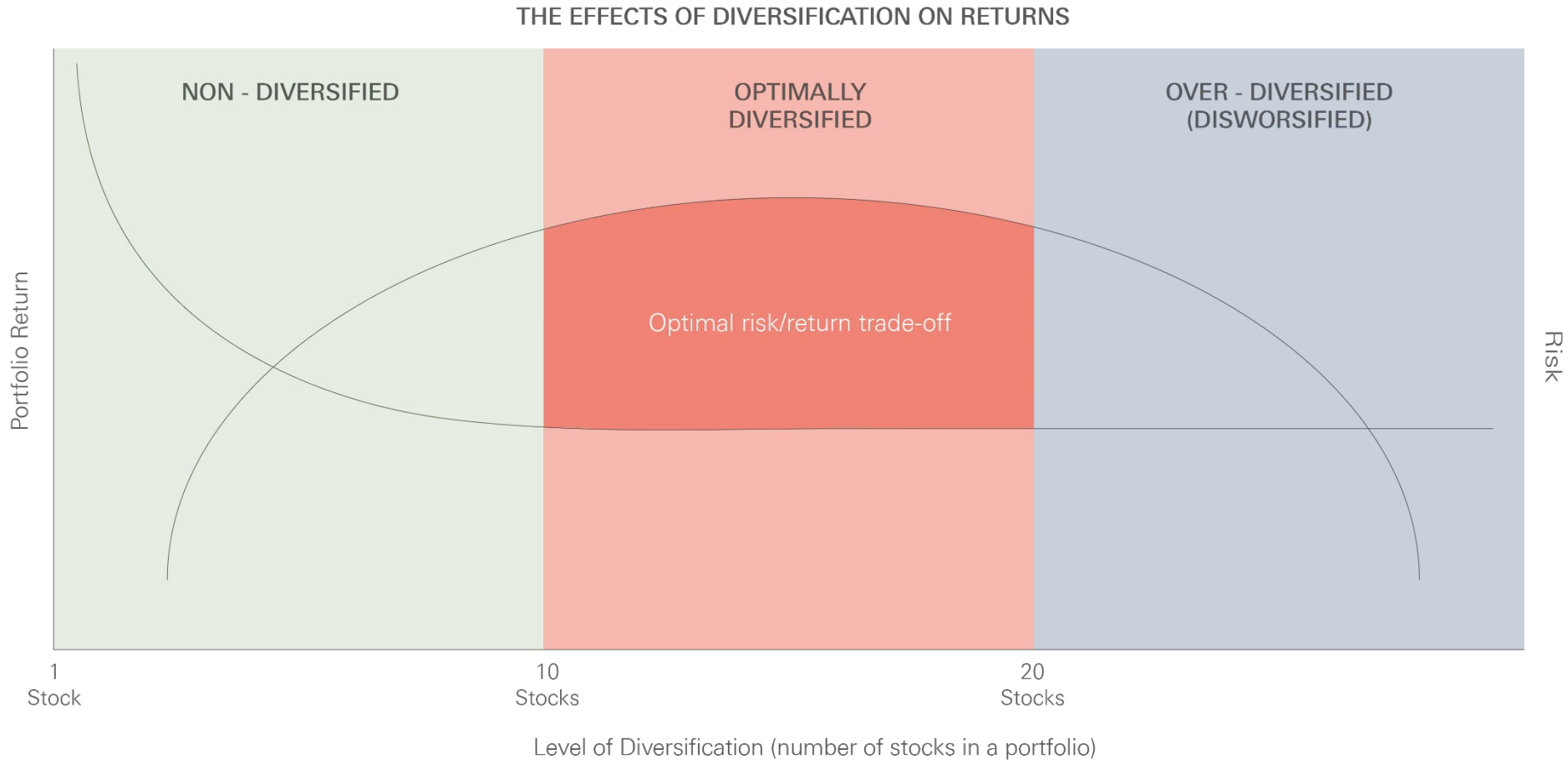
# NAOS LICs Director Alignment

Directors' 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

# What Has Changed Over the Past 12 Months?

Measurement	31 December 2021	31 December 2022
RBA Cash Rate	0.10%	3.10%
Australian 10-Year Bond Yield	1.58%	4.05%
Australian CPI (YoY)	3.50%	7.30%
AUD/USD	\$0.73	\$0.68
ASX 200 Forward P/E (12-month)	18.05	14.42
ASX Small Ordinaries Accum. Index	11,004	8,982

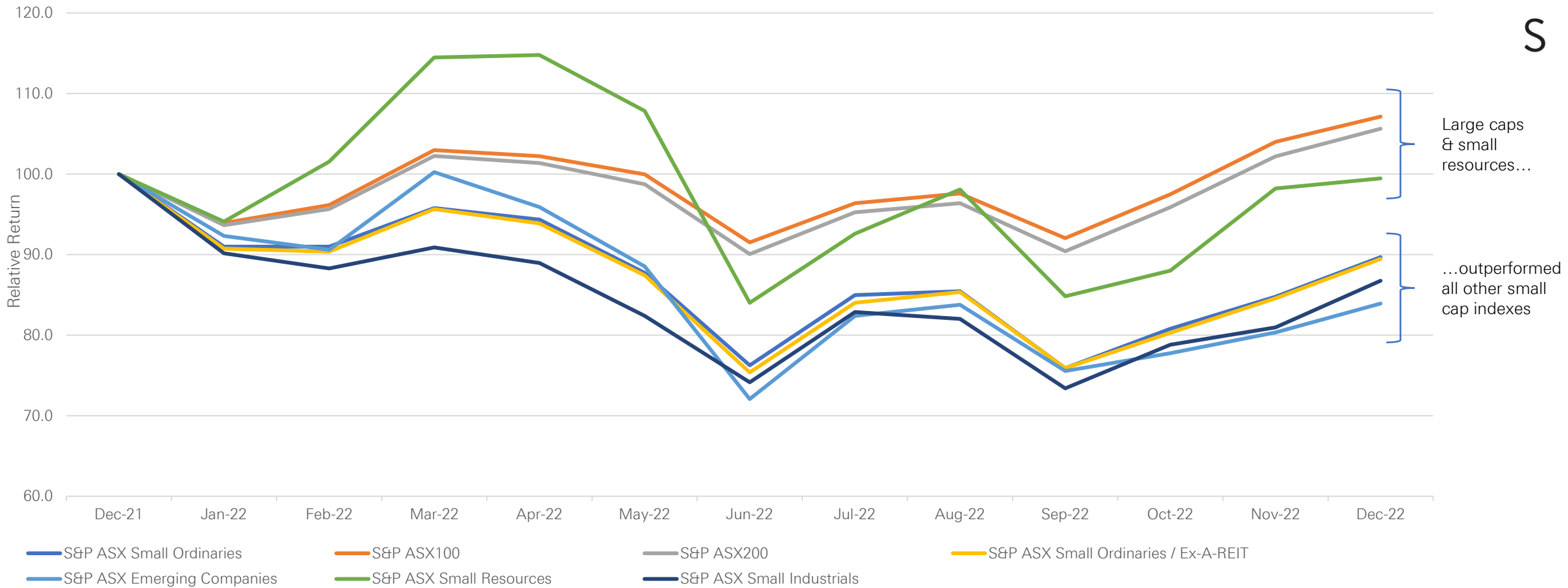
Source: FactSet, IRESS

## Q2 FY23 Summary

- CY23 expectations are low. In our view this is due to the lag effect of CY22 interest rate rises, which certain sectors of the market have been factoring in, as shown by the -20% fall in the ASX Small Ordinaries Index.
- Significant dispersion in stock performance through CY22. Premium placed on liquidity (ASX 100), resources outperformed due to high inflation, and a significant underperformance in small cap industrials.
- Interest rate rises are starting to have the desired effect on several drivers of higher inflation, but not all i.e., some input prices are decreasing but unemployment remains very low.
- Early signs of slowing growth in corporate profits:
  - Domain (ASX: DHG) – Downgraded earnings due to significant drop in real-estate listings.
  - Symbio (ASX: SYM) – Slow sales conversion and existing clients returning unused services.
  - City Chic Collective (ASX: CCX) – Reduced demand and increased promotional activity.
  - MAAS Group (ASX: MGH) – Increased lead times for new home sales conversions.

