6 June 2024

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Shareholder Update - 2H FY24

Please find attached a Shareholder Update prepared by NAOS Asset Management Limited (NAOS) which addresses the recent investment performance of NAOS Emerging Opportunities Company Limited.

If you have any further questions, please contact NAOS by telephone on (02) 9002 1576 or by email at enquiries@naos.com.au.

Authorised by:

Rajiv Sharma
Company Secretary

NAOS

Shareholder Update

2H FY24

ASX: NCC | NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

ABN 58 161 106 510

ASX: NAC | NAOS EX-50 OPPORTUNITIES COMPANY LIMITED

ABN 49 169 448 837

ASX: NSC | NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED

ABN 47 107 617 381

Certified B Corporation

NAOS Asset Management Limited is B Corp Certified

Dear Fellow Shareholders,

NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Small Cap Opportunities Company Limited (ASX: NSC) (together, **NAOS LICs**) have experienced significant downside share price volatility over the past 6 months. As the investment manager of the NAOS LICs, NAOS Asset Management Limited (**NAOS**) prides itself on not only targeting strong long-term performance via our unique investment philosophy and structure, but also on providing our shareholders with timely and transparent communications. Set out in this letter is NAOS' views on what has led to the weaker performance and what many of our investee companies and their peers have experienced over the past few months. There has been a noticeable change in economic conditions in 2HFY24.

NAOS acknowledges the recent decline in performance without excuses. As significant shareholders, the directors of the NAOS LICs, along with NAOS staff, are directly affected by the drop in share prices. This alignment underscores our commitment to addressing and overcoming these challenges.

For additional context, the NAOS LICs invest in a highly concentrated (0-15 investments) structure with these businesses generally of a smaller size (market capitalisation $50-$400 million) and with operations that are cash generative and fall within our 'circle of competence' (so we can make a thorough assessment of true value). Each NAOS LIC also has an element of gearing which will not only impact the investment portfolio return but will also magnify the NTA variance potentially by >30% (depending on the level of gearing applicable to each LIC).

Since most of the investments held in the NAOS LICs are profitable but smaller in scale, even minor fluctuations in revenue and costs can significantly impact profitability due to fixed cost leverage. This can obviously work both ways in stronger and weaker macro-economic times. This more pronounced swing in profitability then flows into increased short-term share price volatility. Many of the largest investments held in the NAOS LICs have seen downside short-term revenue fluctuations but at the same time are still experiencing a combination of cost base inflationary pressures and an inability to reduce cost in a short period of time. This has led to lower profits in the short term which have then been amplified in some cases by a larger move in the valuation applied to these profits (e.g. a P/E falling from 12x to 10x could move a share price by 20% prior to any real earnings downgrade).

Investors should also note that the NAOS LICs together are often the largest shareholder in many of our investee companies, and as the investment manager, NAOS is able to participate as a long-term partner to assist these companies to acheive their long-term ambitions whilst maximising value for all shareholders. That is why we will often seek a board seat filled by one of our own or a highly regarded Independent Director.

What Has Occurred at an Investee Company Level?

Over the past 2-3 months, most of the largest investments held by the NAOS LICs have provided operational and financial trading updates. These updates have provided a lot of colour on their trading conditions over 2HFY24 and whilst only being a short time period, does lead investors to rightly or wrongly extrapolate these results as the "go-forward" expectations for that business.

MaxiPARTS (ASX: MXI)

MXI provided a somewhat unexpected trading update in May. From 1 January 2024 to 31 May 2024 the share price (not including dividends) is down -29%. The trading update essentially stated that EBITDA would be -8% below market estimates with NPAT down 15-20% below analyst estimates.

This variance has been driven in large part by lower expected growth in the revenue line from 1H to 2H for the core truck parts distribution business (+6% in 2H vs. +12% in 1H). This reduction in revenue growth has been driven by both lower demand from clients (primarily logistics businesses) as many of these clients have seen a fall in demand in recent times (for example, fewer movements for groceries, construction and retail) as well as some irrational pricing behaviour from a large industry player which has led to an inability to pass the full effect of increased costs. These two factors obviously lead to a reduction in operating margins. On a run-rate basis, annualising the earnings from the recent Independent Parts acquisitions and the increased shares on issue, we believe MXI is growing EPS, just not at the 10-15% rate we believe it is capable of.

Big River Group (ASX: BRI)

BRI also provided an out of cycle financial trading update with the business providing revenue and EBITDA year to date to the end of March 2024. From 1 January 2024 to 31 May 2024 the share price (not including dividends) is down -35%. BRI did not provide forward guidance for the remainder of FY24 so the market has to make its own assumptions. As an illustrative comparison, 9 months YTD FY24 trading revenue was $308 million (vs FY23 full year revenue of $449 million) and EBITDA was $25 million (vs FY23 full year EBITDA of $51 million), indicating that while revenue is only likely to be marginally down, the impact on EBITDA has been more impactful. BRI stated that there has been a slowdown in residential activity (not a slowdown in demand) with a fewer number of new homes being started and built in addition to delays in the strong commercial pipeline of projects.

