



4 February 2025

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

## Q2 FY25 Investor Update and Q&A - Presentation Materials

Please find attached the presentation materials for the Q2 FY25 Investor Update and Q&A to be held by NAOS Asset Management Limited today at 10:30am (AEDT).

Authorised by:

Rajiv Sharma  
Company Secretary



# NAOS

## ASSET MANAGEMENT

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Q2 FY25 Investor Update and Q&A

Tuesday 4th February 2025 | 10:30am (AEDT)

Certified



Corporation



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# Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

# We are NAOS

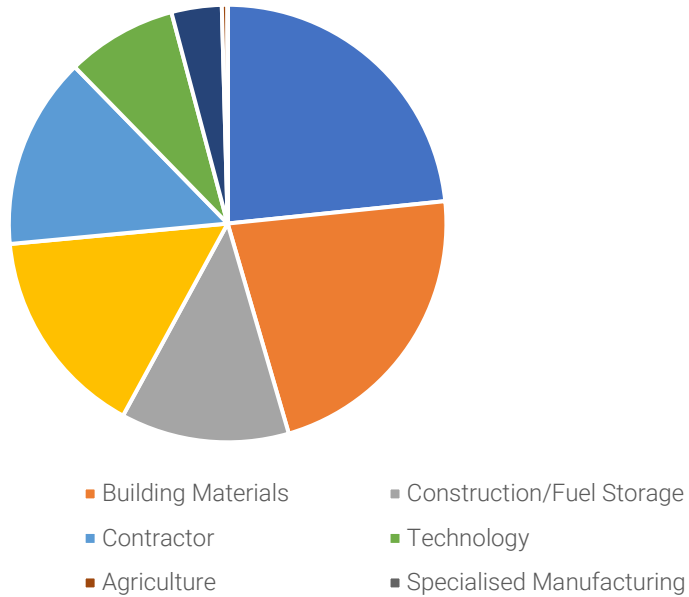
We are active, long-term investors in emerging companies. Our aim is to compound shareholders' capital and deliver dividend growth over the long-term and we have a resolute commitment to investing our capital alongside our shareholders.

With a focus on quality over quantity, we predominantly take significant minority shareholdings (10%-35%) in our investee businesses to support the execution and achievement of their long-term goals.

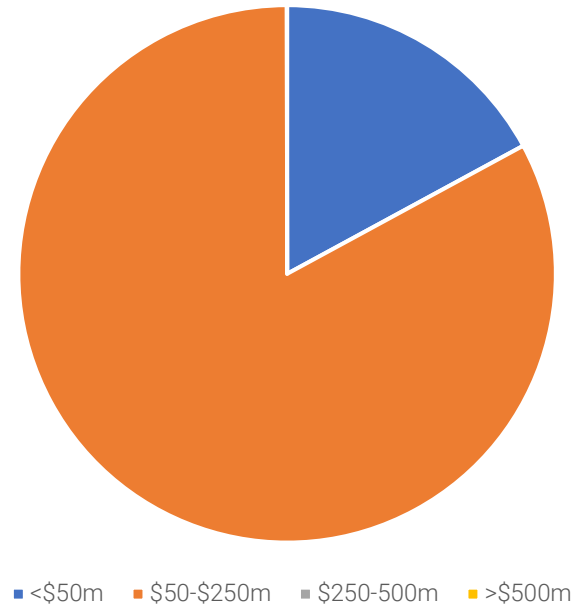
# Portfolio Composition – Emerging Companies

The NAOS LICs have exposure to emerging companies with unique moats, often benefiting from structural industry changes.

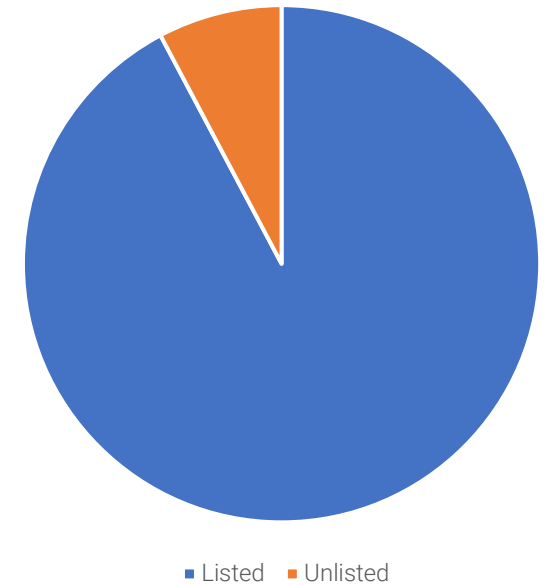
Industry Exposure



Market Capitalisation Buckets

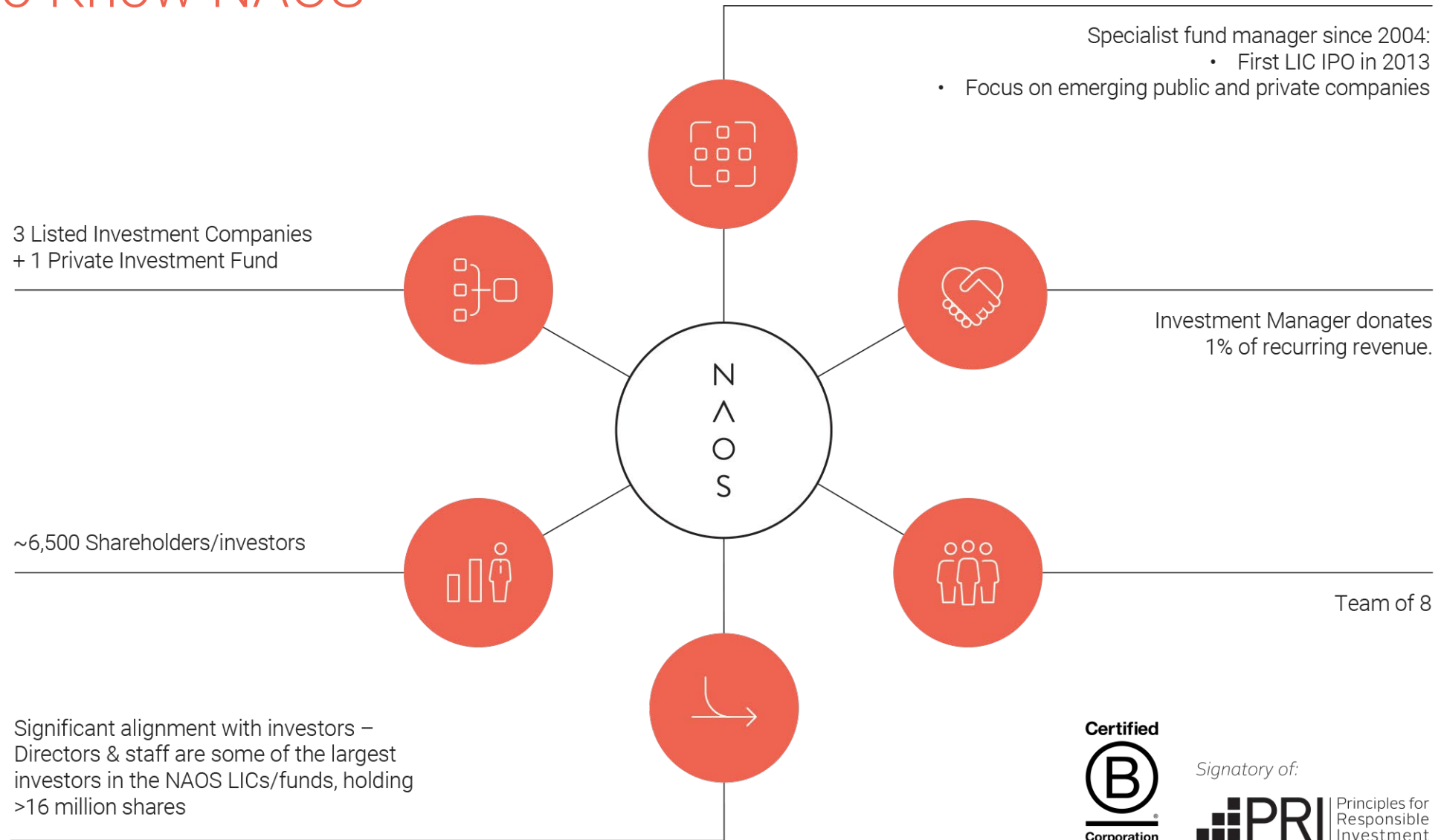


Investment type



Source – NAOS (as at 31 December 2024)