# Q2 FY23 Summary

1 Year Total Return - Australian Equity Indices

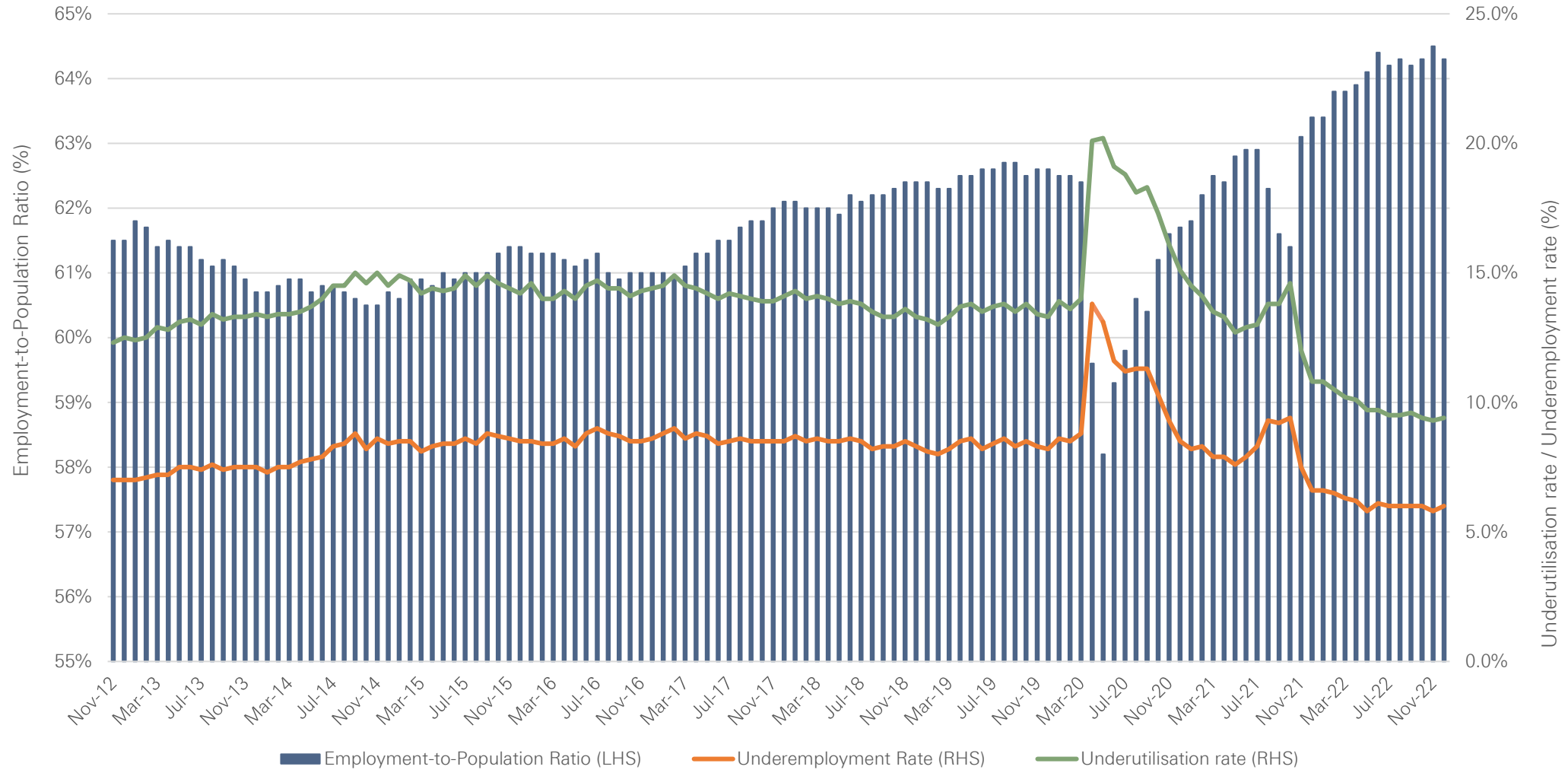


Source: FactSet, NAOS



# Q2 FY23 Summary

Australia's Labour Market



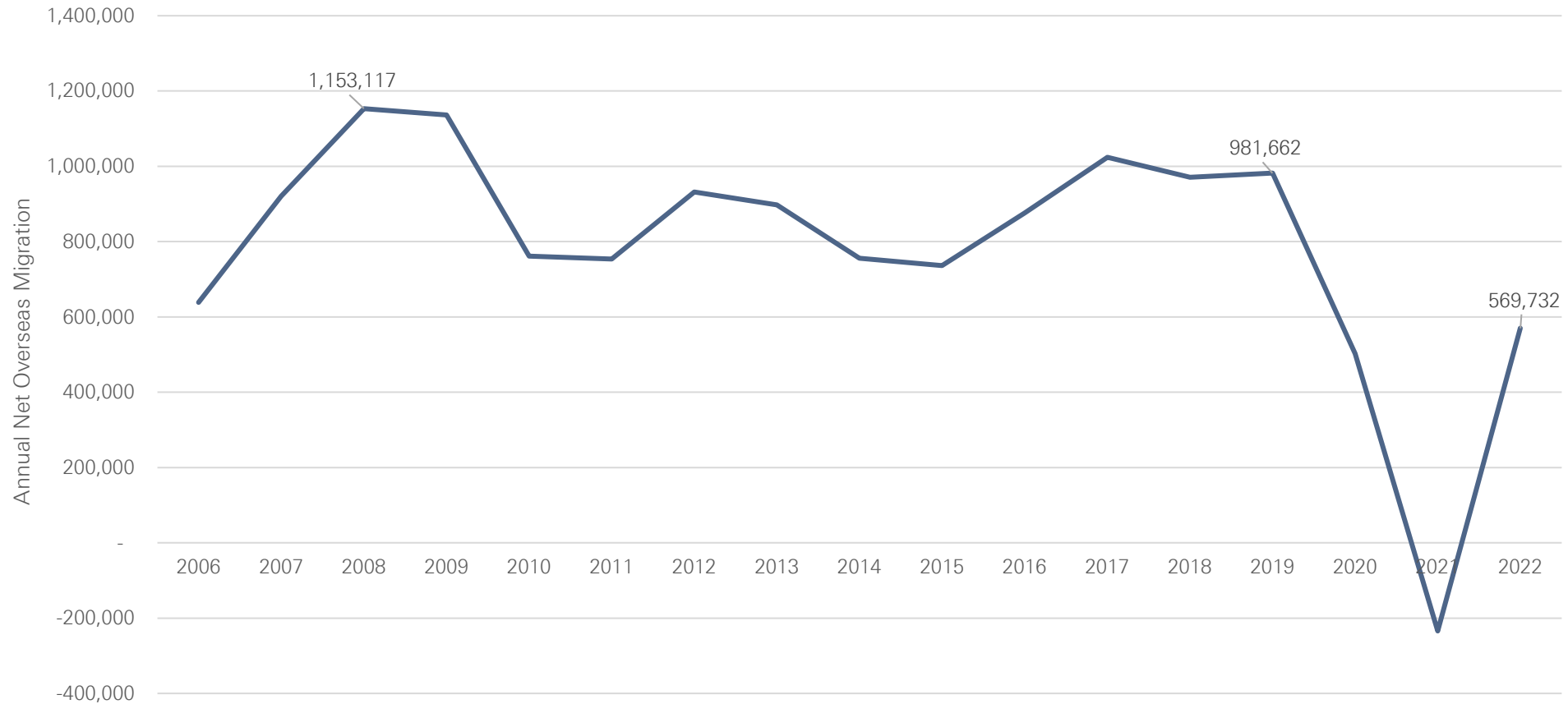
Source: Aus. Bureau of Statistics, NAOS

# Are Things As Bad As They Seem?

- Unlike many previous economic slowdowns this has been engineered by the Reserve Bank of Australia (RBA).
- Interest rates are now at their highest level for a decade, so there is meaningful scope to reduce rates in the short to medium term if easing is required.
- Corporate balance sheets have never been stronger, as shown by the median net debt to equity ratio of the ASX 200 of ~18%.
- We believe the total return equation will be derived more from dividends than has been the case over the previous 5 years which plays well for Australian equities.
- Meaningful structural trends that will promote long-term growth opportunities within certain industries i.e.:
  - Lack of new housing availability
  - Infrastructure spending
  - Ageing demographic trajectory
  - Continued shift to renewable energy

# Q2 FY23 Summary

### Australian Annual Net Overseas Migration



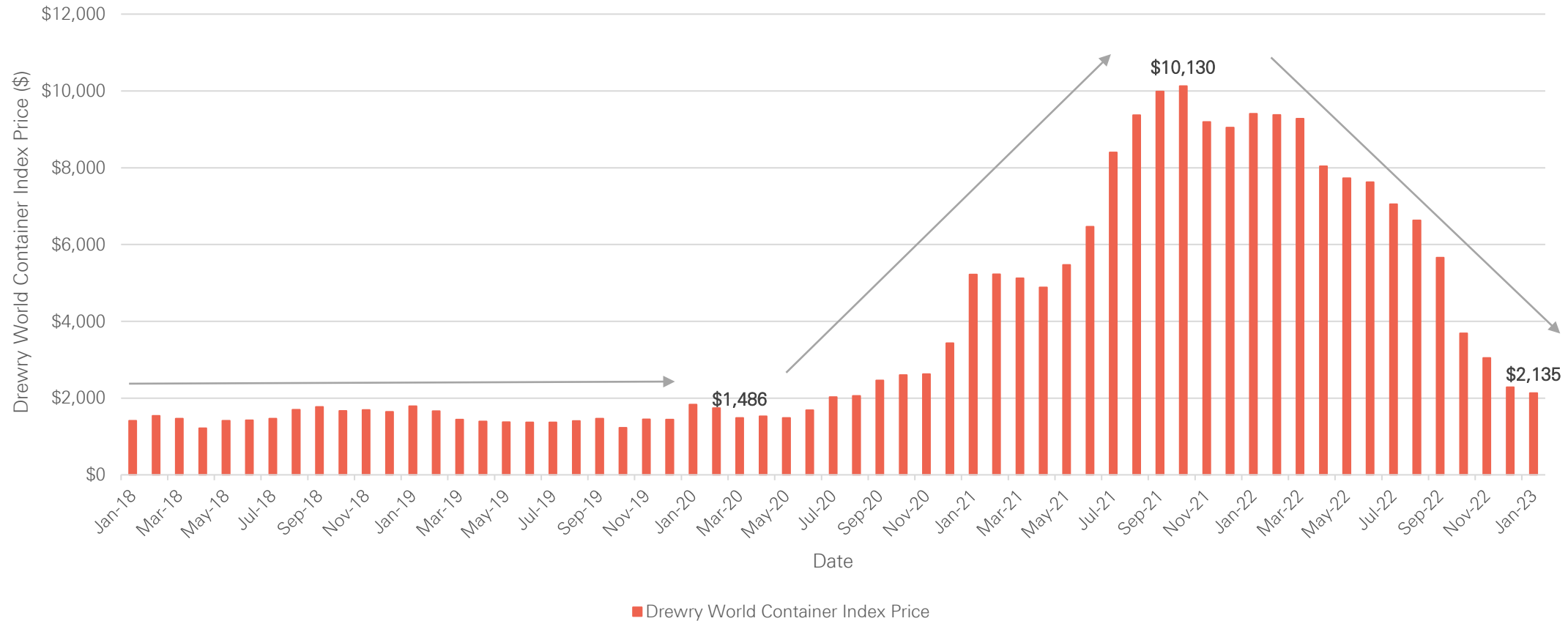
Source: Aus. Bureau of Statistics, NAOS

#### EXPLAINER:

Net overseas migration is the net gain or loss of population through international migration to and from Australia. A net migration number  $>0$  means more people are moving to Australia than are moving overseas in any given year.

# Q2 FY23 Summary

Drewry World Container Index (\$US/40ft container)



Source: Bloomberg, NAOS

**EXPLAINER:**

The Drewry World Container Index assessed by Drewry reports actual spot container freight rates for major East West trade routes. The Index consists of 8 route-specific indices representing individual shipping routes and a composite index. All indices are reported in USD per 40ft Container.

# Is Market Timing as Important as Many are Led to Believe?

- In our view not only is it impossible to predict market troughs and peaks but it also adds little value over the long term.
- To illustrate this, the basic analysis below shows the return if an individual had theoretically invested in the S&P500 Index at the top of the last 4 bull markets.

Investment Date	Investment Amount	Index Price at Time of Investment	Market 'Crash' Event	Investment Return at Trough of Market Crash
Jan-87	\$10,000	274	Black Monday	-16%
Jan-00	\$10,000	1394	Dot.com Bubble	-39%
Jan-07	\$10,000	1438	GFC	-49%
Jan-20	\$10,000	3225	COVID-19	-20%
Total Invested	\$40,000			

Total Value of Investment	\$392,372
Nominal Return	881%
Average Nominal Return p.a.	7.90%
Inflation Adjusted \$ Return	\$137,888
Inflation Adjusted Return	245%
Average Inflation Adjusted Return p.a.	4.80%

\* All return values as at end CY-22

Source: Yahoo Finance, OfficialData.Org, NAOS. S&P500 Index data is adjusted for dividends, capital gain distribution & stock splits. Returns assume all dividends are reinvested. All figures are in USD.