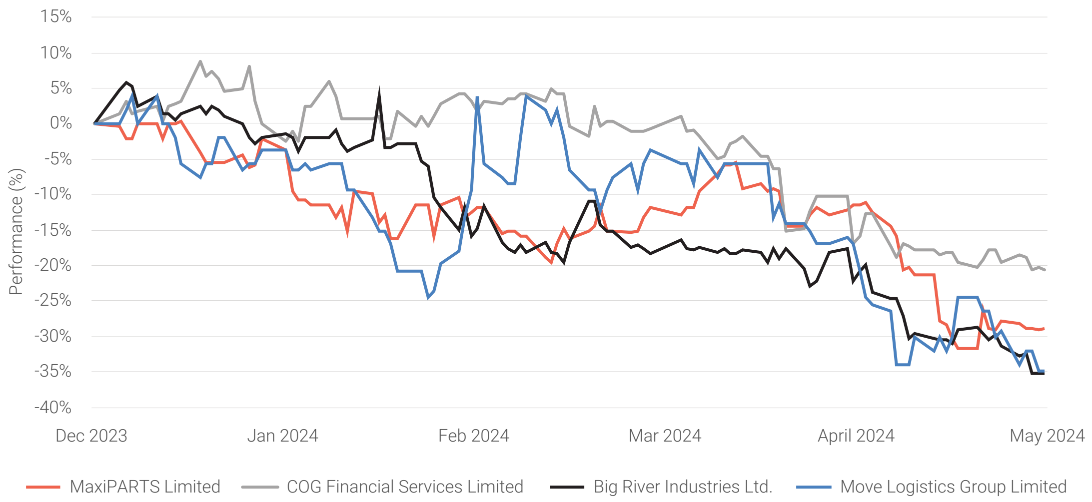
COG Financial Services (ASX: COG)

COG provided the market with its usual quarterly trading update albeit it was a softer update for Q3FY24 than expected with NPATA down -6.8% YOY. From 1 January 2024 to 31 May 2024 the share price (not including dividends) is down -21%. When comparing the division results to the prior corresponding period, it's clear that the finance broking & aggregation division and asset management division are facing headwinds. We understand volumes for financing have remained strong albeit customers are becoming more price conscious leading to margin pressure. Regarding the asset management business, most of these margin headwinds relate to a portion of loans written at fixed interest rates now lower than the cost of funding given the steep rise in interest rates over the past 18 months. We would therefore expect COG to report flat EPS growth from FY23 to FY24 albeit the quality of these earnings has improved markedly from 3-4 years ago.

MOVe Logistics (ASX: MOV)

MOV had not provided any formal trading update since its HY FY24 results were released in February 2024, however it released a short statement on 31 May. This statement confirmed that despite the ongoing challenges from an economic standpoint, MOV expects the EBITDA in 2H of FY24 to be an improvement on 1H of FY24. Whilst no numeric guidance was provided, MOV is in the middle of a significant turnaround (notwithstanding its position as a top-3 logistic provider by size in New Zealand) and we would argue that this is the first sign that the CEO (Craig Evans) and his team are starting to see some of the fruits of their 'Project Blueprint'. As a logistics provider, MOV's short term prospects will be affected to an extent by the macro-economic outlook, and realistically that backdrop in New Zealand is weak at best. MOV has an exceptional management team but clearly investors are cautious (regardless of the market announcement mentioned above) given the cyclical nature of the business. Investors seem to have resorted to a "shoot first, ask questions later" mentality which has seen MOV: NZX shares fall by -35% since 1 January 2024 and now trade well below book value and close to net tangible asset value. For added context, since January, the total dollar value of MOV: NZX shares traded in each month has only exceeded $1 million on two occasions with the other 3 months totalling ~$300,000 per month.

Share Price Performance (Price only)



Source: FactSet

Feedback On Recent Trading & Economic Conditions

There is no doubt that over the 2H of FY24 a number of headwinds have strengthened and caused short term profitability variability for many listed businesses both large and small. These headwinds include:

- A deterioration in consumer sentiment & demand;
- Wage inflation;
- General cost inflation (for example insurance and CPI indexed rent);
- Increased financing costs; and
- Increasing lead times.

To highlight just how widespread these effects have been felt, set out on the following page is a selection of notable downgrades to earnings that were issued in just the month of May, and the corresponding share price movement.

Australian Notable Downgrades for May

Code	Company	Sector	May % Decline	Downgrade Commentary
APE	Eagers Automotive	Auto Dealerships	-20%	Cost of living pressures, consumer spending, inflation driving cost of goods sold increases
SUL	Super Retail Group Limited	General Retail	-11%	Group like for like sales -1% in 2H (Rebel Sport -2% and BCF -5% in the same period)
JBH	JB Hi-Fi Limited	Discretionary Retail	-5%	Q3FY24 Sales weaker than expectations and a clear deterioration in sales trends for March/April
BBN	Baby Bunting Group Limited	Discretionary Retail	-25%	"trend of improving comparative store sales that was observed in period to Feb has softened over the last 2 trading months"
BAP	Bapcor Limited	Auto Parts/Servicing	-26%	Trading conditions remain challenging due to weak consumer confidence and lower discretionary spending
SUN	Suncorp Group Limited	Banking	-4%	Total 90+ days past due loans increased $85 million, up 11bps on prior quarter
LIC	Lifestyle Communities Limited	Housing	-27%*	** Since February 2024 update.* 15% Reduction in new home sales as customer are taking longer to sell their homes
WOW	Woolworths Group Limited	Consumer Staples	-1%	Q3 FY24 sales results release described a noticeable shift in customer sentiment and shopping behaviours since Christmas.
PWR	Peter Warren Automotive Holdings	Auto Dealerships	-20%	Lower new vehicle demand due to cost of living pressure and contraction of margins across the industry
AHL	Adrad Holdings Limited	Auto Parts	-23%	Deferral & cancellation of projects with demand in distribution market softening particularly for industrial radiators.