# Get to Know NAOS

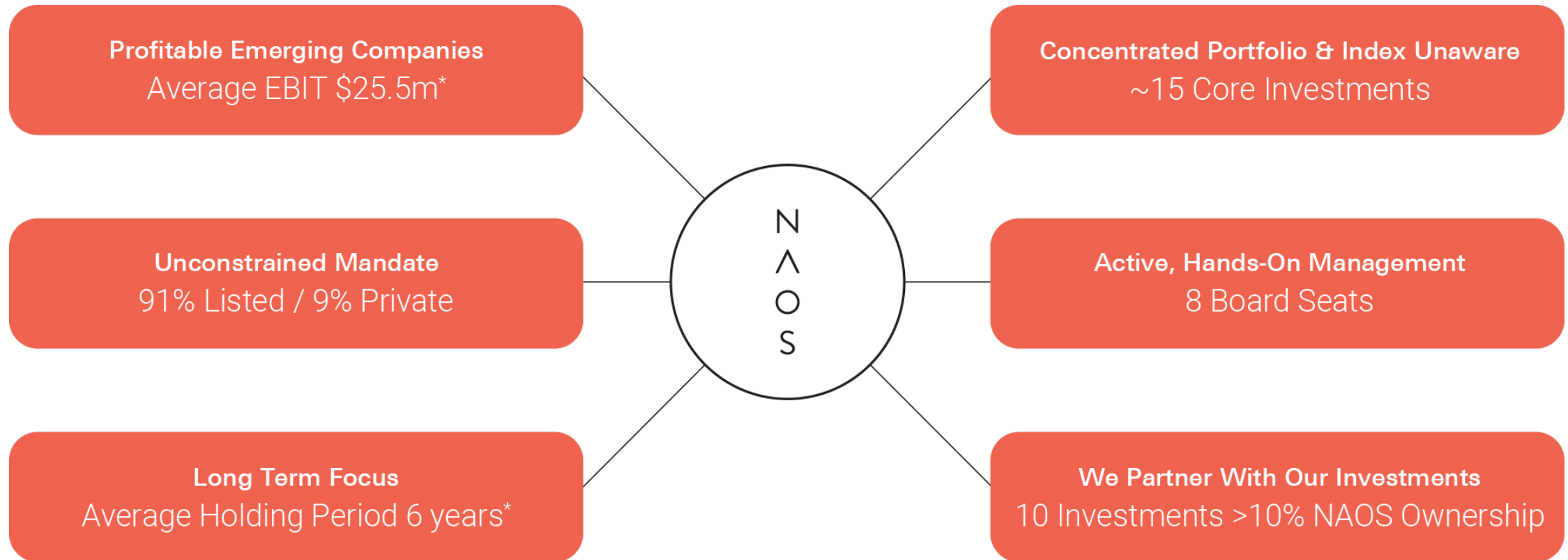


Signatory of:





# How We Invest & Why We Are Different



\*Portfolio Weighted Average Calculations as at 31 December 2024



# Investment Portfolio Performance Summary

	Q2 FY25 Performance		1 Year Performance		3 Year Performance (p.a.)		5 Year Performance (p.a.)		Inception Performance (p.a.)	
	NAOS LIC	Benchmark <sup>^</sup>	NAOS LIC	Benchmark <sup>^</sup>	NAOS LIC	Benchmark <sup>^</sup>	NAOS LIC	Benchmark <sup>^</sup>	NAOS LIC	Benchmark <sup>^</sup>
NCC Investment Portfolio Performance*	+3.28%	-1.01%	-12.18%	+8.36%	-12.92%	-1.57%	-2.85%	+4.01%	+5.91%	+5.34%
NAC Investment Portfolio Performance*	-1.02%	+2.23%	-29.42%	+21.22%	-18.11%	+7.73%	-3.14%	+8.33%	+5.17%	+8.38%
NSC Investment Portfolio Performance*	-4.31%	-1.01%	-17.61%	+8.36%	-12.98%	-1.57%	-1.32%	+4.01%	-0.96%	+4.78%

\*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 2024.

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

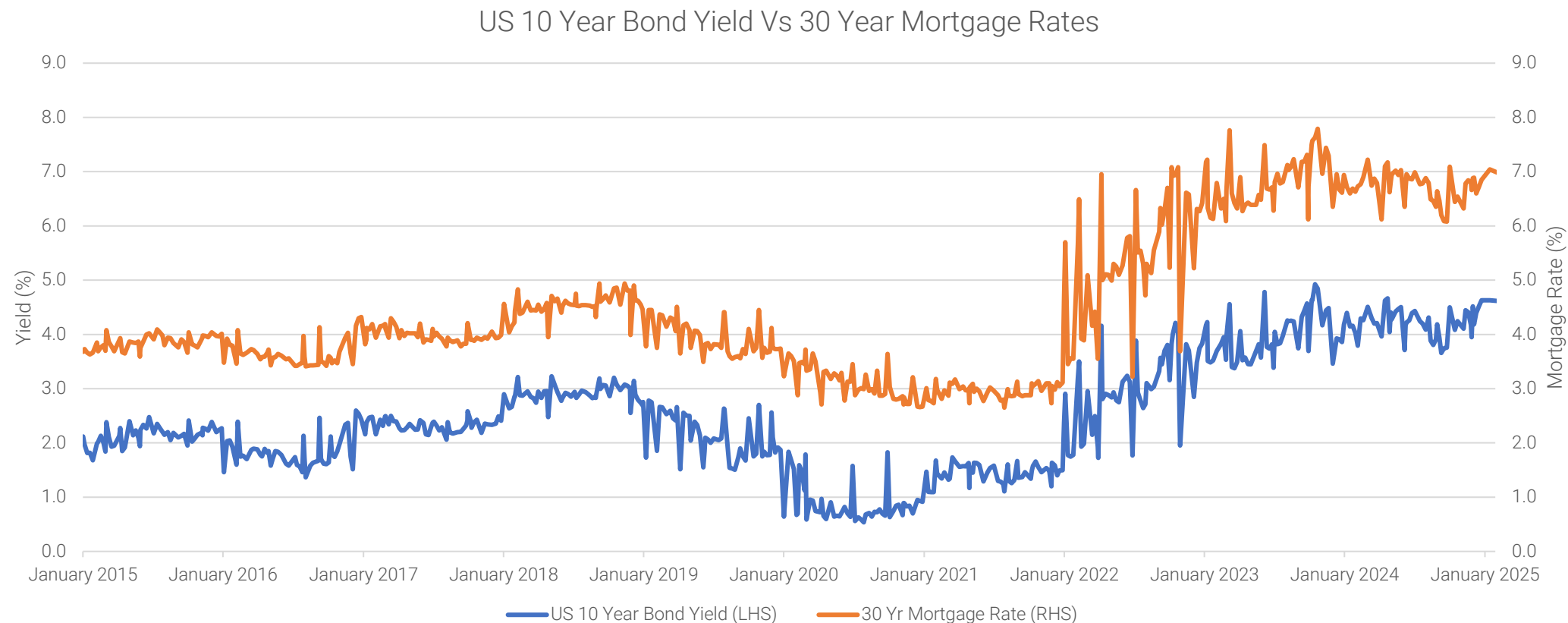
# Q2 FY25 –Overview & Summary

An eventful end to 2024 with the following notable events occurring:

- Donald Trump voted in as US president.
- US Federal Reserve cut interest rates by 100 basis points (albeit with a recent hawkish outlook).
- Annual General Meetings (AGMs) held for many listed business with trading updates.
- NZ GDP fell by -1% for Q3 and was revised down to -1.1% for Q2.
- Domestic annual inflation fell to 2.8% - the lowest level since Q1 2021 (assisted with subsidies).
- AUD fell to <\$0.62 against the USD.
- Bitcoin increased to >\$100,000 USD.
- Government deficits are leading to sizeable bond yield increases i.e. UK and USA.