## Arno Becker

CFO and Interim Chief Executive Officer



## Richard Bartley

Executive GM



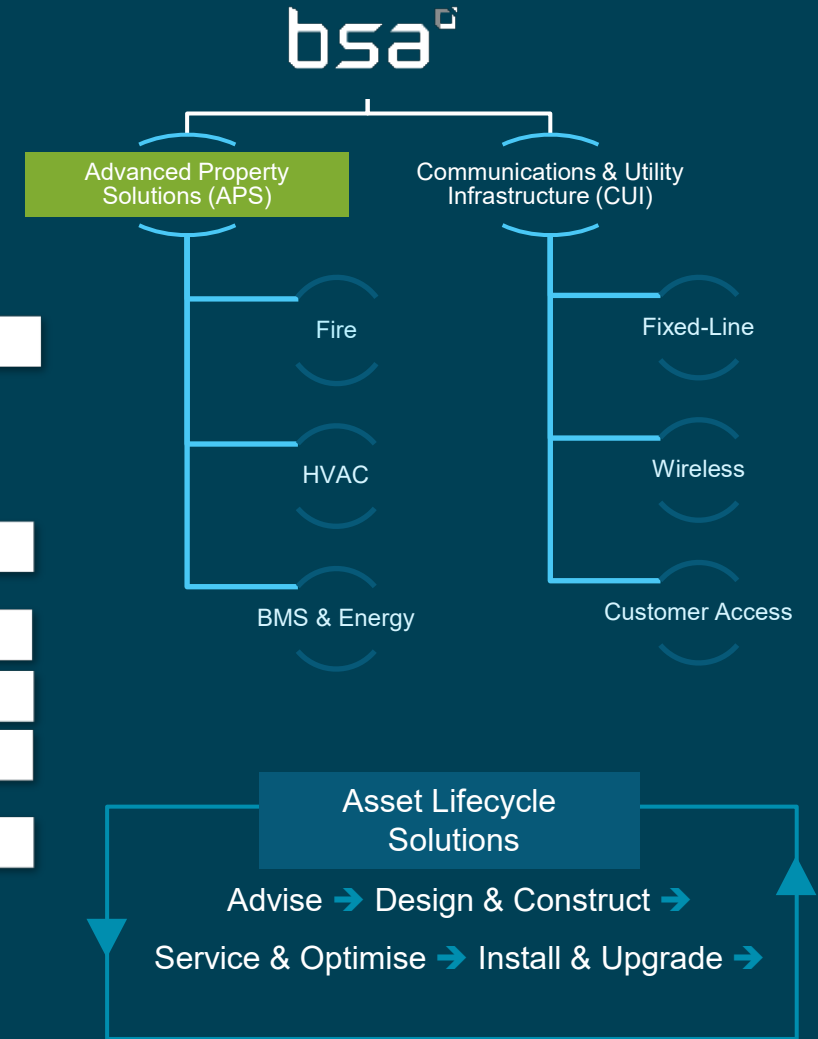
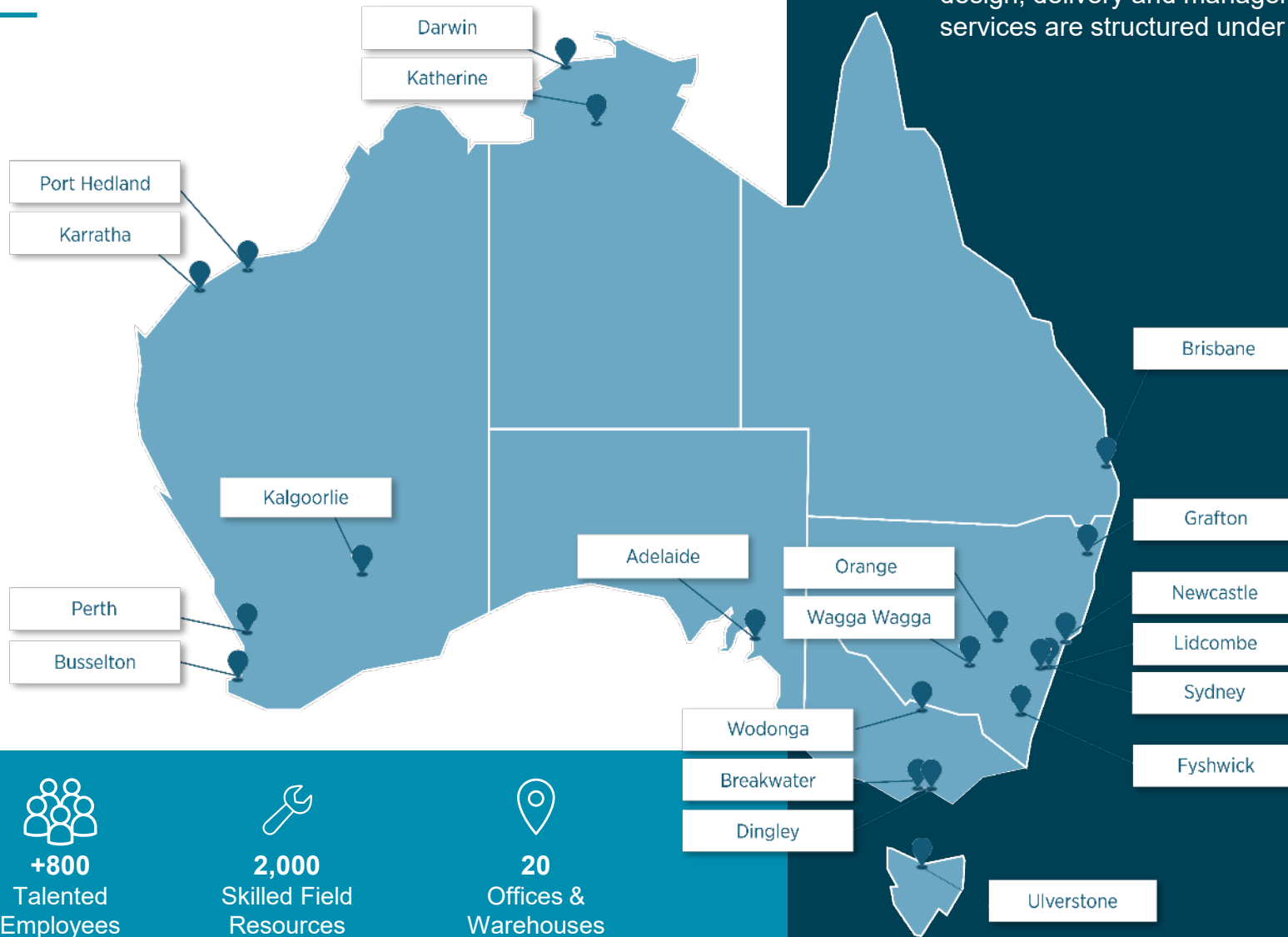
bsa<sup>o</sup>



# Our Business



BSA is a publicly-listed company on the Australian Securities Exchange (ASX: BSA). It is BSA's vision to be our clients' indispensable partner for the design, delivery and management of innovative asset solutions. BSA's services are structured under two strategic business units:



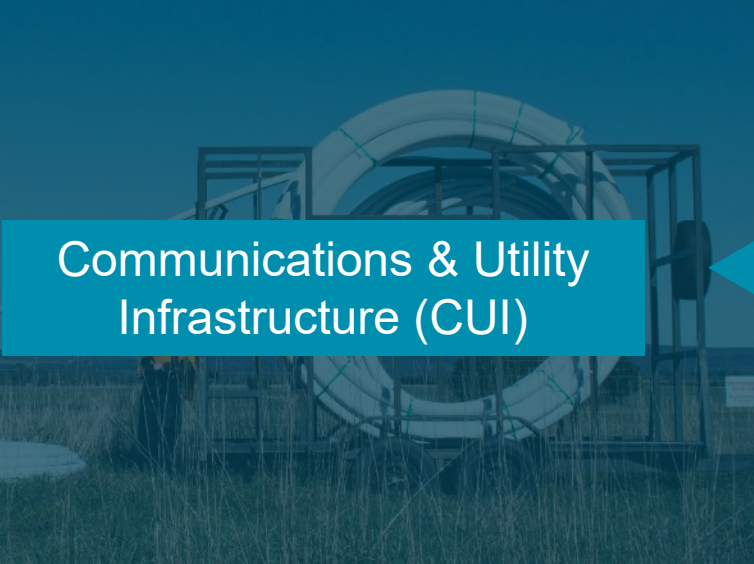
**+800**  
Talented  
Employees

**2,000**  
Skilled Field  
Resources

**20**  
Offices &  
Warehouses



# Core Capabilities



## Communications & Utility Infrastructure (CUI)



### Fixed-Line

Network Technologies (Fibre, Copper, HFC), Civil Works, Cabling, Power Supply, Active & Passive Equipment, Testing & Alignment



### Wireless

Microwave, Cellular, Small Cell, Critical Networks, SAED, EME Safety Engineering, Civil Works, Rigging, Hauling, Duct & Fibre



### Customer Access

Connections & Assurance, Satellite, Lead-in, In-Building Coverage, Cabling, Racking, Energy Meters & Smart Homes



### Fire

Fire Detection & Protection Systems, Emergency Evacuation Systems, Fire Suppression (Wet & Dry) & Portable Equipment



### HVAC

Heating, Ventilation, Air Conditioning, Refrigeration, & Mechanical Systems, Sustainable Upgrades & System Optimisation



### BMS & Energy

Building Automation, Energy Generation & Management, Internet of Things Solutions & Data-Driven Asset Management