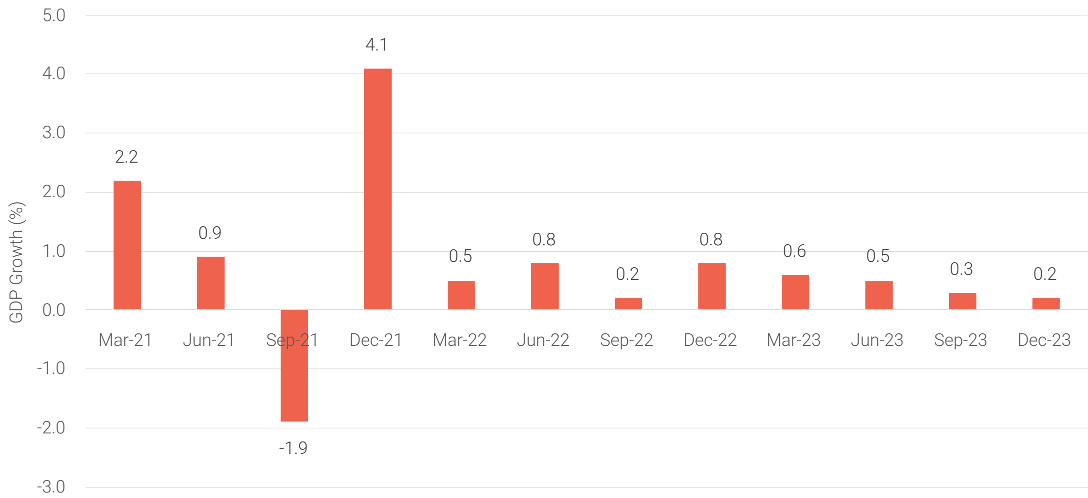
New Zealand Notable Downgrades for May

Code	Company	Sector	May % Decline	Downgrade Commentary
FBU	Fletcher Building Limited	Building Materials	-18%	13% Profit downgrade (3rd in recent times) attributed to weaking demand and increased competition.
WHS	The Warehouse Group	Consumer Staples	-26%	Trading update for 13 weeks to 28 April 24 noted sales declined by 9.2% pcp with conditions remaining highly uncertain
MHJ	Michael Hill International	Discretionary Retail	-36%	NZ segment remains the most challenged with significant impacts to consumer behaviour and discretionary spend.
THL	Tourism Holdings Rentals Limited	Discretionary Leisure	-35%	Downgraded NPAT forecast by -30% due to weakening economy in particular vehicle sales.

A notable shared characteristic among all the businesses mentioned above is their sensitivity to macro-economic conditions. Some of these businesses would be considered structural long-term growth stories but as we can see, equity markets often price on today's earnings with little regard for future potential earnings.

The chart below is the GDP growth rate for Australia over the last three years. Over the past three quarters there has been a notable decline in the growth rate through to December 2023. When you overlay that the population of Australia was estimated to grow at ~2.7% over the same period this would imply that on a per capita basis GDP growth is negative and is further evidence of an environment where the consumer is under significant pressure and the business environment is less favourable than it once was.

Australian GDP Growth



Source: Australian Bureau of Statistics

Valuations & Trading Volumes in Emerging Companies (<$500 Million Market Capitalisation)

As a specialist fund manager since 2004, NAOS believes that it has never been tougher to invest in emerging companies with a market capitalisation of <$500 million. In NAOS' view this has been driven by:

- A sharp increase in the risk-free rate;
- Continued growth in passive investing strategies;
- Outflows in active management strategies; and
- A volatile (and unpredictable) macro environment due to the COVID pandemic stimulus followed by more restrictive policy settings from government and the RBA together with high inflation.

The outcome of these drivers has seen:

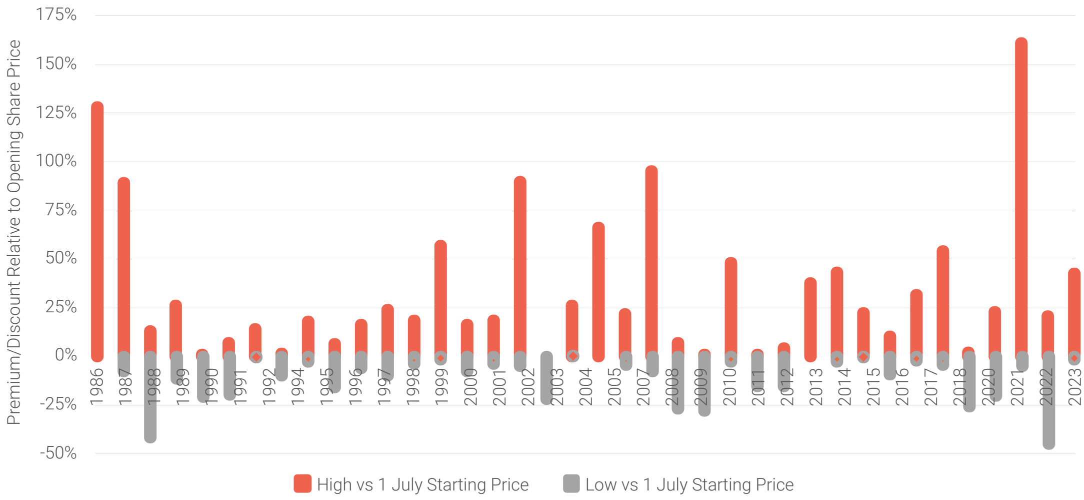
- A more volatile earnings environment for emerging companies;
- Increasing valuations for large and liquid listed businesses;
- Decreasing valuations for small and illiquid businesses; and
- A significant decrease in trading volumes for small, listed businesses.