# Q2 FY25 –Overview & Summary

Bond yields in the US have started to increase once again, leading to fixed mortgage rates of >7%

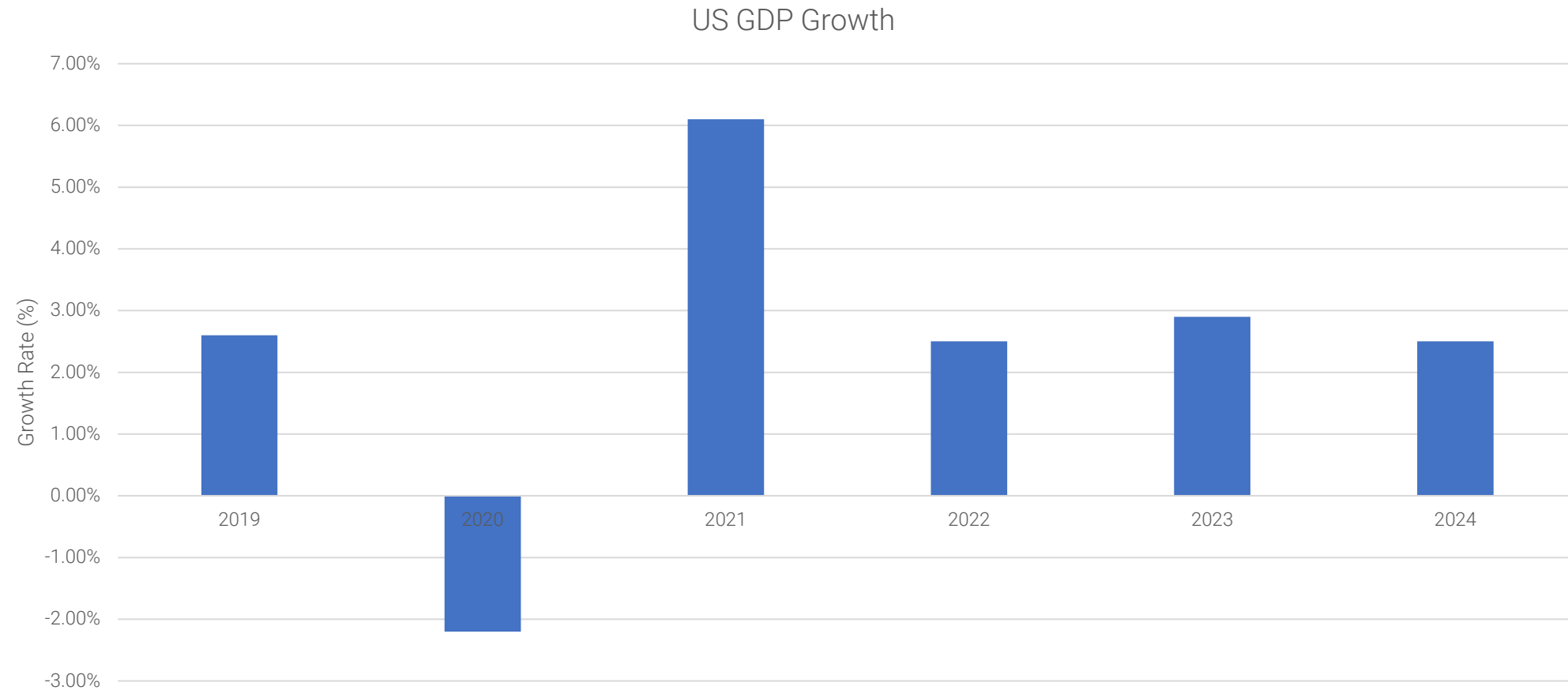


Source – Koyfin, Federal Reserve Bank of St. Louis



# Q2 FY25 –Overview & Summary

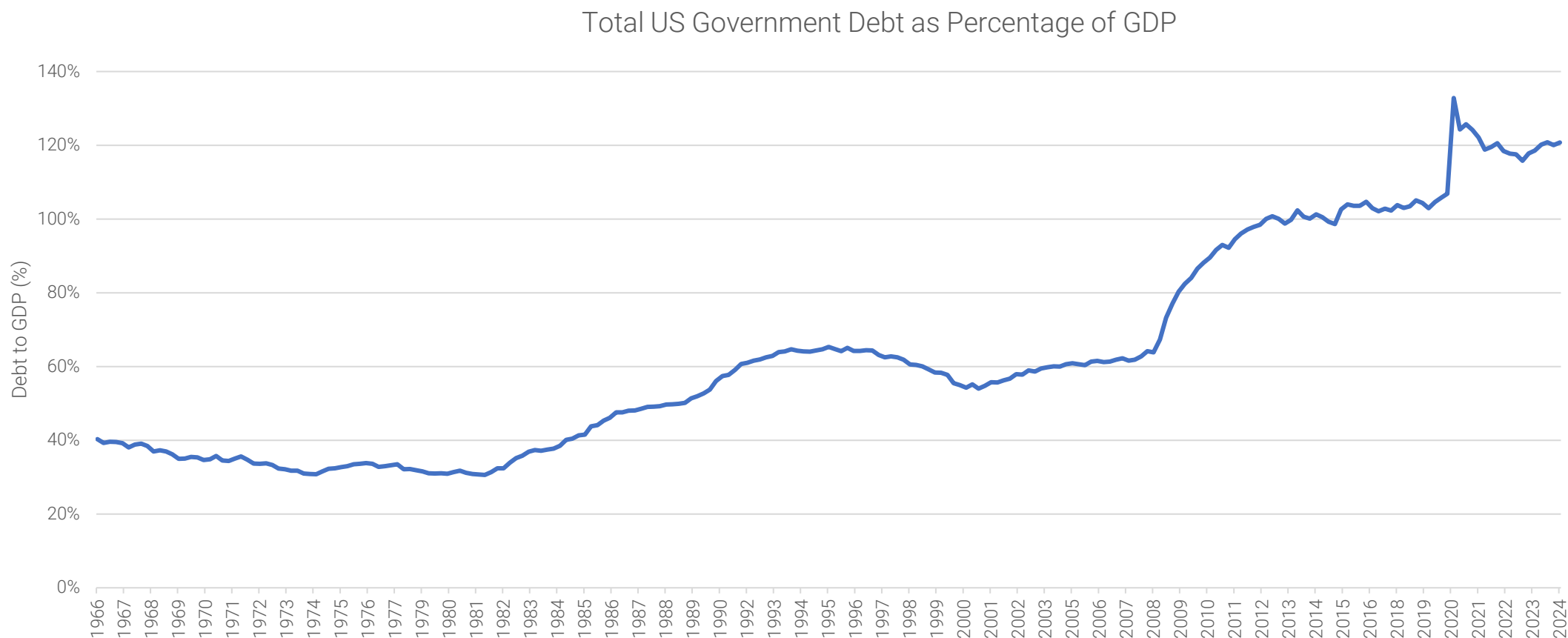
But for now, growth in the world's largest economy remains highly resilient



Source – Trending Economics

# Q2 FY25 –Overview & Summary

With near record high debt to GDP levels, it's hard to see how potential tax cuts and/or increases in US government spending can be enacted in the short term.



Source – Trending Economics

# CY24 Equity Market Returns

- CY returns in domestic equities driven >90% by valuation increases and dividends with negligible profit growth.
  - S&P/ASX-100 Accumulation Index +11.7% (-0.8% Q4)
  - S&P/ASX Small Ordinaries Accumulation Index +8.4% (-1.0% Q4)
- Notable sector performance within the XSOAI for CY24
  - Financials +34.6% (driven by fund managers, BNPL, investment platforms)
  - Healthcare +24.7% (biotechnology (MSB +900%), Chemist Warehouse via SIG +163%)
  - Gold +27.2% (due to geopolitical uncertainty).
  - Lithium & Rare Earths names very weak with many down -50% - -80%
- In the US, 56% of the CY24 returns for the S&P 500 were driven by the Magnificent Seven.
  - S&P-500 +23.3% (+2.1% Q4)
  - Nasdaq +28.6% (+6.2% Q4)
  - Magnificent 7 +66.9% (+16.8% Q4)



# CY 24 Equity Market Returns

- Flow of passive money continued in CY24, pushing valuations to record levels for bank shares especially relative to their respective growth profiles.

Ticker	Company Name	Market Cap (\$bn)	1 Year Total Return	EPS Growth - 1 year	EPS Growth - 5 Years (p.a.)	P/E
ASX: CBA	Commonwealth Bank	\$261.4	42.14%	-0.29%	5.24%	27.57
ASX: CSL	CSL Ltd	\$132.4	-5.43%	20.21%	5.21%	31.31
ASX: NAB	National Australia Bank	\$119.5	29.89%	-4.24%	2.38%	17.06
ASX: WBC	Westpac Banking Corporation	\$112.3	48.95%	-2.14%	1.69%	16.30
ASX: MQG	Macquarie Group	\$90.5	33.93%	-32.28%	22.24%	24.41
ASX: ANZ	ANZ Group Holdings	\$89.9	20.45%	-8.09%	6.54%	13.84
ASX: WES	Wesfarmers Ltd	\$82.7	30.51%	3.63%	6.91%	32.29
ASX: GMG	Goodman Group	\$72.4	58.75%	14.15%	-	32.12
ASX: RMD	ResMed Inc.	\$57.1	50.61%	13.38%	17.63%	30.76
ASX: TLS	Telstra Group	\$46.3	3.68%	-15.56%	-4.89%	28.36
ASX: ALL	Aristocrat Leisure	\$44.3	61.65%	-7.95%	15.43%	34.46

Source – Bloomberg

# The NAOS Perspective

- The downgrade cycle for many businesses over the past 2-years should subside in February reporting season.
- We expect to see signs of earnings growth in emerging companies:
  - Cost initiatives often take 12 months to flow through to tangible earnings benefits.
  - Customers adjust to current trading environment and subsequent ordering cycle normalises.
  - M&A becomes attractive as vendor expectations adjust.
  - Pricing environment exhibits less volatility as the competitive landscape becomes more rational.