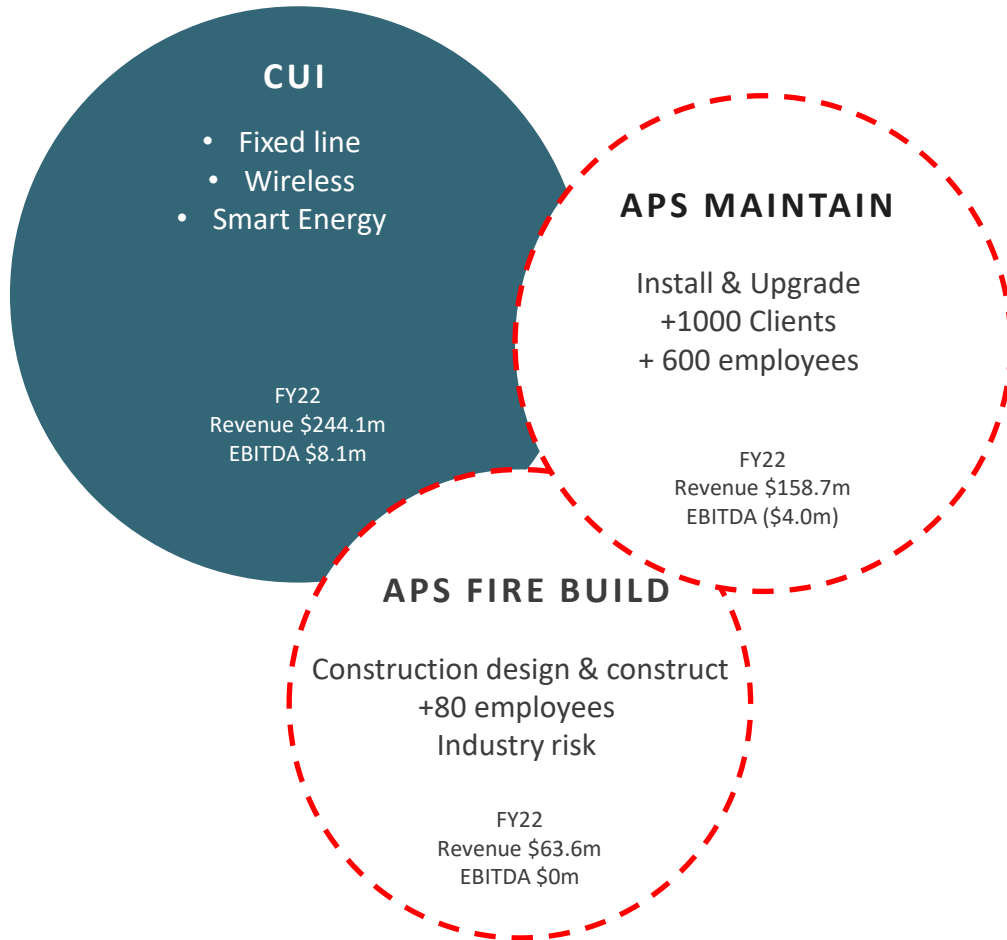


## Advanced Property Solutions (APS)



# FY23 – Group Update

## Continuing Operations | Stabilise & Focus



### Highlights:

- On 23 November 22 BSA entered into an agreement with CBRE for the sale of the APS Maintain business for \$20m before costs and adjustments - completed on 3 February 23 ahead of schedule;
- Funds used to increase working capital to meet operational costs, thus strengthening the balance sheet;
- On 31 Jan 23, the Group announced it will hold APS Fire business for sale to focus on Telecommunication sector; and
- Continuing operations (CUI) significantly improved financial performance on prior comparison period.





# FY23H1 – Financial Update

## Material improvement on PCP

Financial Performance \$'m	Q2 FY2023	Q2 FY2022	Var	H1 FY2023	H1 FY2022	Var
<b>Revenue</b>						
CUI	62.7	63.8	(1.1)	123.0	122.5	0.5
<b>Continuing Revenue</b>	<b>62.7</b>	<b>63.8</b>	<b>(1.1)</b>	<b>123.0</b>	<b>122.5</b>	<b>0.5</b>
<i>Gross Margin %</i>	25%	18%	7%	23%	18%	5%
<b>EBITDA</b>						
CUI	5.7	2.2	3.5	8.8	3.4	5.4
Corporate	(0.7)	(1.4)	0.7	(1.4)	(2.1)	0.7
<b>Continuing EBITDA</b>	<b>5.0</b>	<b>0.8</b>	<b>4.2</b>	<b>7.4</b>	<b>1.3</b>	<b>6.1</b>

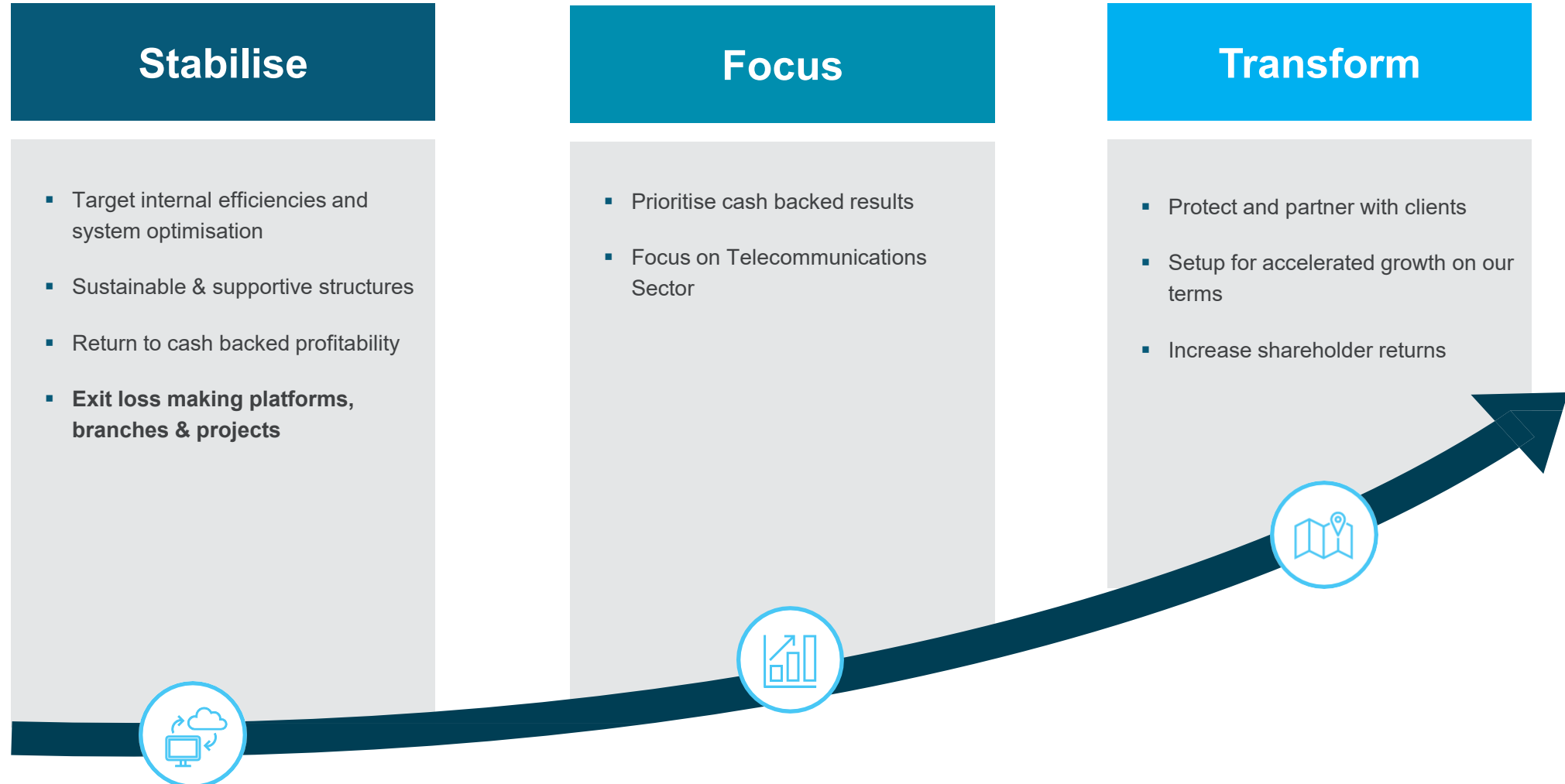
### Highlights:

- Significant profitability improvement on pcp;
- Volumes on nbn have remained stable with favorable mix of work;
- Other platforms now fully mobilised and benefiting from normalised delivery volumes; and
- Rationalisation of the Group's operating cost base as announced in April 2022.



# FY23 – Strategic Direction

Simplified approach with emphasis on stability, profitability and growth





## CUI Highlights

# CUI Overview



1

**Leading and National Telco Services Platform with Strong Brand Heritage**

- ✓ BSA's Communication and Utility Infrastructure (CUI) division represents one of Australia's leading providers of diversified services to the telecommunications sector
- ✓ Diverse range of capabilities across fixed-line (copper and fibre), wireless, satellite and smart metering networks, supported by class leading field services capabilities to ensure end-customer satisfaction

*~3,800 jobs per day*

*~250 direct staff*

2

**Long Term Partner to a Blue Chip Client Base**

- ✓ Focus on multi-year contracts with tier one clients such as nbn, Foxtel and Optus
- ✓ Track record of service excellence and customer retention – 20-year relationship with clients such as Foxtel and Optus
- ✓ Partnership approach – CUI is proud to represent its clients as the trusted delivery partner for critical services



**foxtel**

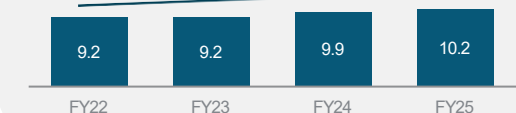
**OPTUS**

3

**Strong Growth Prospects and Attractive Industry Thematics**

- ✓ The Australian telecommunication services market is valued in excess of \$9bn and is expected to grow at 3.5% p.a. from FY22 to FY25
- ✓ Ongoing evolution of technology in the medium term (e.g. upgrade to Fibre- to-the-Premise and 5G/6G networks) is expected to drive strong future demand for CUI's services

Australian Telco Sector Maintenance Services (A\$bn)



4

**Highly Experienced Management Team Able to Deliver on the CUI Growth Plan**

- ✓ CUI has built a highly motivated and experienced management team comprised of executives from a range of telecommunications and field service delivery backgrounds
- ✓ The management team has been key in executing on the current strategic plan and is well placed to continue to drive the next phase of growth

*~100 years collective industry experience*



# CUI Platform

Four core platform categories

## NBN

- ✓ A unique long-term services contract;
- ✓ Assurance and activation led;
- ✓ Largest market share across NSW and Victoria; and
- ✓ Trusted multi-layered relationship with nbn for a critical piece of national infrastructure.

## Smart Energy Solutions

- ✓ Over 5 years of experience supporting Vector and PlusES; and
- ✓ 2022 Intellihub win, a smart meter market disruptor.
- ✓

## Wireless

- ✓ Acquisition of Catalyst One in 2020 to establish capability in Group;
- ✓ Market credibility and connections with key wireless operators in Australia; and
- ✓ Shift in market dynamics due to sale of tower assets across the country.