Investors want more certainty and predictability and are willing to pay whatever price is required to achieve such an outcome. This has led to two noticeable outcomes:

- Firstly, the re-rate for large businesses such as Commonwealth Bank which remains close to record highs despite no earnings growth; and
- Secondly, the continued demand for liquid software related businesses which have been able to provide strong revenue growth regardless of the macro-economic environment.

Short term volatility has increased (albeit positively and negatively). But as we stated in our National Investor Roadshow last year, this is not a new experience and in fact the yearly trading ranges of many successful listed businesses can be extremely volatile with significant negative share price reactions, especially early on in their journeys. For example, the chart below shows the yearly trading range of the Reece Ltd (ASX: REH) share price for each year since 1986. On 9 occasions the share price of REH fell by over -20% in those years compared to its starting share price (or 23% of every year since 1986). Even with these negative fluctuations the REH share price has provided a per annum return (excluding dividends) of 13.56% from 1986 until the end of CY23.

Reece Limited - CY Share Price Trading Range



Source: Factset

Long Term Outlook & Reason for Optimism

Even for the world's most successful investors, investment decisions can often be influenced by emotions which in turn can drive a short-term outlook on returns. Investors must put these emotions to one-side and focus on the original thesis and in our case at NAOS, we are reminded of both the strong industry tailwinds that should drive earnings growth, as well as the unique characteristics they each exhibit which should, in our view, lead to outsized shareholder returns for our investee companies. Set out below are some of the key structural tailwinds and unique business characteristics for our core investee companies which underpin our belief that a strong return on investment can be achieved with a long-term outlook.

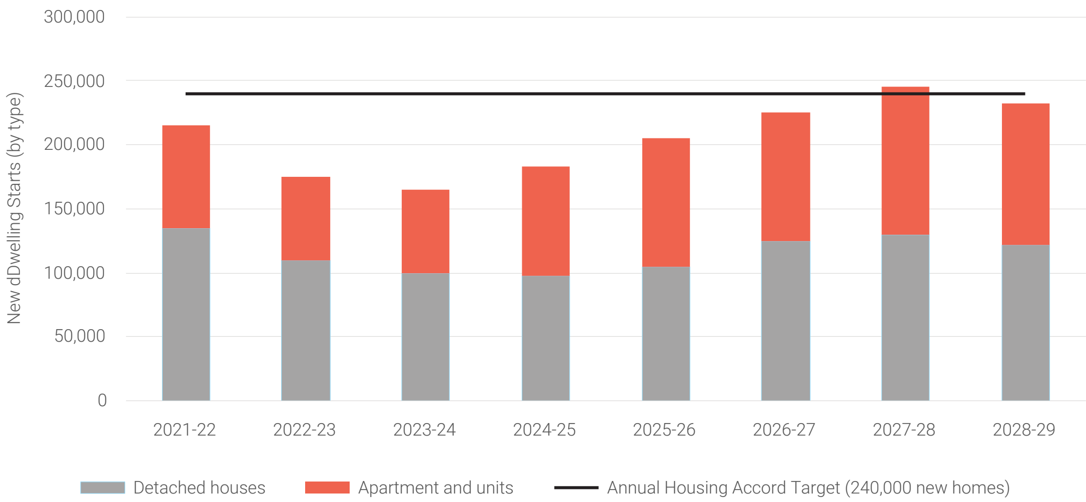
BIG RIVER GROUP (ASX: BRI)

Structural Tailwinds

Housing shortage

It would now be common knowledge for most readers that Australia is in the midst of one of the worst housing shortages in living memory. A rising population together with changing demographics and wage inflation has increased demand at a time when supply is reduced. Property developers are facing cost headwinds and financing challenges together with government red tape. As the chart below indicates, the number of new homes built by FY26 will increase but will remain below the 10-year average. Additionally, when including both houses and multi-residential dwellings, the number will fall significantly short of the Federal Government's target of 240,000 homes per year as part of the plan to build 1.2 million new homes over the five years leading up to June 2029. BRI has significant leverage to this thematic as ~40% of their revenue is related to residential construction.

New Dwelling Starts (by type)



Source: Masters Builders Australia, ABS

Commercial pipeline

We estimate there are ~19 new hospitals expected to be built nationally over the next few years with very few, if any, of these projects currently out of the ground and in construction phase. When you overlay other projects such as the Brisbane Olympic Games in 2032, the outlook for commercial construction work is significant albeit one that has had numerous delays.

Fragmented market

BRI operates within two industry subsets that are both highly fragmented. Within the trade focused building materials division, there are thousands of independent operators many of whom do not have a succession plan which BRI could therefore consolidate with over time. Bunnings (owned by Wesfarmers) and Mitre10 (owned by Metcash) do operate within this trade space, but we believe they are focused on gaining further exposure to large home building companies. In the panels division, the market is fragmented, with few competitors having a large distribution footprint or pursuing a consolidation strategy. This makes BRI a logical fit for many independent operators who want to realise some value for their businesses, which have often been built over many decades with valuable longstanding customer relationships.