# The NAOS Perspective

- The macro environment may prove beneficial for our investments:
  - A lower risk-free rate could lead to renewed investor demand for emerging companies.
  - Reducing and stabilising inflation allows businesses to more effectively manage costs.
  - A stable economic environment may encourage management teams to move forward on growth strategies, including M&A.
  - Increased consumer spending post one or more interest rate cuts.





## Darc Rasmussen

- Non-Executive Director at Objective Corporation (ASX: OCL) and Gentrack Group Limited (ASX: GTK).
- Board Chair at Urbanise.com (ASX: UBN)

**Objective**

 Urbanise

 gentrack



Strata

# Australian Strata Market Dynamics

4 February 2025



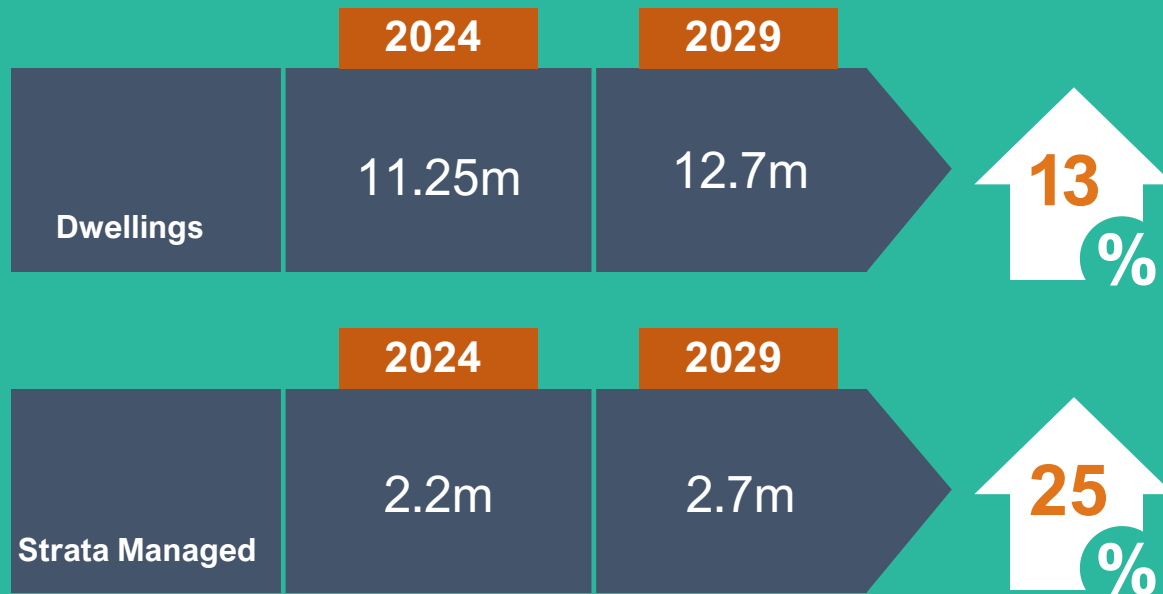
# Agenda

- 1 – Strata Growth Drivers
- 2 – Industry Challenges
- 3 – Inflection Point Opportunity

# Industry Organic Growth 2024-2029 : 25%

Australia is one of the world's most urbanised countries, with 90% of the population living in cities.

## Housing Shortage Driving Growth



Additional  
**500,000**  
Strata Managed  
Dwellings by **2029**

**25%**  
GROWTH

**4.7%**  
Over 5 Years  
annualised growth



# Strata Banking Market

~\$9.6+  
Billion

Strata Funds  
Deposits



~\$19.3+  
Billion

Strata Transactions  
per annum

## KEY PROFIT METRIC FOR BANKS Net Interest Margin (NIM)

1.7  
%

Average Bank NIM  
across all deposits

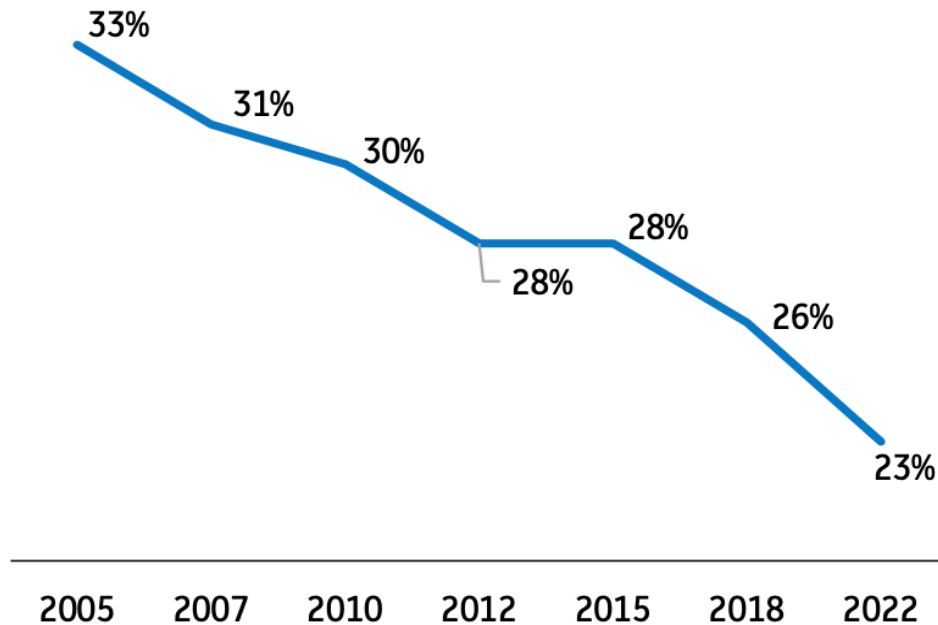
3  
%

Strata Funds NIM

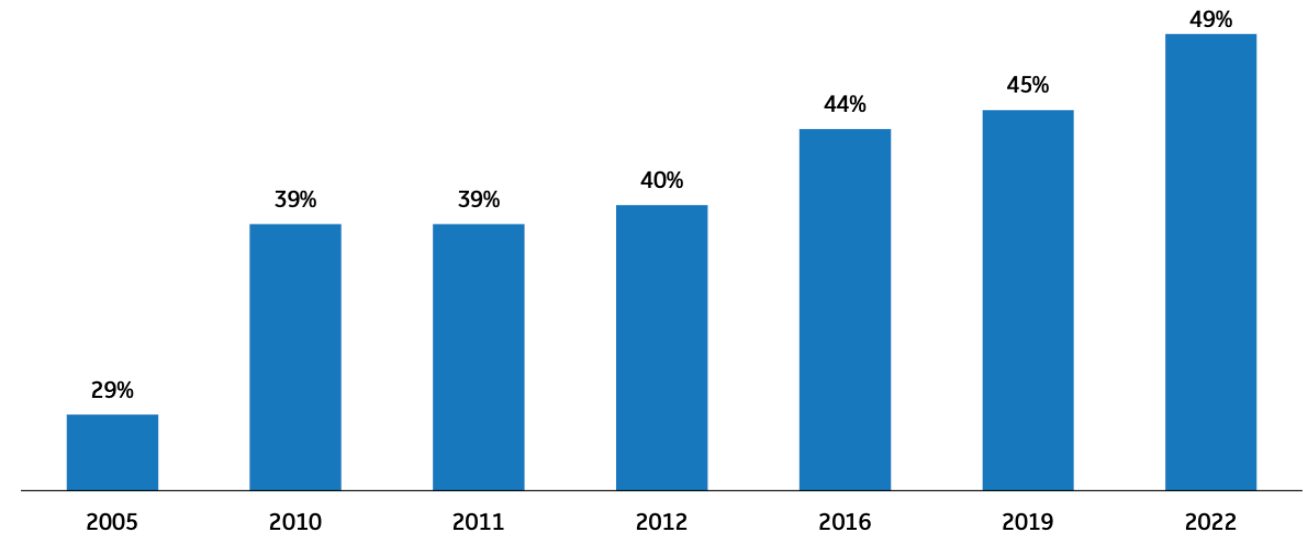
Growth in funds follow the organic growth in lots (~25% over 5 years) plus increased regulatory requirements and climate change repairs and upgrades.