## Residential & Enterprise

- ✓ Group heritage having designed and installed the vast majority of Australia's key telecommunications infrastructure across fixed and mobile networks; and
- ✓ Sole Foxtel delivery partner since 2021.



# CUI Growth Plan

Clear opportunities expected to underpin continued growth over the medium and longer term

## Maximise Opportunity with Existing Clients

- ✓ Maximise returns from significant nbn pipeline forecast in FY24 and beyond (CUI ideally placed given track record and footprint).
- ✓ Geographic expansion of nbn services a key priority.
- ✓ Leverage initial Intellihub contract win to expand scope and footprint in smart metering.
- ✓ Maximise other smart meter opportunities
- ✓ EV expansion opportunities – Tesla, Go Evie and Ohmie.



## Wireless Expansion

- ✓ Leverage initial wins in wireless build market (represents a large and growing market)
- ✓ NSW expansion of Catalyst ONE
- ✓ TPG / Vodafone expansion opportunities.
- ✓ Realise opportunities with wireless tower ownership change in 2023 and beyond.



## Innovation through Investment in Technology

- ✓ Leverage customer experience and workforce management expertise to expand into new sectors
- ✓ Move beyond field services







# Smart Energy Solutions Addressable Market and Growth

**APAC Smart Meter Market set to grow at 6.2%, Australia set to grow at least x2 this rate**



- Only 4m of 13.6m meters are smart representing a 30% penetration rate
- Vector NZ recently sold 50% of business to QIC at NZ\$2.5bn valuation
- Pacific Private Equity sold 50% of Intellihub to Brookfield for \$1bn
- Most Smart Meters are 3g and will need to upgrade to 4g by 2033
- VIC is the only state with mandatory roll out of smart meters (2m (or 50%) of all of smart meters are in VIC). Other states need to catch up

**EV Market holds significant longer term opportunities but volume not expected until late 2020's**



- When the residential market reaches scale there is significant growth opportunity
- BSA are in the market early with Go Evie, Ohmie & Tesla
- In 2022, 20k EV cars sold which is less than 2% of the new car market
- Barrier to scale is the cost differential of EV cars plus supply side constraints
- Emissions regulations in global markets are stricter than Australia
- The EV market % will rise year on year but cross over point not expected until late 2020's



## Case Study

# nbn Unify Contract

### Overview of Contract

- Largest provider service Activations & Assurance VIC, NSW
- 700 Technicians on project
- Supervision across all key areas
- BSA also support remediation/civils work and various projects

### Key Areas of Operation

Region	Tech's	Tasks performed
NSW Metro South	223	Activation/Assurance across all technologies and Remed/Civils works
NSW Regional North	177	
VIC Metro South	201	
VIC Regional North	99	

### Professional services

- Program management for national and large scale product roll outs
- Large technical workforce management solutions
- Stakeholder communication and contact centre services
- Customer field services experience programs
- Land access team

### Technical field services

- Technicians skilled across a range of technologies, including; HFC, FTTC, FTTN, FTTP & FTTB
- Civils crews able to carry out remediation and pre-install work



### Major wireless milestones

- Approximately 500 greenfield sites
- Approximately 200 upgrade / RANCAP sites
- Approximately 200 Transmission Upgrade / Deployment Sites
- Active WIP of ~250 In Building Coverage Sites – Greenfield and Upgrade

## Case Study

# Wireless Experience

### Optus

- National Deployment - Over 500 Greenfield RAN and In Building Coverage Sites
- Upgraded Over 250 RAN Sites and Transmission
- Renewed or Amended Over 200 Lease / Licence Agreements
- Acquired 20 nbn POI locations for Optus Wholesale (HFC Project)

### Vivid Wireless

- National PMO and end-to-end Deployment 50 Greenfield RAN Sites
- Upgraded more than 25 RAN Sites and Transmission
- Renewed or Terminated Over 200 Lease / Licence Agreements

### nbn

- Desktop Town Planning Property Assessment – FTTN and HFC Upgrade Projects
- Property Land Access Documentation (SLAAN & LIFD) and Public Contacts Handling

# NAOS Investee Companies - Key Events Q2 FY23

HOLDING	INDUSTRY	Q2 UPDATE
 (ASX: BRI)	Building Supplies	<ul style="list-style-type: none"> <li>AGM trading update sees strong FY22 conditions continuing into early FY23.</li> <li>Appointment of exec. GM John Lorente as CEO (effective 1<sup>st</sup> March) replacing Jim Bindon, providing consistency within operations and company culture.</li> <li>Completed acquisition of Epping Timber, complementing existing Melbourne &amp; regional Victorian presence.</li> </ul>
 (ASX: MOV)	Transport & Logistics	<ul style="list-style-type: none"> <li>CEO appointment of Craig Evans (effective 1<sup>st</sup> February). 35 years at Mainfreight (NZX: MFT) including the last six as New Zealand Country Manager.</li> <li>Challenges for the MOV transformation program but increasing improvements over time.</li> <li>FY23 EBITDA growth guidance withdrawn given contract changes.</li> <li>Ocean Freight vessel Atlas Wind now operational.</li> </ul>
 (ASX: GTK)	Software	<ul style="list-style-type: none"> <li>Upgraded FY23 (&gt;\$130m rev.) and FY24 guidance (&gt;\$150m rev.) despite challenging energy sector macro &amp; previous customer insolvencies (e.g., Bulb).</li> <li>Confidence to provide targets for FY25 and beyond, margin expansion expected for both Utilities and Airports divisions.</li> <li>International expansion investment to occur during FY23.</li> </ul>

# NAOS Investee Companies - Key Events Q2 FY23

HOLDING	INDUSTRY	Q2 UPDATE
 (ASX: SND)	Engineering	<ul style="list-style-type: none"> <li>Awarded \$44m tank construction, civil and electrical engineering project for Western Sydney Airport phase 1.</li> <li>Buoyant sector conditions continue with SND winning projects under State Govt. (NSW Bridge Replacement) &amp; Federal Govt. (Diesel Storage Program).</li> <li>FY23 guidance provided of \$190m-220m revenue and 6.5%-7.5% EBIT margin.</li> </ul>
 (ASX: BSA)	Solutions & Services	<ul style="list-style-type: none"> <li>Strategic divestment of APS Maintain business for \$20m pre-transaction costs and debt adjustments to CBRE Group Inc.</li> <li>Cash generative core communications division is returning to growth, underpinned by long-term NBN work programs.</li> <li>Secured Intellihub Australia (utility infrastructure provider) smart metering contract across numerous states.</li> </ul>
 (ASX: OCL)	Software	<ul style="list-style-type: none"> <li>FY23 trading update seeing post-COVID cost normalisation and continued investment in people, resulting in 'single digit' growth.</li> <li>Phasing out 'one-off' software license sales &amp; investments to reduce software deployment costs are meaningful, strategic, longer-term business decisions.</li> <li>M&amp;A focus &amp; organic business fundamentals will drive growth into FY24 and beyond.</li> </ul>

# MOVE Logistics Group

## EXPLAINER:

In December 2022, Craig Evans was appointed CEO of MOVE Logistics Group effective 1<sup>st</sup> February 2023. Craig has an outstanding track record in the Logistics sector, having previously spent 35 years at Mainfreight (NZX: MFT), including the last six years as Mainfreight's New Zealand Country Manager.

We believe his appointment should further strengthen MOVE's executive team and we gain comfort in the value he will add to the broader group by the below two excerpts which were taken from the book, Ready Fire Aim: The Mainfreight Story.

## Excerpt 1:

"All the various strands of Mainfreight were being marketed as a single supply-chain solution. Pulling all this together was the responsibility of Craig Evans, who constantly argued, 'He who creates the most value wins. That's the business we're in, creating value'."

## Excerpt 2:

"In Craig Evans' words, 'The key to selling logistics is to become a trusted advisor, and the way you get there is by always being proactive. The world is changing at such a pace, if we are not giving confidence to our customers that they are at the leading edge the whole time, then we are out of business.'"