Company Characteristics

100-year-old history & national network

BRI was founded over 100 years ago in the mid-north NSW coast. This history is important as it has built brand awareness with many construction and building firms across the country. Over this period of time, BRI has also been able to build out its network of distribution centres, as well as its product offering. This network and product depth gives BRI a unique competitive advantage to continue to grow its current customer relationships.

Diversification

BRI not only sells a broad range of trade focused building products, but it is also one of the largest distributors of panels (residential and commercial) which are used by many of the >10,000 joiners and cabinet makers in Australia. This gives BRI a unique diversification into many subsets of the construction industry as panels are used in many commercial applications such as shopping centres and schools.

Profitable distribution business model with minimal capital requirements

While BRI is exposed to cyclical factors around housing and construction, it is imperative to point out that the BRI business is profitable and one that requires minimal capital outside of working capital and for accretive acquisitions. This enables the business to be self-funding whilst paying dividends to shareholders even in tougher economic times such as the one we are in currently in.

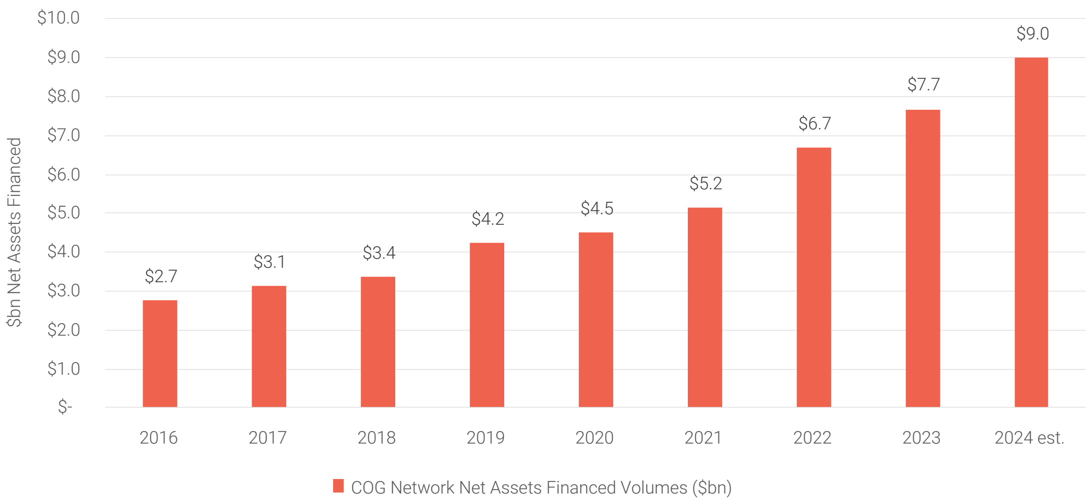
COG FINANCIAL SERVICES

Structural Tailwinds

Growing share of finance brokers vs. direct to bank

Finance brokers, in a similar manner to mortgage brokers, continue to take market share away from the banks, as the banks continue to reduce their distribution capability. COG is the largest finance broker and aggregator in the marketplace and should be able to grow organically as the brokers it owns and those that aggregate via COG continue to take market share. As per the chart below, COG has been able to grow its Net Assets Financed (**NAF**) consistently since 2016 and is now a dominant player in the market.

Distribution Footprint Growth - COG Network Net Assets Financed Volumes ($bn)



Source: COG Financials, NAOS

Demand due to infrastructure, green energy and housing spend

Many of COG's clients are directly participating in industries with structural industry tailwinds that we expect to continue for many years. COG secures financing for vital equipment that facilitates development and spending across housing and infrastructure including being at the forefront of the green energy transition as Australia turns off its greenhouse gas emitting energy infrastructure and moves more towards green energy.

Transition to electric vehicles

A tax efficient way for a consumer to transition to and own an electric vehicle is via a novated lease. Australia continues to be a laggard compared to most developed nations with just 1% of the current light weight vehicles on the road being electric[1]. As electric vehicles increase in range and decrease in price, together with a more geographically spread charging station network, we expect the uptake of electric vehicles to accelerate, and benefit novated leasing providers such as COG.

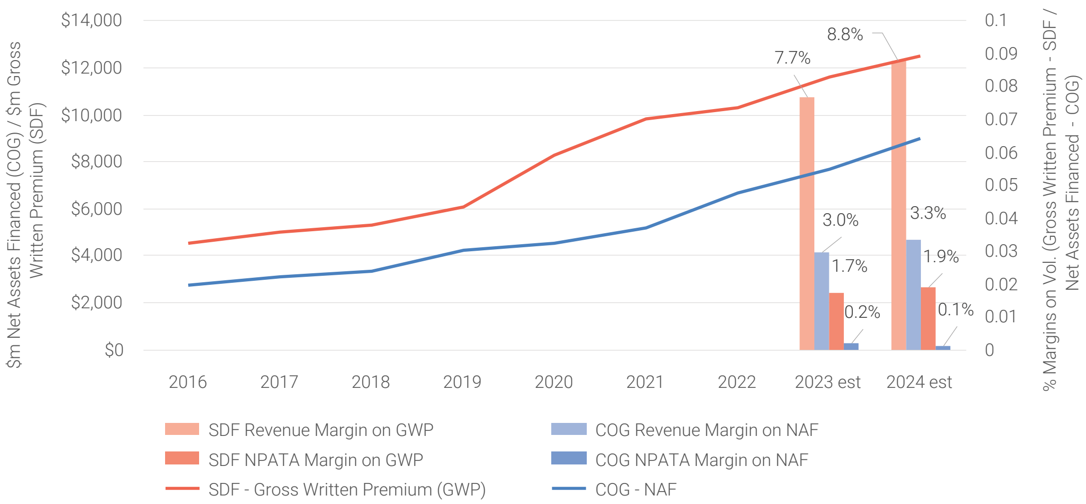
1 Australian Electric Vehicle Industry Recap 2023 – Electric Vehicle Council