# Industry Dilemma : Negative Marginal Returns

Average profit margin



Salaries as a % of total revenue



**Lots per FTE : 365 unchanged for 10 years = zero improvement in productivity**

# State of Industry Technology

## Technology in Strata

Strata Software

~60%

DOS/Windows On-premise  
based systems

Banking

100%

on 20+ year old payment  
& banking systems

Impacting:

Lack of Automation & Scaling capability

Work from home / Offshoring

Staff hiring costs, training, retention & turnover

Ability to service customers expectations  
(who benchmark to non-Strata services)

Falling Profit Margins  
through to Negative  
Marginal Returns



## Owners and Tenants



Owner and resident Community Portal with LIVE 24/7 self service access



Strata Manager

# Simplify, Automate, Self-Serve, Consolidate

## End-to-end Financial Management

Budgeting | Levy Management | Arrears Management | Banking Integration | Automated Reconciliation | Invoice Processing | Reports

## Day-to-day Strata Admin

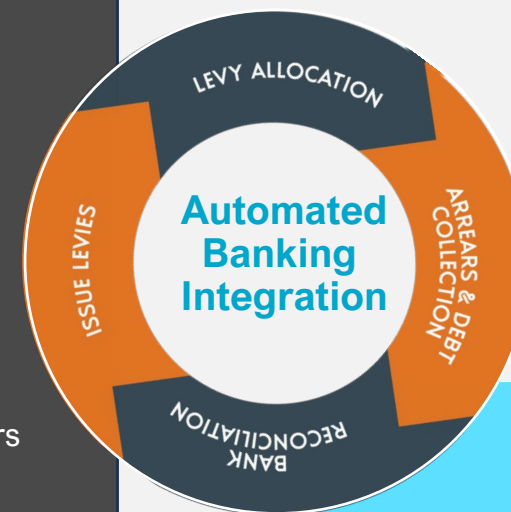
Management Agreements | Facilities Maintenance – repairs and maintenance | Conflict Resolution | Insurance | Owner/Resident Enquiries

## Meeting Management

AGM's | EGM'S | Committee meetings

## Compliance



Building | Supplier





## BANK

Each strata scheme maintains a bank account to receive levy payments from owners, manage accounts receivable, and process accounts payable.

# NAOS Investee Companies - Key Events Q2 FY25



HOLDING	INDUSTRY	Q2 UPDATE
 (ASX: BTC)	Health Care	<ul style="list-style-type: none"> <li>▪ Prescribed List reimbursement achieved for BTC's replacement infusion pump products (in place of the discontinued Avanos ambIT pumps). Allows for full reimbursement by private health insurers.</li> <li>▪ Entered exclusive distribution agreement with global medical device company Corcym. BTC assumes the running of Corcym's local cardio device operations. Immediate BTC profit contributor.</li> <li>▪ AGM update mentioned a "very positive start to FY25".</li> </ul>
 (ASX/NZX: MOV)	Transport & Logistics	<ul style="list-style-type: none"> <li>▪ Company owned 'legacy' vessel <i>Atlas Wind</i> sold for US\$1.1m. Oceans division now using a larger and more efficient vessel through a rental model.</li> <li>▪ Leadership reset continued. General Manager of Fuel &amp; Freight division and General Manager of Warehousing division appointed.</li> <li>▪ AGM update stated market conditions are still soft, but MOV is seeing gross margin expansion. Q1 FY25 gross margin % has grown 4 basis points Vs. Q4 FY24.</li> </ul>

# NAOS Investee Companies - Key Events Q2 FY25

HOLDING	INDUSTRY	Q2 UPDATE
 <p>(ASX: HNG)</p>	<p>Listed Investment Company</p>	<ul style="list-style-type: none"> <li>100% owned subsidiary Mountcastle completed merger with UK uniform company Schoolblazer Ltd. Schoolblazer vendors are now substantial shareholders with a board seat.</li> <li>Creation of a single Global Uniforms Division (GUS). Joanne Goldman appointed as CEO of GUS.</li> <li>FY25 Schoolblazer/Mountcastle integration &amp; synergy projects have commenced.</li> <li>HNG continue to assess further M&amp;A opportunities.</li> </ul>
 <p>(ASX: UBN)</p>	<p>Software</p>	<ul style="list-style-type: none"> <li>Q1 FY25 results delivered ~7% recurring revenue growth Vs pcg &amp; low churn.</li> <li>AGM approval for a new 3yr Board/Senior Management long-term incentive plan. AGM comments about company forecasts continuing to support achieving sustainable positive cash flow in FY25.</li> <li>Discussions continue with Colliers FM on settlement of previously announced contract termination dispute.</li> </ul>



# NAOS Investee Companies - Key Events Q2 FY25

HOLDING	INDUSTRY	Q2 UPDATE
 <p>(ASX: AMA)</p>	Automotive	<ul style="list-style-type: none"> <li>Balance sheet reset is complete.</li> <li>Q1 FY25 results in line with expectations. Turnaround in operating cash flow trajectory continues.</li> <li>ACM Parts division no longer a negative contributor to earnings. Sale process for this division remains ongoing &amp; expected to complete in the coming months.</li> <li>"Significant room for further improvement" remains in AMA Collision division.</li> <li>FY25 outlook for EBITDA (pre-AASB 16) is to be ahead of FY24.</li> </ul>
 <p>(ASX: WJL)</p>	Travel & Tourism	<ul style="list-style-type: none"> <li>ACCC commenced legal proceedings against WJL on "minimum price" social media marketing initiatives. This does not appear to relate to WJL's current fee disclosure or pricing practices.</li> <li>Regional Express received \$80m government funded short term bailout. More airlines, and more choice should be beneficial for WJL.</li> <li>1H FY25 results released. Underlying cash EBITDA down ~5% vs 1H FY24. International airfares &amp; ancillary revenues continue to proportionally increase = higher revenue per booking.</li> <li>~\$101m net cash balance sheet allows for capital management initiatives.</li> </ul>

# We Remain Highly Optimistic on The Long-Term Outlook

- **Recent AGM Updates**
  - Overall, AGM updates were positive, and we believe there has been an improvement for many of our core investments such as MOV, AMA, BTC, UBN and MXI.
- **February Reporting Season**
  - We expect the earnings downgrade cycle to conclude in February either via improved earnings and/or an improvement in outlook.
- **Corporate Activity**
  - Corporate activity has notably increased with examples such as Ahrens Group's stake in SND, and BTC acquiring the distribution rights Corcym in Australia and New Zealand.
- **Significant Catalysts in CY25**
  - Numerous catalysts which we believe may lead to significant re-rates in the share prices.

# We Remain Highly Optimistic on The Long-Term Outlook

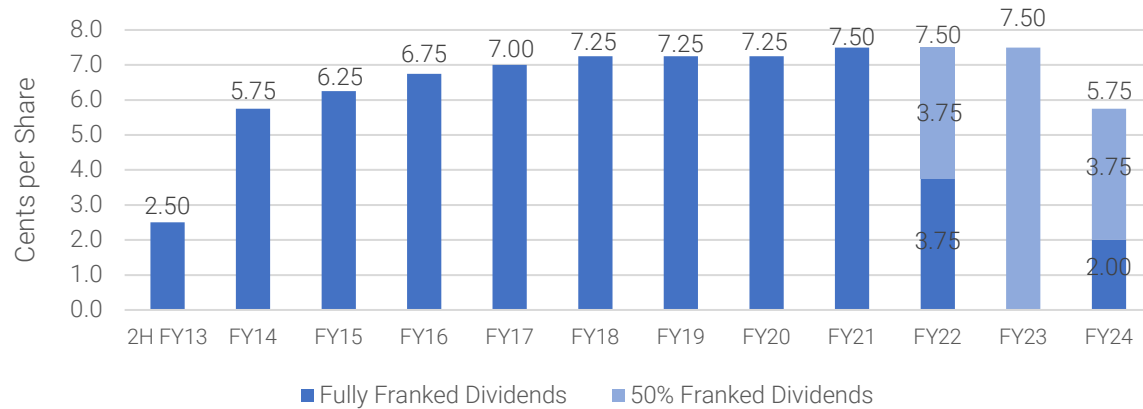
- **Potential Valuation Re-ratings**
  - Valuation multiples remain close to record lows for many of our investee companies.
  - Potential for significant increase in multiples due to:
    - Net debt free balance sheet positions
    - Earnings showing signs of sustained improvement
    - Capital management options
    - Corporate activity
    - Long-term industry tailwinds
- **Investor demand returning for emerging companies:**
  - Expensive valuations for many ASX-200 businesses
  - XSO underperformance since 2018
  - Market consolidation and fewer IPOs
  - Anticipation of an earnings rebound