Source: Ready Fire Aim: The Mainfreight Story

# NCC Overview as at 31 December 2022

**\$0.87**  
Pre-Tax NTA

**\$0.90**  
Post-Tax NTA

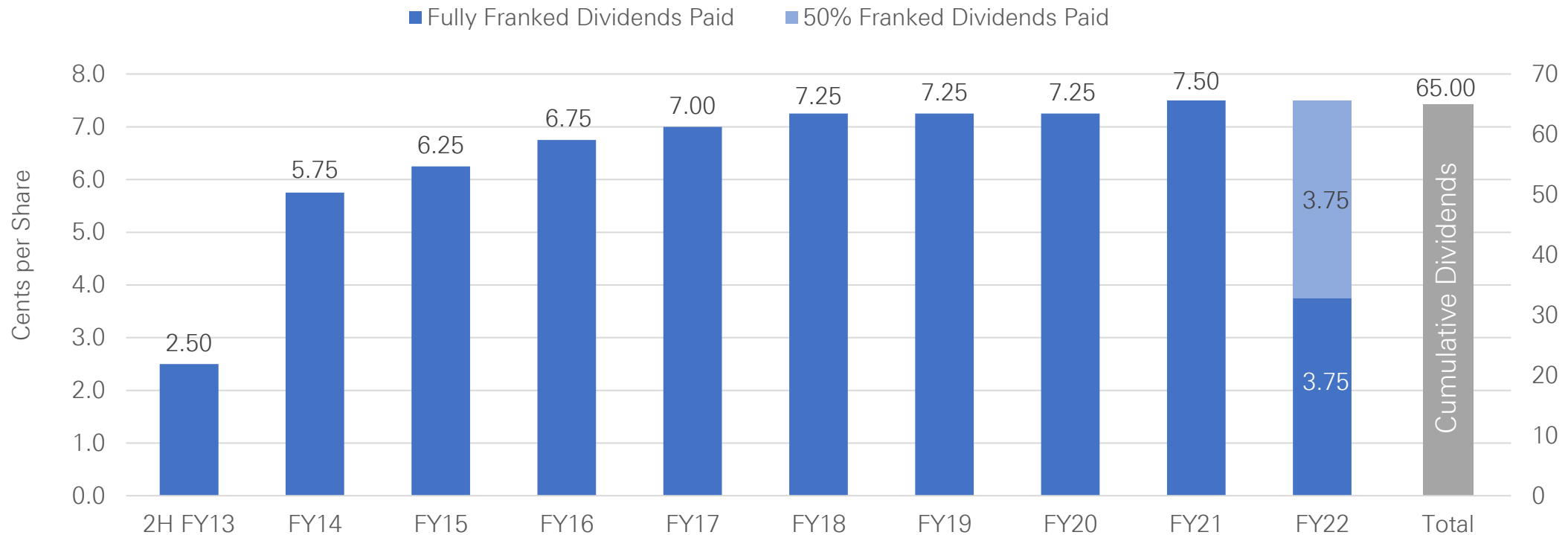
**\$0.755**  
Share Price

**9.93%**  
Franked  
Dividend Yield

**12**  
Number of  
Holdings

**\$134.6m**  
Weighted Average  
Market Capitalisation  
of the Investments

## FRANKED DIVIDEND HISTORY



# NAC Overview as at 31 December 2022

**\$0.86**  
Pre-Tax NTA

**\$0.92**  
Post-Tax NTA

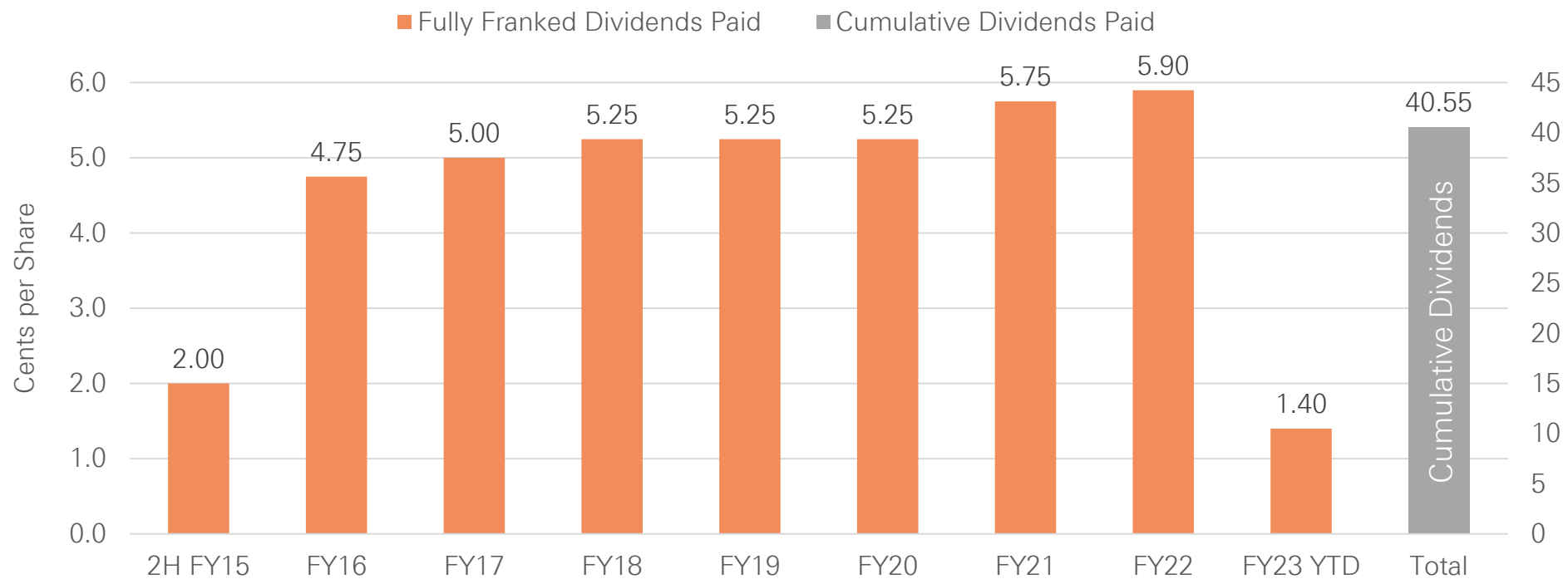
**\$0.87**  
Share Price

**6.55%**  
Fully Franked  
Dividend Yield

**12**  
Number of  
Holdings

**\$308.9m**  
Weighted Average  
Market  
Capitalisation of the  
Investments

## FULLY FRANKED DIVIDEND HISTORY





# NSC Overview as at 31 December 2022

**\$0.78**  
Pre-Tax NTA

**\$0.80**  
Post-Tax NTA

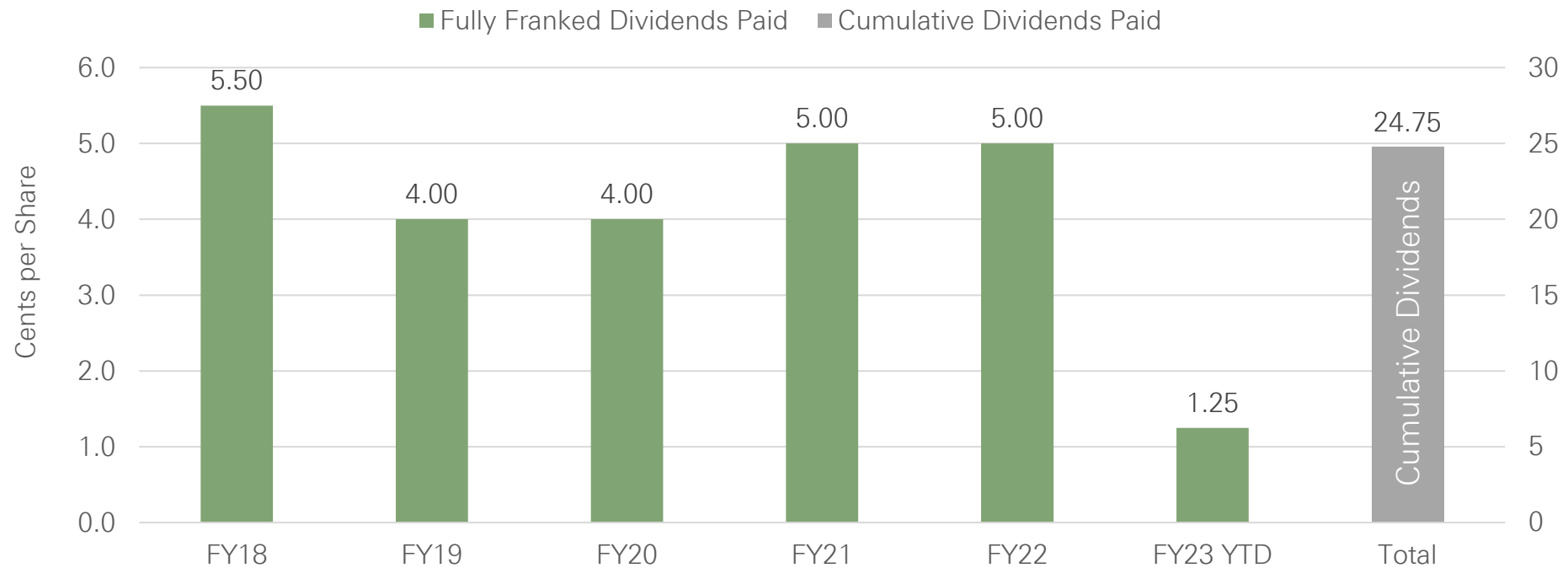
**\$0.69**  
Share Price

**7.25%**  
Fully Franked  
Dividend Yield

**10**  
Number of  
Holdings

**\$206.1m**  
Weighted Average  
Market  
Capitalisation of the  
Investments

## FULLY FRANKED DIVIDEND HISTORY



# Capital Management Initiatives

Performance	<ul style="list-style-type: none"><li>• Maintain a focus on long term performance without deviating from the NAOS investment philosophy.</li></ul>
Dividends	<ul style="list-style-type: none"><li>• Continue to focus on a growing stream of dividends, franked to the maximum extent possible, whilst maintaining an adequate reserve balance.</li></ul>
Alignment	<ul style="list-style-type: none"><li>• Continue to be aligned with shareholders as Directors and Staff are some of the largest shareholders across all 3 of the LICs.</li></ul>
Communication	<ul style="list-style-type: none"><li>• Maintain a very high standard of marketing materials and communications so all current and prospective shareholders have a clear understanding of the NAOS offering.</li></ul>
NSC	<ul style="list-style-type: none"><li>• The share buyback remains active. 28.4 million shares, or 17% of shares on issue, have been bought back on market since the buyback commenced in April 2019.</li><li>• 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.</li></ul>
NAC	<ul style="list-style-type: none"><li>• The share buyback remains active. 22% 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.</li></ul>
DRP	<ul style="list-style-type: none"><li>• Shares purchased on-market to satisfy DRP requirements when shares are trading at a discount to NTA, thus eliminating any dilution for shareholders.</li></ul>