Company Characteristics

Largest finance broking aggregator and owner by a considerable margin

COG will finance or aggregate ~$9 billion of finance via its network in FY24. As a comparison, we believe AFG Group (ASX: AFG) will finance <$2 billion in FY24. This scale gives COG a unique competitive advantage as COG becomes a very important client for funders such as the Big-4 banks and non-bank lenders such as Pepper Money (ASX: PPM). It also gives COG the financial power to reinvest into more effective systems and more automated processes for their broking clients and allows them to offer other products outside of pure asset finance.

COG Vs. Steadfast (ASX: SDF) - Margins Generated from Network Broking Volumes



Source: SDF Financials, COG Financials, NAOS

"Clip The Ticket" business model with minimal capital requirements & strong free cash flow

The entire business model, whether it's finance broking, asset management or novated leasing is executed through a "clipping the ticket" business model. This ensures that COG has excellent free cash flow generation as well as minimal capital requirements outside of spend on IT systems as well as for accretive acquisitions.

Ability to cross sell asset finance, mortgages, insurance & financial planning

We estimate that COG has >10,000 active SME clients across its network. Currently, COG's clients are primarily only being offered asset finance broking, however, may be purchasing insurance policies and obtaining commercial mortgages through other suppliers. In time, we expect COG to be able to cross sell its wider product suite which it has kick-started via its majority owned insurance broking business and more recently its mortgage asset management business, Equity-One.

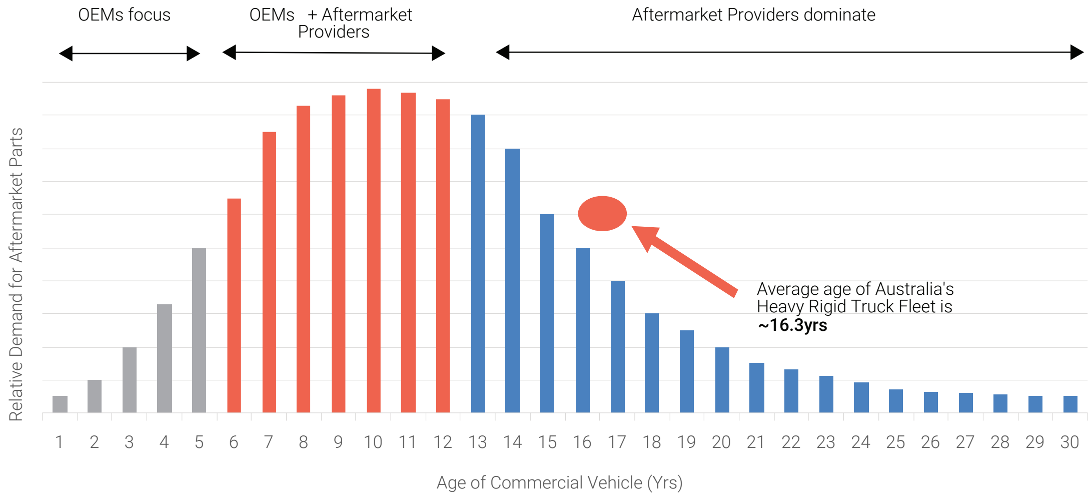
MAXIPARTS (ASX: MXI)

Structural Tailwinds

Aftermarket parts taking share off Original Equipment Manufacturer (OEM) parts

OEMs, as a general rule, are only interested in servicing and providing parts for trucks with an age of <5 years. As the truck continues to age, in addition to the increased effects from wear and tear, the need for parts increases. The owners of these trucks will then look for an alternative to a traditional OEM part due to factors such as reliability, cost and availability. This is a significant tailwind for MXI as the truck fleet in Australia continues to age and truck owners become more accustomed to using aftermarket parts.

Demand For Commercial Vehicle Aftermarket Parts In Australia
OEMs: Original Equipment Manufacturers
Aftermarket Provider: secondary manufacturers of replacement parts & accessories