# Potential Near-Team Stock Specific Catalysts

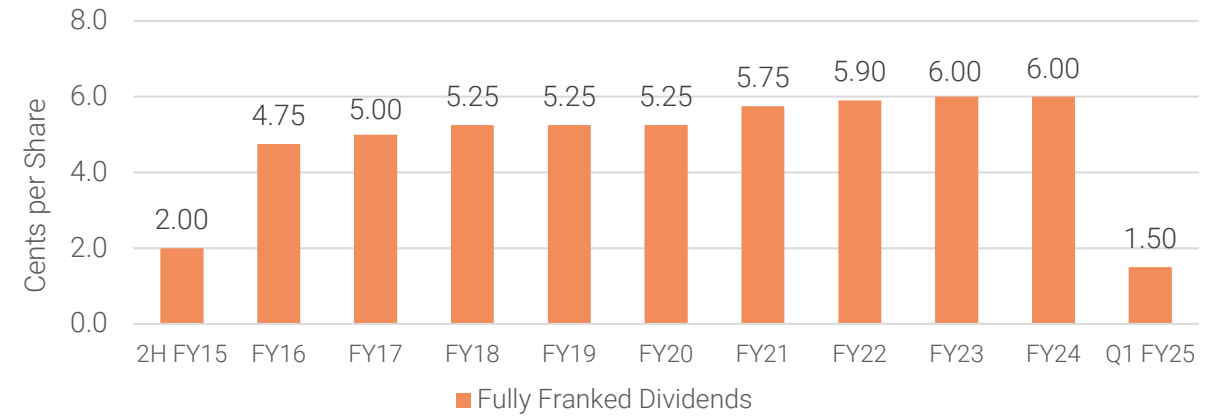
AMA	<ul style="list-style-type: none"> <li>• Sale of ACM Parts with the subsequent proceeds moving AMA close to a net cash balance sheet position.</li> </ul>
COG	<ul style="list-style-type: none"> <li>• Potential sale of non-core assets (EPY, CAF, asset management) and simplification of its business structure.</li> </ul>
BSA	<ul style="list-style-type: none"> <li>• Outcome of nbn tender process for the new nbn Field Services Contract.</li> <li>• 1H FY25 results which could move BSA to a net cash balance sheet &amp; potentially implement capital management initiatives.</li> </ul>
MXI	<ul style="list-style-type: none"> <li>• A return to positive EPS growth after 3 consecutive halves of EPS contraction.</li> <li>• Significant improvement on net debt position with clear short-term trajectory to net cash by FY26.</li> </ul>
MOV	<ul style="list-style-type: none"> <li>• Significant improvement on FY24 results with momentum continuing from the AGM update in November</li> <li>• Reaffirm of profitability for FY26 brought forward into late FY25.</li> </ul>
UBN	<ul style="list-style-type: none"> <li>• Sustainable cash flow breakeven position reached in FY25.</li> <li>• Announcement of a strategic partnership with a large Australian financial institution.</li> </ul>

# Dividends

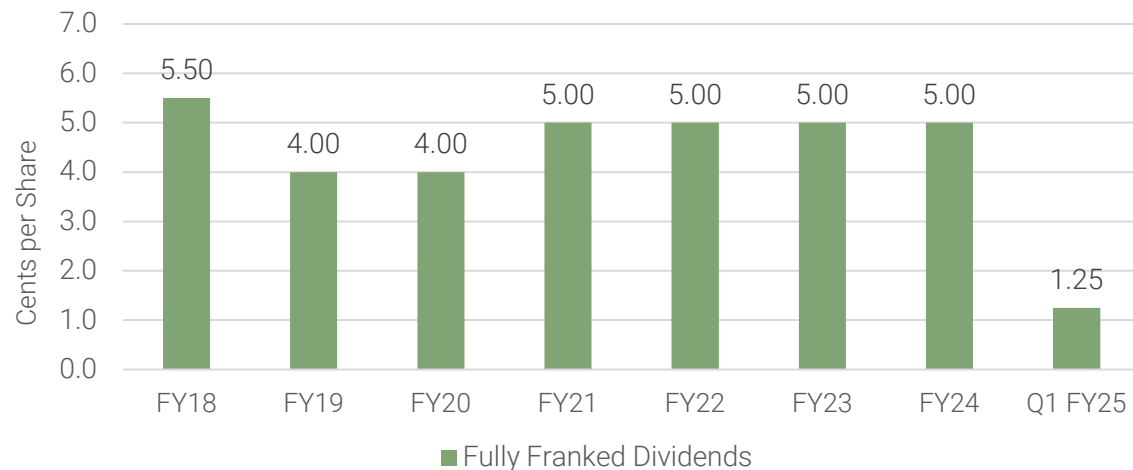
NCC Dividend History



NAC Dividend History



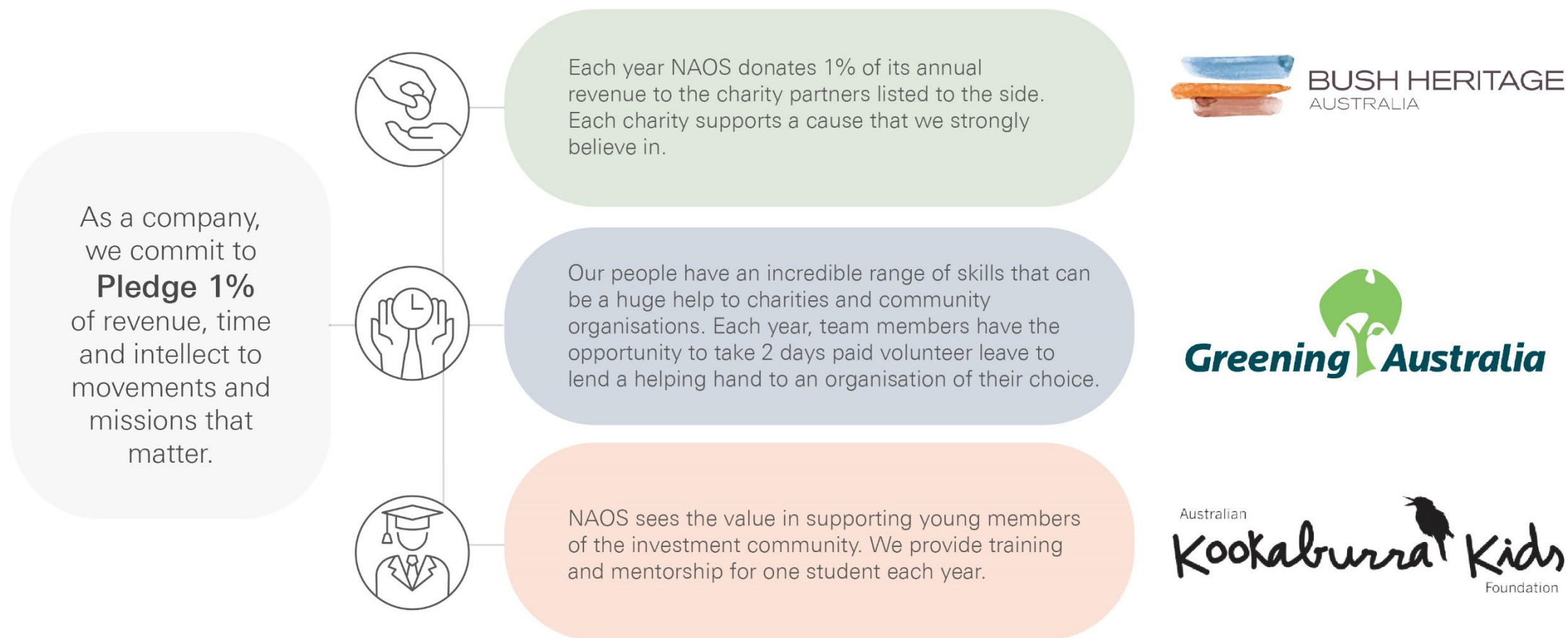
NSC Dividend History



## Profit Reserves as at 31 December 2024

NCC	27.9 cps
NAC	33.8 cps
NSC	9.9 cps

# NAOS Asset Management 1% Pledge





# Questions & Answers

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O  
S

Thank you for your ongoing support



# Appendix



# 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:

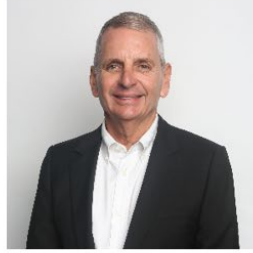
- Allows the investment manager to build a concentrated portfolio of high-quality investments **without needing to worry about short-term liquidity requirements**.
- **Fund size is generally limited** to the upside, allowing investors to maintain a significant exposure to the underlying investments and 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.