# Overview & Outlook Q3 FY23

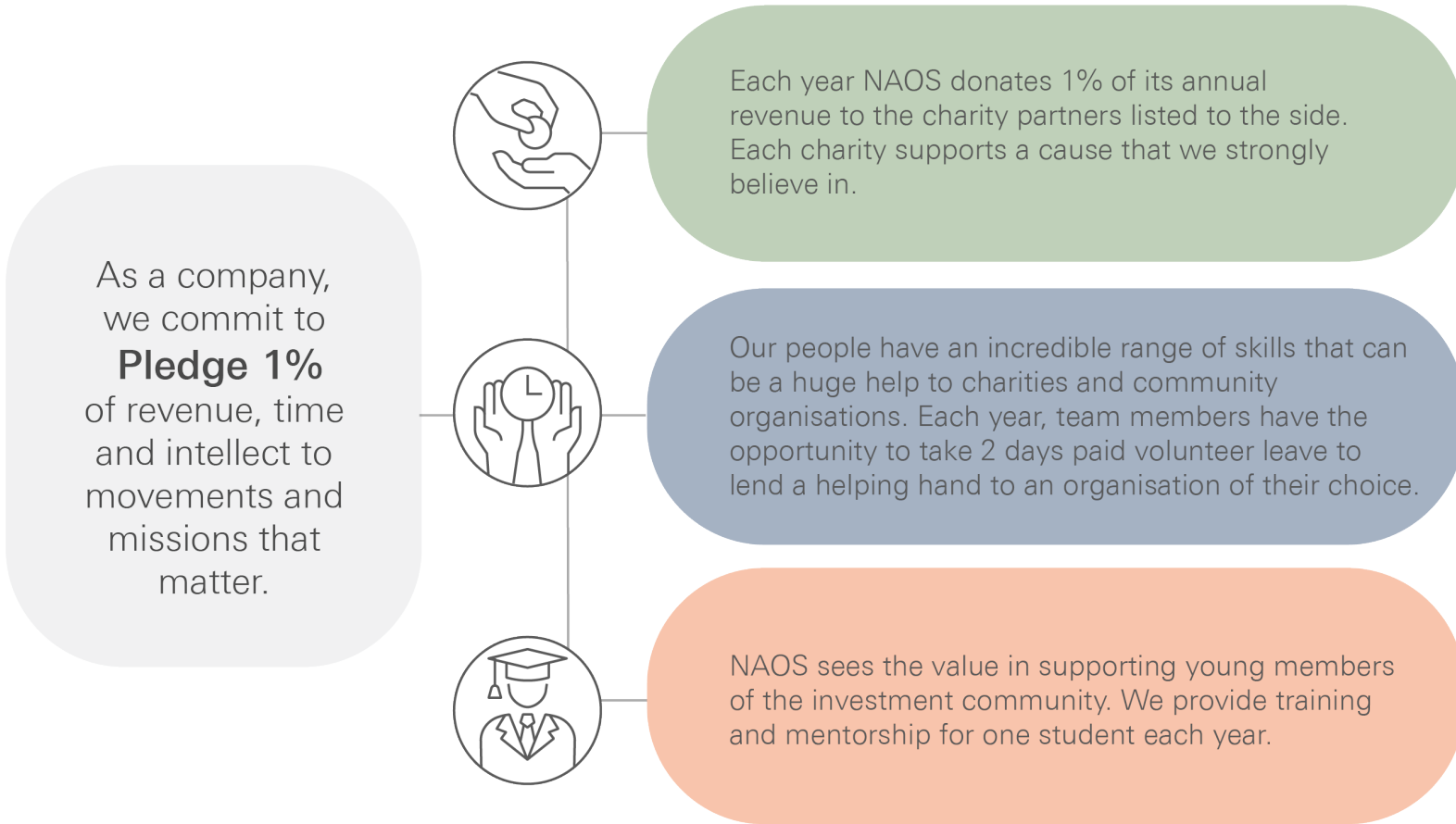
- Expectations of slowing economic activity as impact of rate hikes take hold. The impact of ~23% of home loans cycling onto higher variable rates throughout 2023 is a major unknown.
- Positive factors that may prove valuable in insulating against a meaningful recession:
  - Continued normalisation of COVID-19/geopolitical supply chain bottlenecks
  - Overseas migration activity underpinning growth across a wide range of sectors & industries
  - Regulatory reform aiding cost of living pressures (e.g. energy market intervention)
  - High commodity prices driving resources & agricultural sectors
  - Infrastructure spending continuing at elevated levels
  - Scope to lower interest rates
- Equity markets are forward looking and will likely rebase and recover ahead of the consumer.
- We expect to continue seeing limited liquidity in the smaller end of the equity markets during Q3 FY23 but are optimistic that when the cycle turns, many small caps will offer significant long-term gains.

# Outlook Q3 FY23

- Updates from most portfolio companies expected in the February reporting season.
- We have used the uncertainty to rotate out of investments that we believe offer inferior return profiles going forward and have added a number of new investments such as Smartgroup (ASX: SIQ), Infomedia (ASX: IFM) and Boral (ASX: BLD).
- We will be looking for the following updates across core holdings such as:

Move Logistics Group (ASX: MOV)	Incoming CEO strategy & update on rollout of new transport management system.
BSA Limited (ASX: BSA)	Completion of divestment to CBRE Group Inc.
Gentrack Group (ASX: GTK)	Updates on new customer wins & rollout of 'g2.0' software platform.
Big River Industries (ASX: BRI)	Update on industry activity & outlook for 2H, and M&A pipeline.
Saunders International (ASX: SND)	Progress updates on numerous works programs including major US Defense Dept. projects.

# NAOS Asset Management 1% Pledge



# 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

An aerial photograph of a river with a waterfall, surrounded by dense forest with vibrant autumn foliage in shades of yellow, orange, and green. The river is a milky turquoise color, and the waterfall is a white, frothy cascade. A paved road is visible in the lower-left corner.