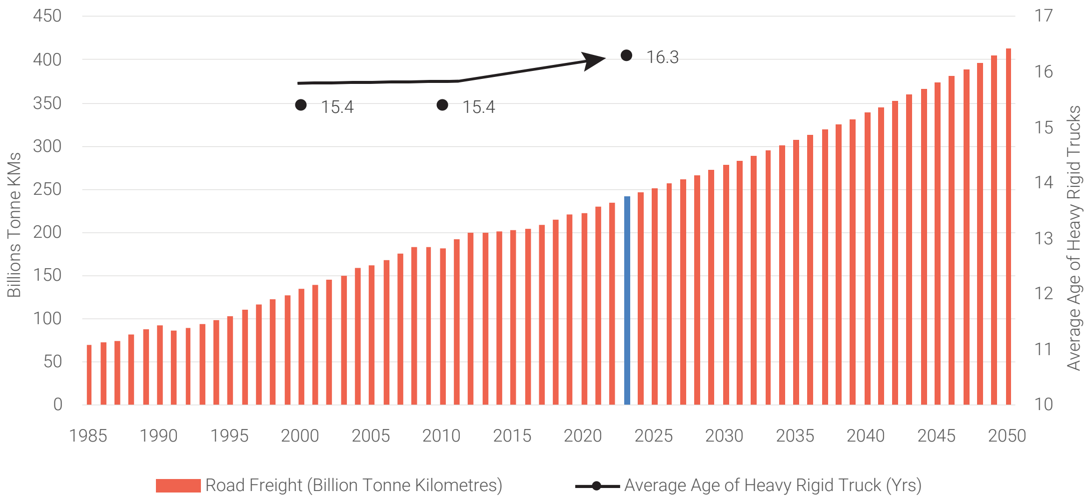


Source: Supply Network, NAOS

Increasing number and usage of trucks in Australia

As Australia's population continues to increase, the requirement for goods to be transported around the country to meet these needs also increases. As per the chart on the following page, Australia's truck fleet is transporting more freight than ever before, and with an average truck age that continues to increase, this should continue to drive demand for truck parts to ensure these trucks can continue to move freight in a safe and reliable manner.

Australia's Ageing Truck Fleet Is Being Tasked With Transporting More Freight



Source: Bureau of Infrastructure & Transport Research Economics, NAOS

Company Characteristics

National distribution business

Following the acquisition of Independent Parts, MXI is now a national business. This gives it the ability to deal with clients who require a national footprint partner. MXI has been able to increase its scale, offering a broader range of products that are not just focused on trailer parts (where MXI started), but it has moved into Japanese aftermarket parts and American parts for the 'front of a truck' (including the engine). This enables MXI to have a deeper relationship with its customers, along with an increasing margin profile over time. MXI is now also the exclusive distributor of Forch products for automotive applications which provides MXI with another unique product set to cross sell to its existing customer base.

Cottage industry with consolidation & organic growth opportunities

We estimate the truck parts market at ~$2 billion p.a, of which Bapcor Ltd (ASX: BAP), Supply Network Ltd (ASX: SNL) and MaxiParts Ltd (ASX: MXI) command circa 30% of the market. This highlights two key opportunities for MXI, the first of these being to continue to take market share away from both OEMs and independent operators, and secondly to execute smaller bolt on acquisitions which fulfil a geographic and/or product gap in the MXI stable.

Strong FCF generation aided by historical tax losses

As a pure play distribution business, MXI should be an excellent operating cash flow generator. It has a minimal capex profile outside of new store openings and has the added advantage of large carried forward tax losses to utilise in future years (due to the manufacturing business which was divested). We expect MXI to be in a net cash position within the next 12-18 months and open up the opportunity for capital management and/or strategic M&A.

MOVE LOGISTICS (ASX/NZX: MOV)

Structural Tailwinds

Long term population growth in New Zealand

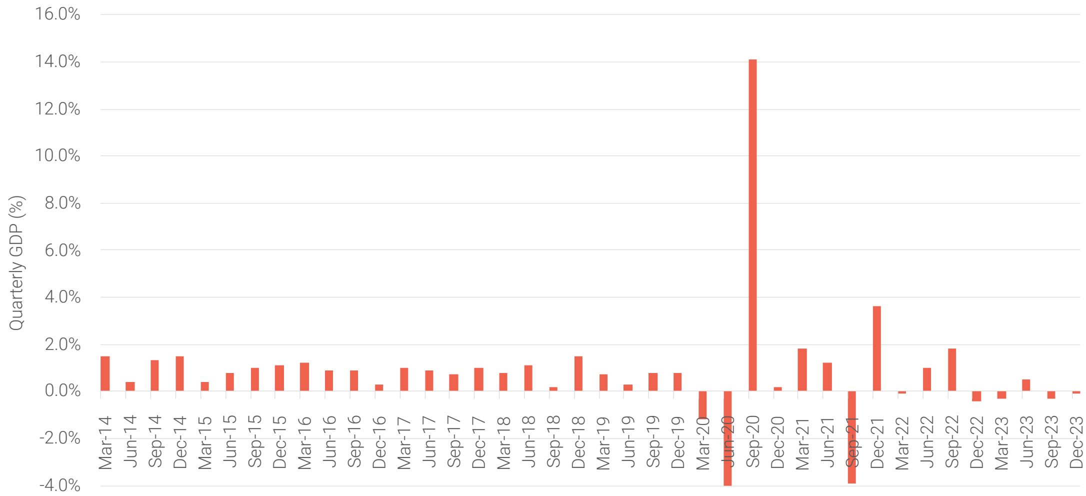
New Zealand is currently in a recession but up until COVID-19, New Zealand would have been considered one of the most desirable countries in the world to live. Aside from location and natural environment, it has no capital gains tax and a low-income tax rate compared to many other OECD countries. In our view, such factors will drive renewed immigration into New Zealand especially with the revised immigration rules which will assist the economy in the short and long term and drive GDP growth. As per the chart below, GDP growth in New Zealand has been negative for all bar one quarter since CY2022.

New Zealand Quarterly GDP

Source: Statistics New Zealand

But when taking a longer-term perspective, the GDP growth of New Zealand prior to the onset of COVID was remarkably consistent with not one negative quarter between CY2014 and the end of CY2019. We expect such a trend to resume in the not-too-distant future which would provide MOV with a more accommodative macro backdrop to continue to execute on its stated strategy.