# NAOS Directors and Team

## OUR DIRECTORS



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



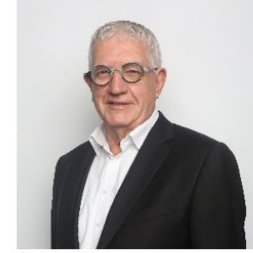
**Warwick Evans**  
Chairman, NAOS Asset  
Management Limited &  
Director NCC, NSC & NAC



**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

## OUR TEAM



**Sebastian Evans**  
Chief Investment Officer



**Robert Miller**  
Portfolio Manager



**Brendan York**  
Portfolio Manager



**Jared Tilley**  
Senior Investment Analyst



**Richard Preedy**  
Chief Financial and  
Operating Officer



**Rajiv Sharma**  
Head of Legal and  
Compliance

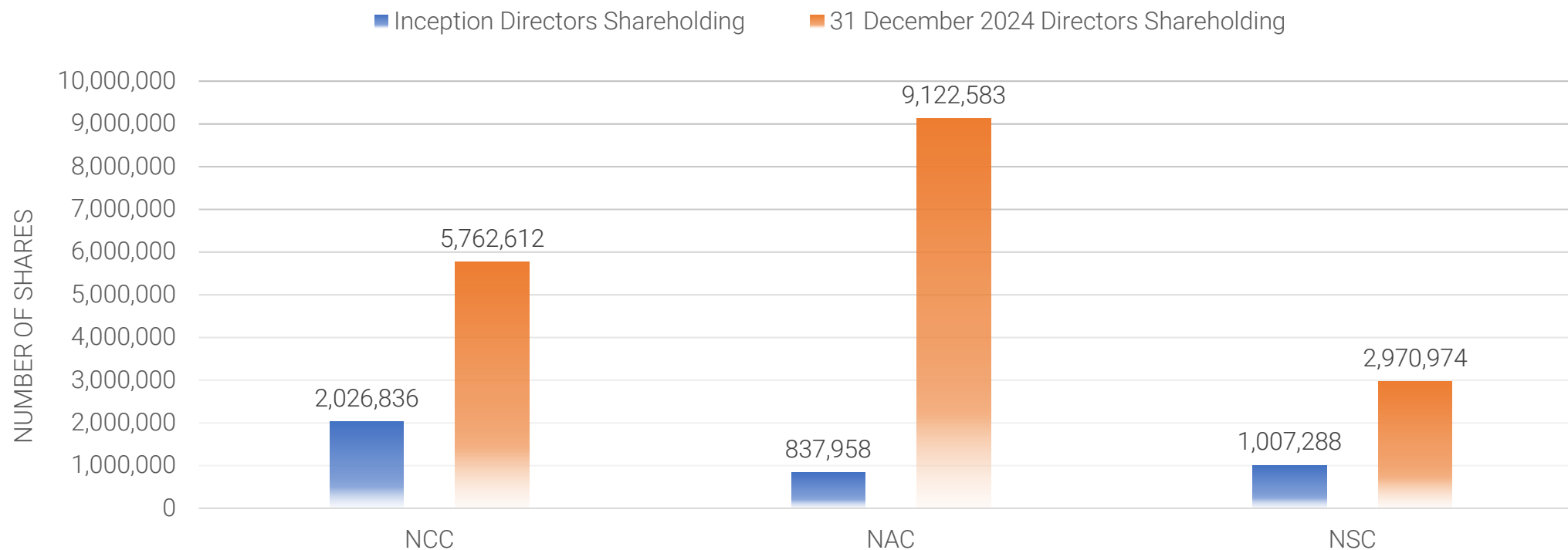


**Angela Zammit**  
Marketing &  
Communications Manager



**Julie Coventry**  
ESG Officer

# Shareholder Alignment: LIC Directors & Investment Manager



- Directors' shareholdings have significantly increased since the inception of each LIC.
- Investment Manager Fee Reinvestment: NAOS is also reinvesting a portion of its management fees each month into buying LIC shares on-market.

# 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. 34.3 million shares, or 20% of shares on issue, have been bought back on market since the buyback commenced in April 2019.</li> <li>\$32.2 million unsecured notes refinanced in December 2024 at maturity, \$13.24 million unsecured note issued with a 5-year term.</li> </ul>
NAC	<ul style="list-style-type: none"> <li>The share buyback remains active. 26% of shares on issue have been bought back on market since the buyback commenced in June 2019, which has been significantly accretive for shareholders.</li> <li>Share purchase plan (SPP) completed in November 2024, raising \$2.4 million.</li> </ul>
NCC	<ul style="list-style-type: none"> <li>One-for-five bonus Options (ASX: NCCO) were issued in December 2023, allowing shareholders to acquire fully paid ordinary shares exercisable at \$0.67 per Option on or before 31 December 2026.</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>

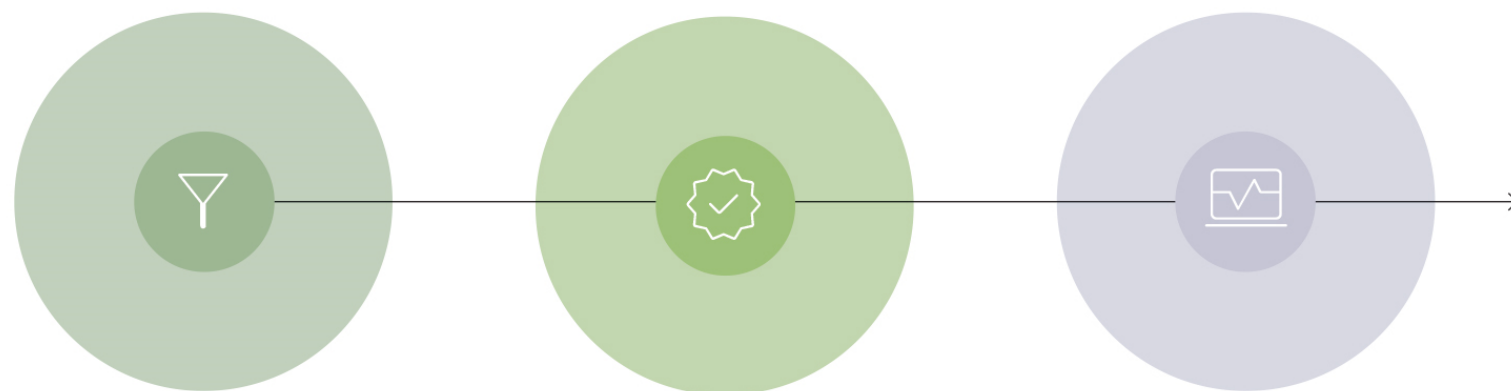


# NAOS ESG Framework

## Considering ESG Factors in the NAOS Investment Process

At NAOS, as an investment manager, we recognise and accept our duty to act responsibly and in the best interests of all stakeholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors are associated with a sustainable business model over the longer term, which also benefits 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.



### Screening

NAOS excludes investment in specific industries and companies that do not align with our responsible investment goals, such as:

- Tobacco
- Gambling
- Nuclear & uranium
- Controversial weapons
- Coal mining operations, oil & gas production
- Animal cruelty

### Due Diligence and Investment Decision

- Identify ESG factors we think are relevant to each proposed investment
- Consider our stance on these ESG factors, based on the principles and frameworks we believe can help to influence positive social return
- Integrate our findings into our broader investment process, which focuses on quantitative and qualitative analysis

### Ownership and Monitoring

- With our long-term, concentrated investment approach, we are often a substantial shareholder in our investee companies and can meaningfully influence them to address identified ESG issues
- Creating accountability through ongoing monitoring and engagement with our investee companies

### Our Guidelines

Our approach to considering ESG factors in our investment process is guided by:

Signatory of:



### The Principles for Responsible Investment (UNPRI)

A globally recognised framework consisting of six principles that guide the incorporation of Environmental, Social and Governance (ESG) factors into investment analysis.



### The United Nations Sustainable Development Goals (UNSDG)

A global framework that addresses sustainability challenges worldwide, offering 17 interconnected goals to achieve by 2030.