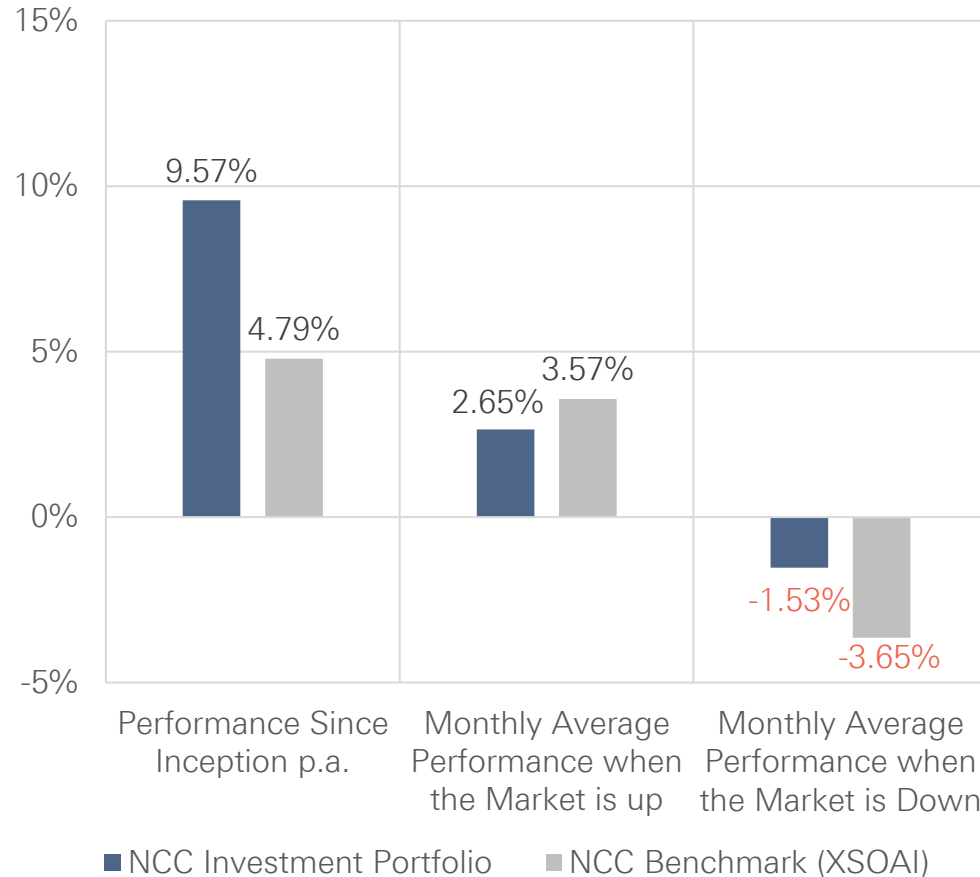
# NAOS

ASSET MANAGEMENT

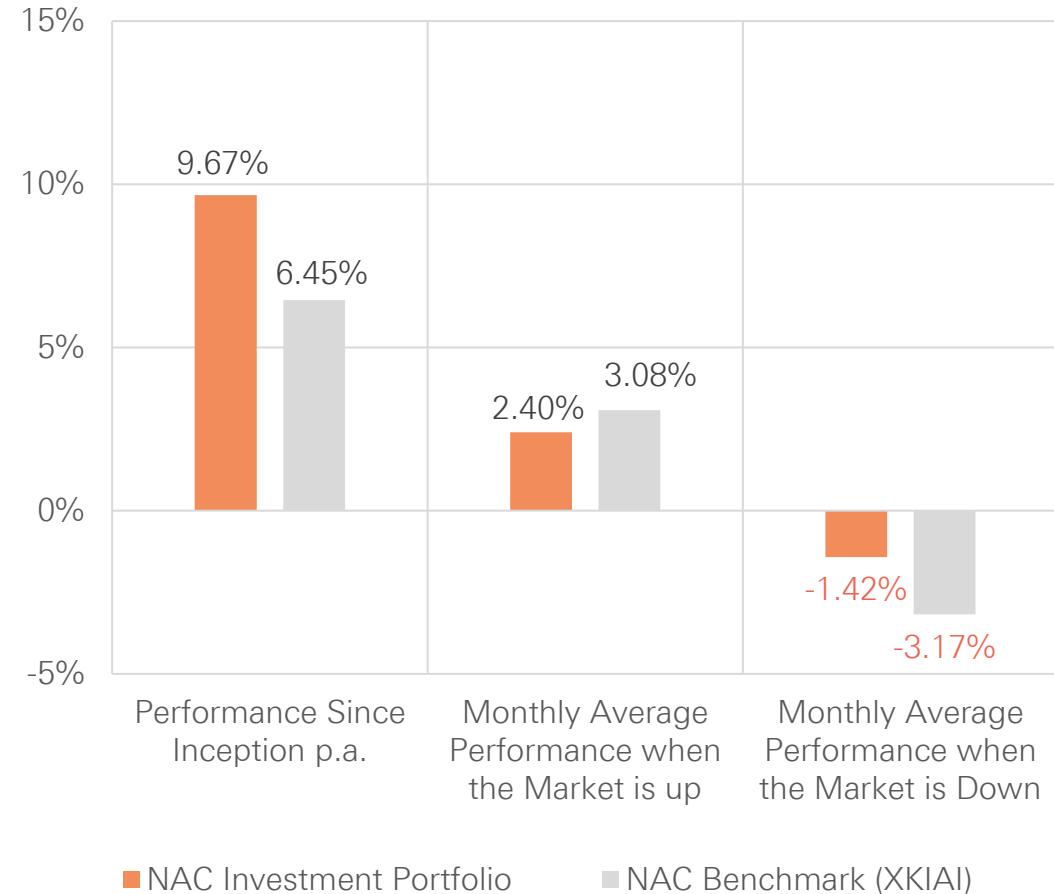
Appendix

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

NCC Investment Portfolio Risk and Performance Metrics



NAC Investment Portfolio Risk and Performance Metrics

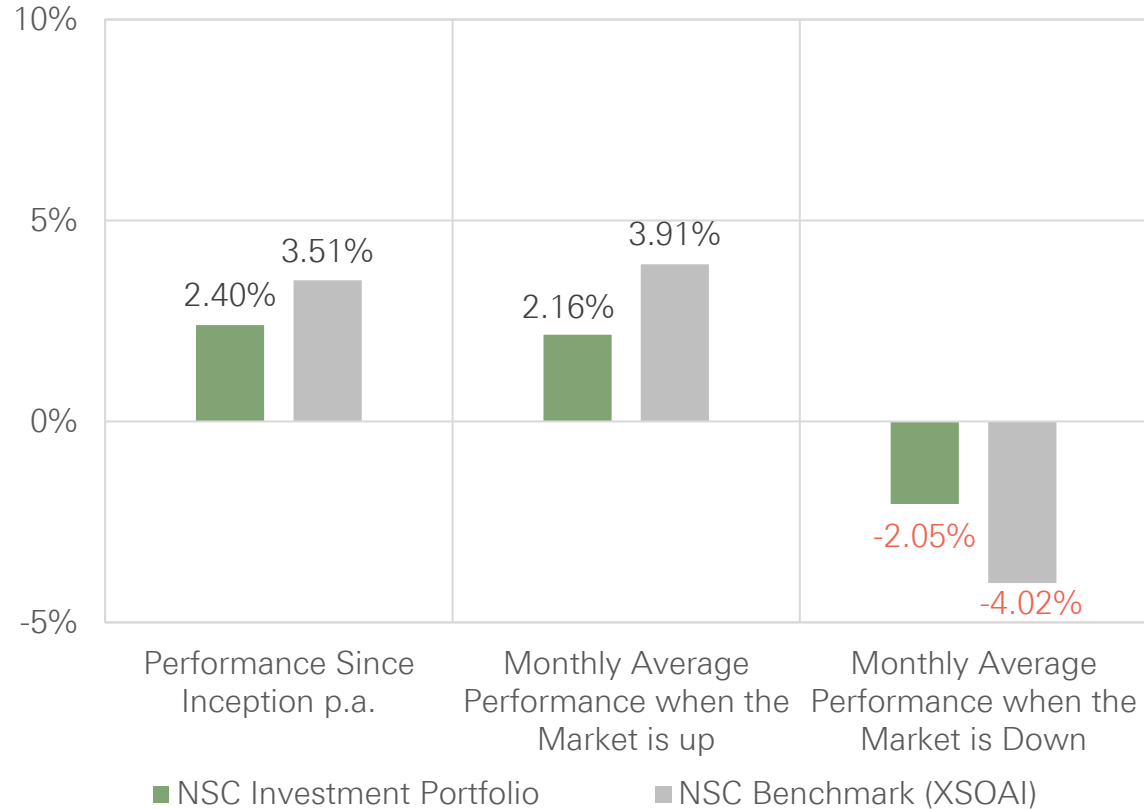


\* Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Since inception (p.a.) includes part performance for the 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 31 December 2022. Since NCC's inception (118 months) there have been 77 positive months for the market and 41 negative months and since NAC's inception (98 months) there have been 60 positive months for the market and 38 negative months.



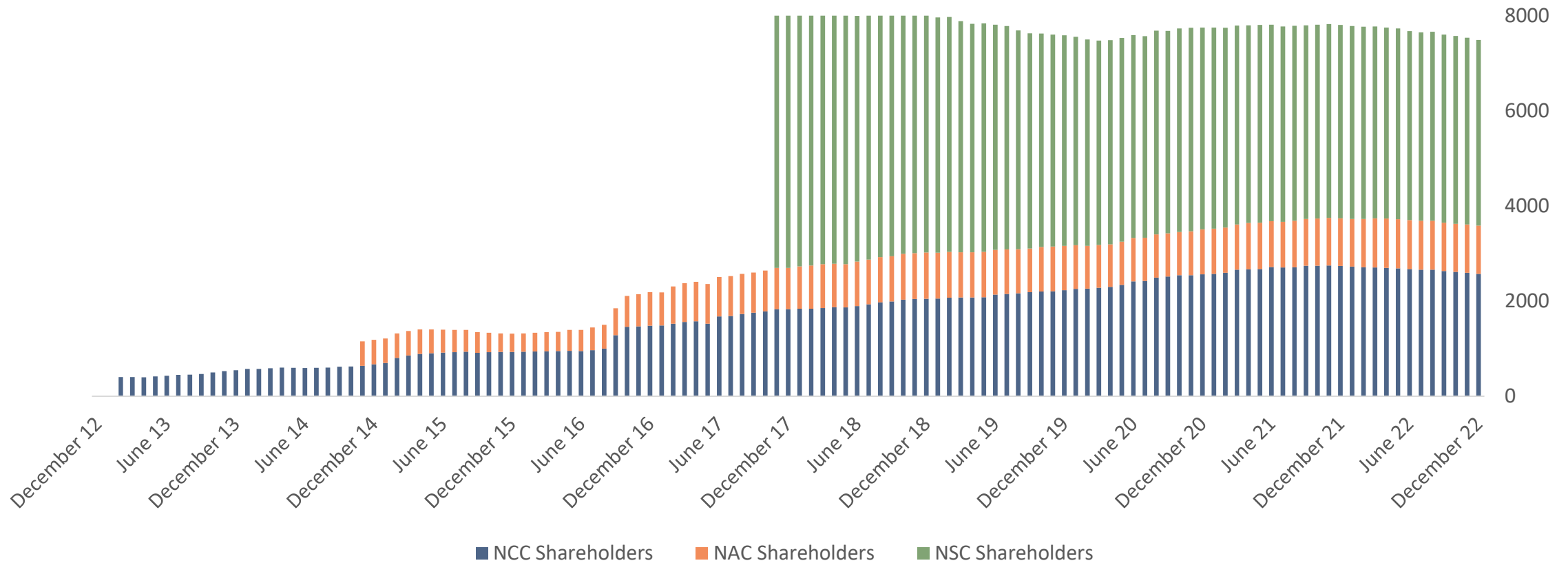
# NAOS Strong Long-term Risk-adjusted Returns\*

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 31 December 2022. Since NSC's Investment Portfolio inception (62 months) there have been 31 positive months for the market and 31 negative months.

# Historical Shareholder Numbers



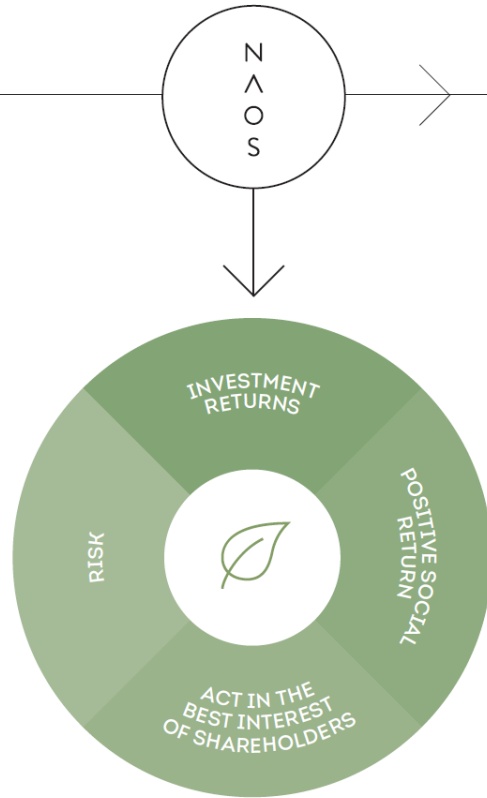
# NAOS ESG Framework

## 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.

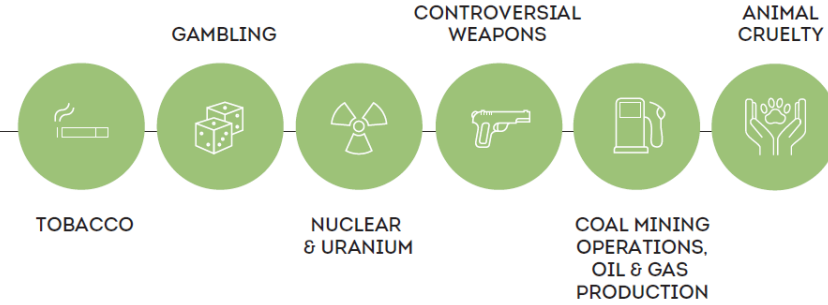
We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

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

<p>Industry Tailwinds Supporting Long-Term Revenue Growth</p>	<p>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.</p>
<p>Pricing Power</p>	<p>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.</p>
<p>Scalability</p>	<p>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.</p>
<p>Capability to Internally Fund Expansion Opportunities</p>	<p>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.</p>
<p>Business Moat</p>	<p>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.</p>
<p>Alignment</p>	<p>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.</p>

# 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

CEO Insights, NAOS Newsletter



**NAOS NTA Update & Insights Newsletter**

April 2022

If you aren't already, join our investment community and be the first to receive NAOS News, podcasts, Insights and Invitations. [Subscribe Here](#)

NAOS Emerging Opportunities Company Limited (ASX: NCC)

Quarterly Webinars



NAOS News & Insights

**NAOS Q4 FY22 Investor Update Webinar | Presentation Materials and Video Recording**

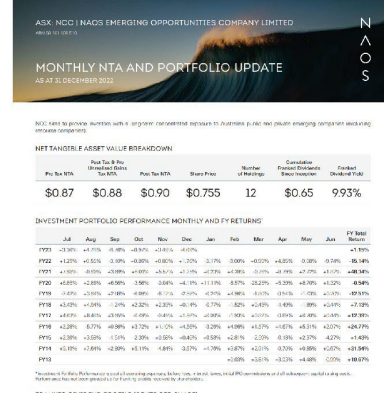
July 28, 2022

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](#)

Monthly Investment Report & NTA email updates



ASX: NCC | NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

MONTHLY NTA AND PORTFOLIO UPDATE

AS AT 31 DECEMBER 2022

NAV: \$0.87

NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV
NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV

NET ASSET VALUE BREAKDOWN

NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV
NAV	NAV	NAV	NAV	NAV	NAV	NAV	NAV

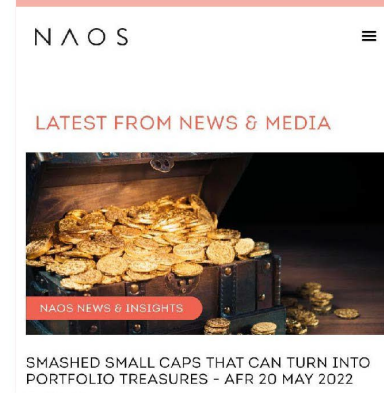
INVESTMENT PORTFOLIO PERFORMANCE MONTHLY AND FY RETURNS

Month	Return	Month	Return	Month	Return	Month	Return	Month	Return
Jan	Return	Feb	Return	Mar	Return	Apr	Return	May	Return

FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

Year	Dividend	Year	Dividend	Year	Dividend
2018	Dividend	2019	Dividend	2020	Dividend

News and Media



NAOS

LATEST FROM NEWS & MEDIA

SMASHED SMALL CAPS THAT CAN TURN INTO PORTFOLIO TREASURES - AFR 20 MAY 2022

May 23, 2022

Shareholder Education




NAOS

SHAREHOLDER EDUCATION


DIVIDENDS


DIVIDEND REINVESTMENT PLANS

May 10, 2022

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