New Zealand Quarterly GDP - Long Term Analysis

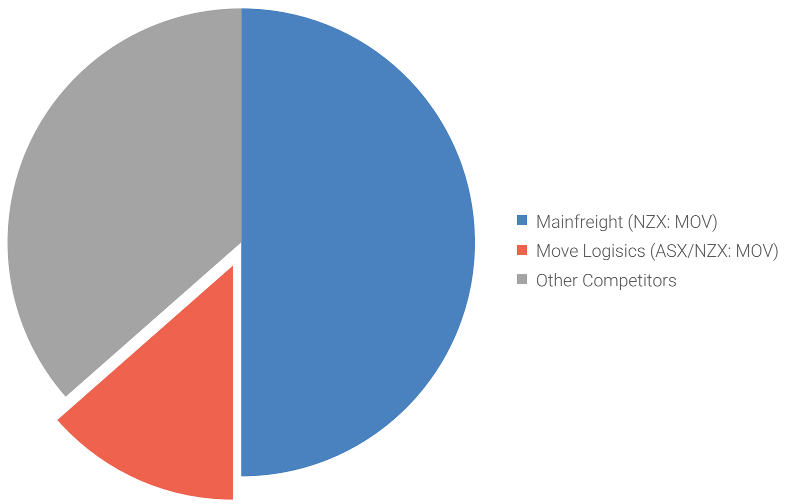


Source: Statistics New Zealand

No clear competitor/alternative to Mainfreight

In New Zealand, the domestic logistics market is dominated by one player being Mainfreight Ltd (NZX: MFT). As per the chart below, MFT has circa 50% market share within the domestic freight market due to its excellent service offering and execution. In light of its market dominance, we believe that the market is ripe for a competitive #2 player which can provide a genuine alternative to MFT. The opportunity for MOV to be that strong #2 player is very real in our view. Longer term, as the New Zealand economy recovers, and consumers and businesses alike require goods to be transported all over the country, we expect demand for services such as 'less than container load' freight will only continue to increase over the long term.

~$3 Billion New Zealand Freight Market



Source: Wholesaleinvestor.com & NAOS Estimate

Company Characteristics

$350 million revenue base

MOV already has the necessary scale and client base to build off, as well as a new executive management team and Board. In our view, an easier route for success for a logistics business starts with a large but breakeven revenue base rather than trying to establish client relationships. When you consider MFT achieves ~5-6% NPBT margins within its New Zealand division, this provides plenty of opportunities for MOV to drive bottom line margin profitability.

National footprint with strong regional presence

What makes MOV a unique investment proposition is that with ~$350 million in revenue and 40 branches across New Zealand, arguably its weakest offering is in the North Island and specifically Auckland, which would be the largest freight market in New Zealand by a significant margin. MOV has a strong presence when it comes to servicing the regions with outbound freight from regional centres, but it does not have the same critical mass or client base when it comes to taking freight to these regional centres. When you take into consideration that, as an example, New Zealand imports 90% of their building materials and >90% of domestic freight volume is transported by road, there should be ample scope to fill its network with reasonable work and increase the utilisation off a very low base.

Proven executive team

In our opinion, while MOV's current financial outputs may appear lacking, this is more than compensated for by the extensive experience of its executive team and Board. MOV is led by Craig Evans who was the former GM for MFT, New Zealand, together with a GM of People & Culture, CIO and GM of Sales, who all held notable executive roles at MFT. The business has gone through a complete overhaul both at an executive level and board level, but we firmly believe that MOV is punching well above its weight when it comes to the capability of its people. As the financial results of MOV begin to improve, so should its industry recognition, which we believe will attract further talent to MOV.

SUMMARY

In recent weeks we have fielded various queries from shareholders. One query has been whether the decline in recent performance has been driven by one particular investment. Although the NAOS LICs hold concentrated positions, the decline in performance is not attributable to one investment. Rather, it has been driven by share price falls in some of our largest investments which in a concentrated portfolio can have an outsized effect on the NTA movements of the applicable NAOS LIC. Another query has been our conviction to our investments and the underlying "health" of these businesses. We remain of the highest conviction that our investee companies will come out of this economic downturn in a manner that will enable them to capitalise on the opportunities that arise in a more buoyant environment, With the exception of MOVe Logistics (ASX: MOV) (which is cash flow positive) and Urbanise.com (ASX: UBN) (which we expect to be cash flow positive in FY 25), the largest investments across the NAOS LICs all have sound balance sheets and are lowly geared or have net cash positions and are profitable and cash generative.

Emerging companies have significant leverage on the upside as well and its imperative that we as investors do not forget this in times such as the ones we are in today. Our investee companies are exposed to favourable trends and this provides the potential for significant long-term returns.

The NAOS team remains committed to not only restoring value but also compounding capital at a satisfactory rate over the long term. We believe that this achievable over the long-term and to further increase our alignment with the shareholders of the NAOS LICs, NAOS as the investment manager recently committed to reinvest a portion of its management fees into buying the shares of each applicable NAOS LIC.

There is no doubt that the 2H of CY24 will continue to be challenging for many businesses but as many of us know, once there is even a glimmer of light at the end of the tunnel, share prices will re-rate in advance of any actual economic recovery.

The NAOS team thanks all shareholders for their continued support. Please don't hesitate to contact me directly on (02) 8064 0568 should you have any questions.

Kind regards,

Sebastian Evans

Managing Director and Chief Investment Officer
NAOS Asset Management Limited

(02) 9002 1576 enquiries@naos.com.au **www.naos.com.au**