### Accreditation

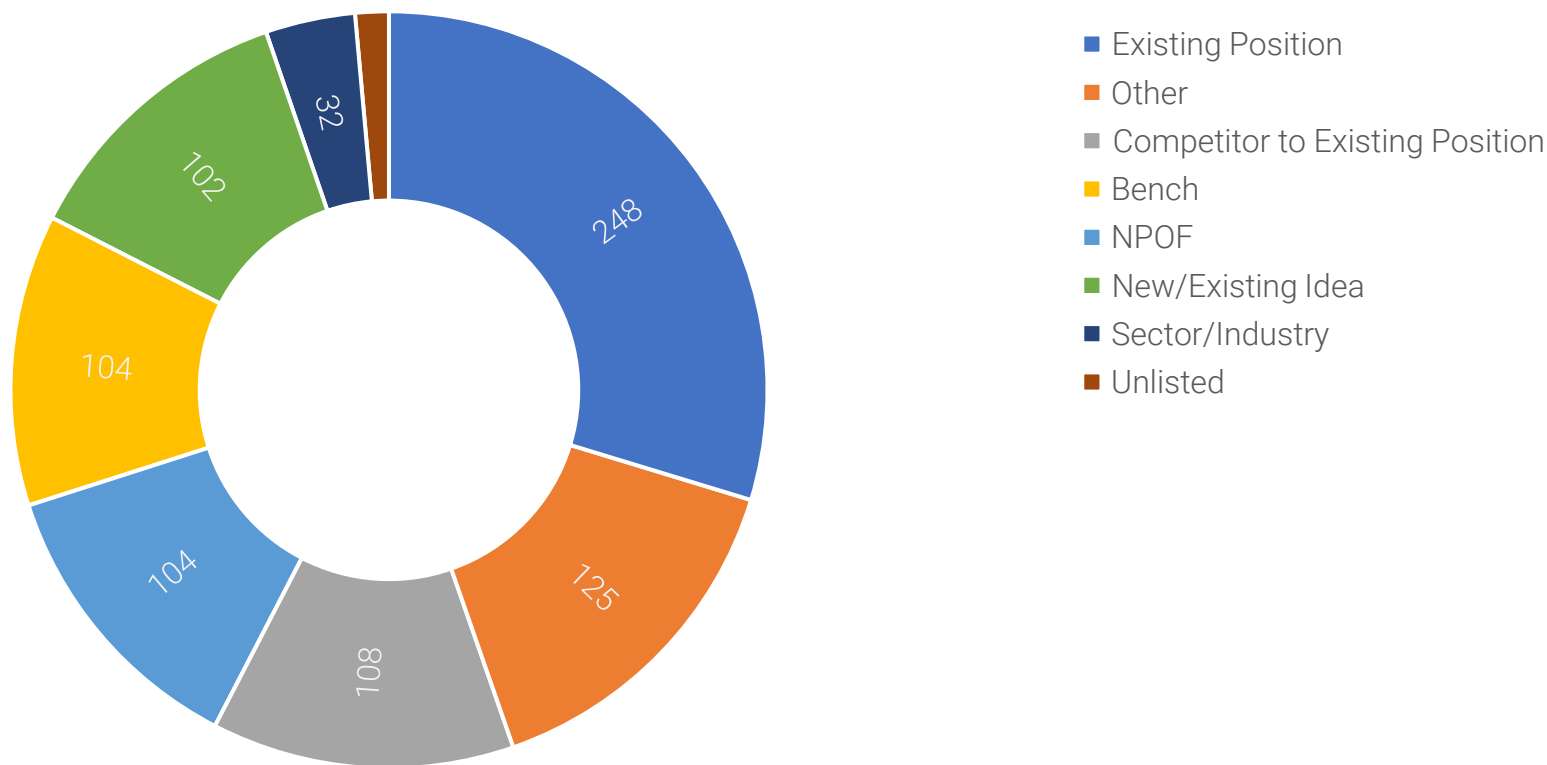


### Certified B Corporation

B Corporation certification is afforded to companies that demonstrate high standards of verified performance, accountability and transparency in the areas of social and environmental responsibility.

# Proactive Portfolio Management

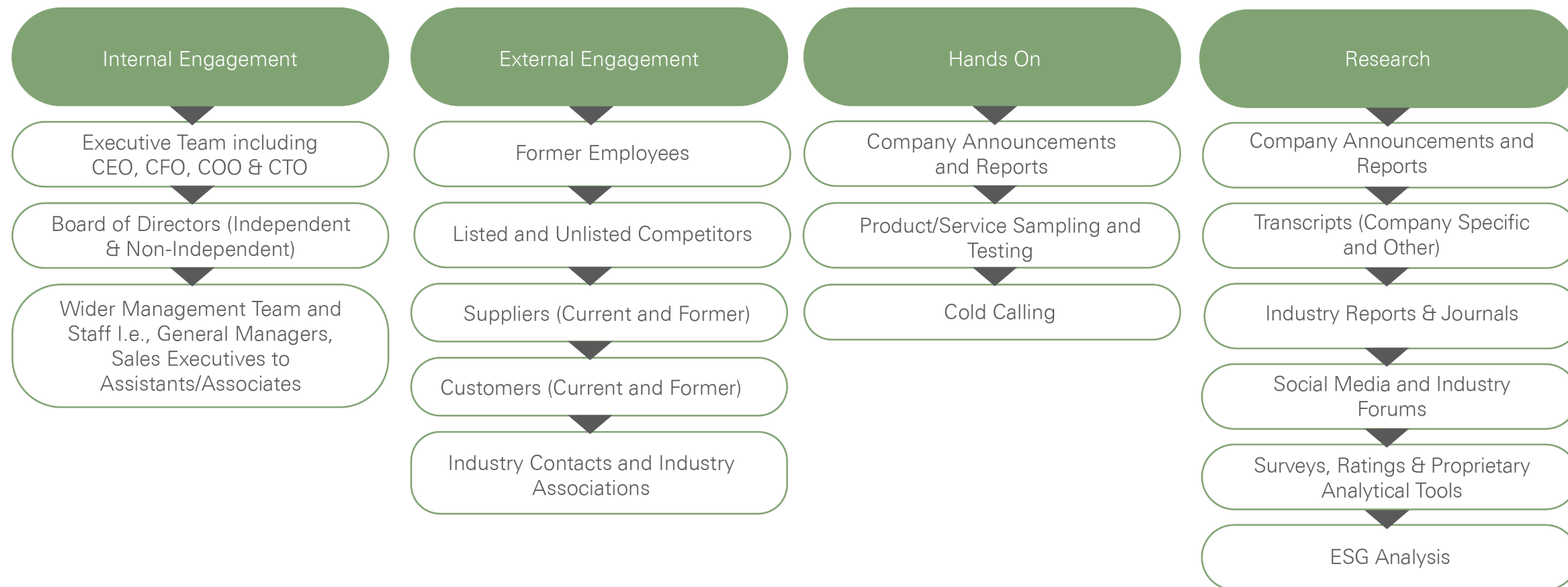
The NAOS Investment Team conducted 835 meetings during FY24, highlighting our commitment to thorough research and informed decision-making.



Source – NAOS

# 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:



# Reasons Why We Seek Board Representation

From time to time, we will seek Board representation where we believe some skillsets could be enhanced.

These individuals will generally have:

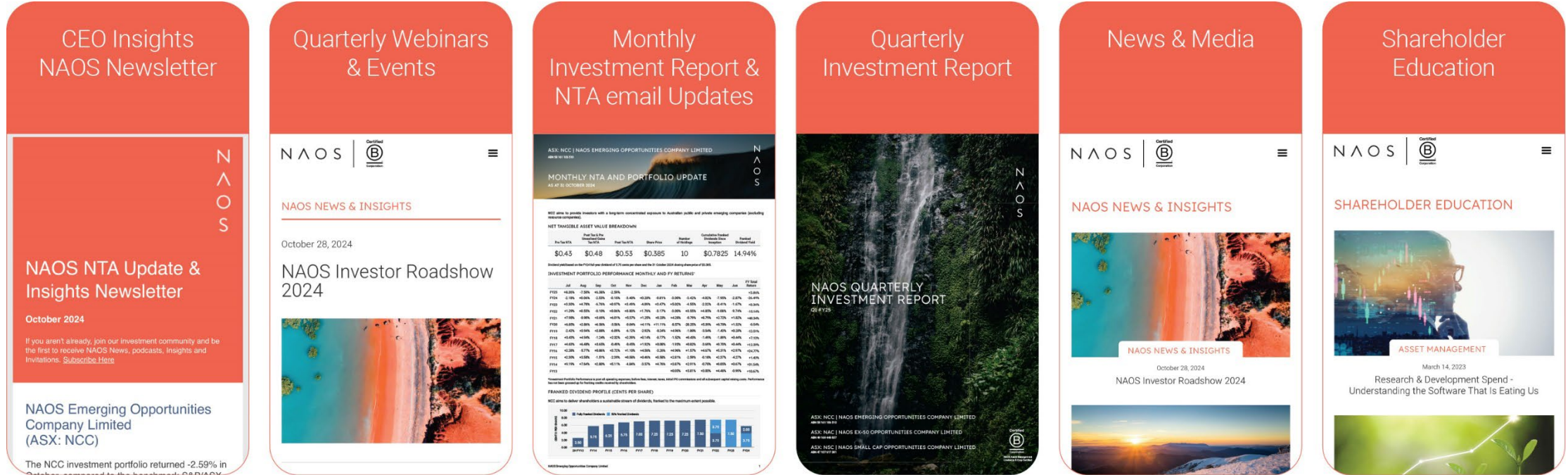
- Significant experience outside funds management including operational and M&A roles.
- A sound understanding and respect of shareholders capital.
- A track record of executing a strategy.
- Experience managing business risks.
- Experience in messaging/communications to market.

# 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

# Investor Awareness and Communication



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